UOB-Kay Hian Holdings Limited

Annual Report 2009

*inspiring innovation, **providing better solutions***

UOBKayHian

your trusted broking partner

Contents

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

8 Anthony Road
#01-01
Singapore 229957
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 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 2086 professional and support staff globally. Our staff enrolment includes 1294 sales staff and agents, 69 research analysts and 723 management 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 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.

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 948 retail and institutional sales personnel. In addition, we have 346 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 31.12.2009 (S$'000)	Group For the Year Ended 31.12.2008 (S$'000)	Group For the Year Ended 31.12.2007 (S$'000)	Group For the Year Ended 31.12.2006 (S$'000)
Revenue & Foreign Exchange Gain	**407,031**	374,147	792,151	421,003
Profit from Operations	**134,635**	124,652	329,179	166,937
Share of Results of Associates				
After Tax	–	–	119	984
Profit Before Tax	**134,635**	124,652	329,298	167,921
Profit After Tax	**115,263**	109,516	275,031	139,052
Profit After Tax and Minority Interests	**114,385**	108,745	273,392	137,161
Shareholders' Equity (excluding minority interests)	**1,013,741**	956,888	961,239	810,588
Adjusted Earnings Per Share	**15.78 cents**	15.01 cents	37.72 cents	18.93 cents
Adjusted Gross Dividend Per Share *(Note a)*	**8.00 cents**	7.50 cents	20.89 cents	12.50 cents
Adjusted Net Assets Per Share *(Note b)*	**139.88 cents**	132.04 cents	132.64 cents	113.81 cents
Percentage Return on Shareholders' Equity				
Profit Before Tax	**13.28%**	13.03%	34.26%	20.72%
Profit After Tax	**11.37%**	11.45%	28.61%	17.15%
Profit After Tax and Minority Interests	**11.28%**	11.36%	28.44%	16.92%

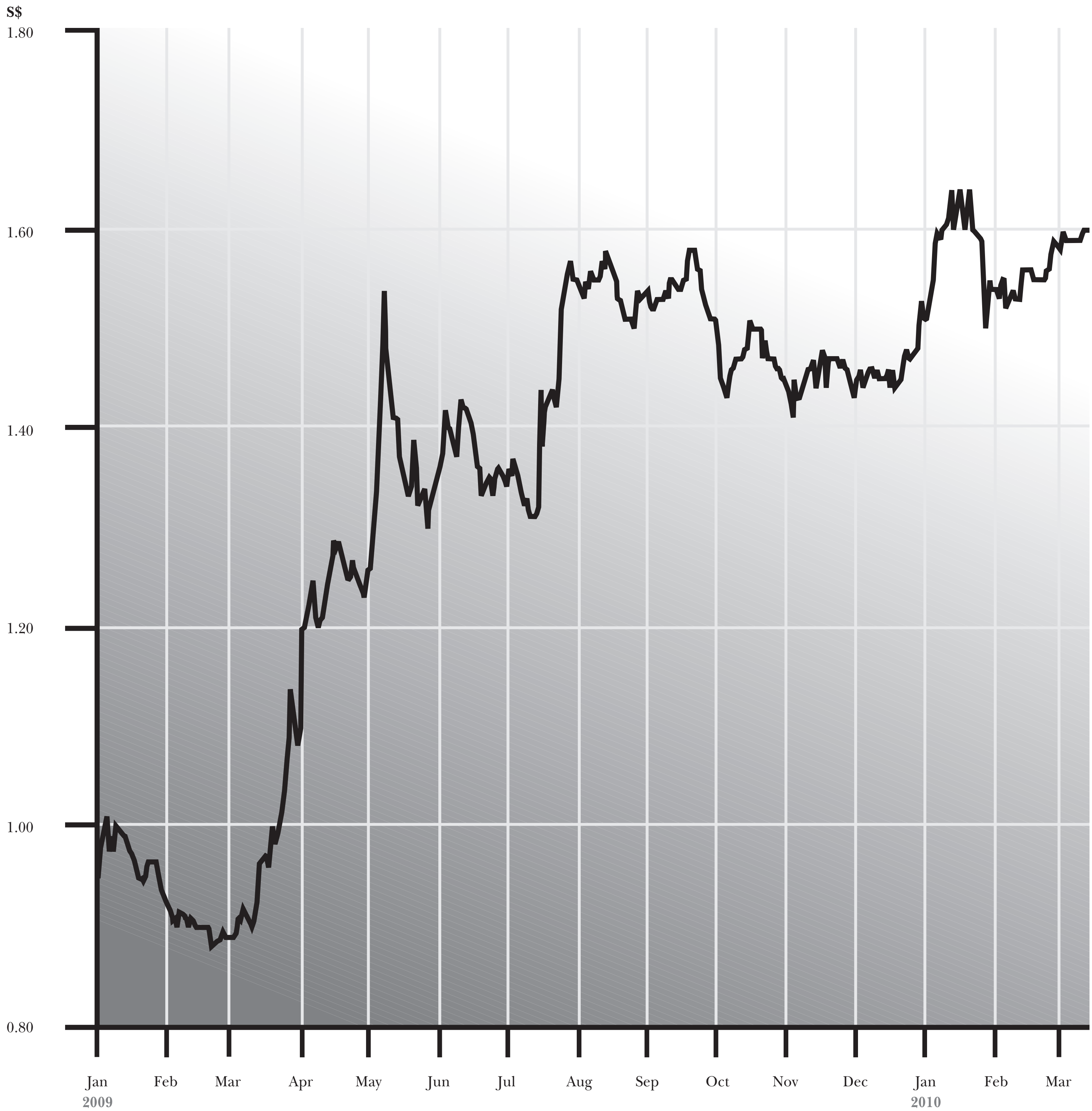
Note

(a) 2009 dividend of 8.00 cents (2008: dividend of 7.50 cents) is paid/payable on a one-tier tax exempt.

(b) Net asset value is derived after deducting 1.81 cents (2008: 1.85 cents) per share attributable to minority interest.

UOB-Kay Hian Share Price

(From 2 January 2009 to 13 March 2010 – daily)



Last Close	:	S$1.60
High	:	S$1.64
Low	:	S$0.865

Stock markets across the globe started 2009 on a very cautious note as investors worldwide continued to grapple with the impact of the financial meltdown towards the end of 2008 and doubts continued to linger about the survival of some established financial institutions and other well known corporate names. Worries about how the real economy will cope with slowing trade caused by the credit crunch and job losses in North Atlantic economies weighed heavily on market sentiments at the beginning of the year.

Steps taken by many blue chip companies in the region to strengthen their capital base through rights issues during the first half of 2009 also had an impact on investor confidence.

Concerted monetary stimulus by governments across the world which resulted in a near zero interest rate environment and aggressive fiscal measures taken by various governments to avert a recession caused Asian economies to stage a remarkable recovery in the latter part of 2009. These measures were the catalysts for improved investor confidence and an earlier-than-anticipated market recovery, leading to more corporate fund-raising in the second half of 2009.

We were able to take advantage of the opportunities presented by the market and were active in both the secondary market as well as primary placement activities.

Our 2009 profit after tax attributable to shareholders of S$114.4m reflected an increase of 5.2% over the previous year. Our overall commission and fee income rose to S$351.6m, improving 18.3% against 2008. Our Group's return on equity for 2009 was 11.5%, up from 11.3% in 2008. Our operating margin of 32.1% was similar to 2008. Net asset value per share increased by 5.8% from S$1.32 to S$1.40.

Our 2009 profit would have been higher if not for the high rental incurred during the remainder of our expiring leases in Singapore. With the relocation of our corporate headquarters to 8, Anthony Road completed in October 2009, we expect rental cost to decline from 2010 and to remain stable till the end of 2023, with synergistic benefits from operating under one roof in the Singapore headquarters.

We believe Asian markets will continue to provide good investment opportunities for our clients in 2010 given the expected strong GDP expansion amid a fragile global economy. However, external factors will continue to impinge on markets and create volatile conditions periodically in 2010. Market volatility generally drives trading volumes. In 2010, our focus is to improve on the timely delivery of our regional equity research products to enable our clients to ride the market volatility.

In April 2009, the Monetary Authority of Singapore (MAS) introduced the Fair Dealing guidelines for adoption by Financial Institutions licenced in Singapore. We are committed to adopting the principles enshrined in these guidelines in the context of our execution services model and shall conduct courses for our staff and representatives to improve their product knowledge. We shall also work with the MAS and industry groups to ensure clients have access to training resources in order to enhance their product knowledge and decide better on product suitability for their own financial circumstances.

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$54.4m, amounting to 7.5 cents per share for the financial year ended 31 December 2009. The proposed dividend represents an increase of 7.1% in real terms over 2008, to be presented to the shareholders for approval at the Annual General Meeting on 28 April 2010.

Current Year Prospects

We expect caution to prevail sporadically in 2010 as global central banks shift from adopting accommodating monetary policies to a tighter regime to control rising inflation and asset bubbles. During the year, we also expect policy shifts away from encouraging asset investment to stimulating consumption demand. The sovereign debt concerns in Europe are expected to increase risk premium and may somewhat impinge investment activities.

On a more positive note, we expect corporate earnings to continue to improve for certain industry sectors, thereby attracting investor interest.

Acknowledgements

On behalf of our Board of Directors, I wish to thank all staff, representatives and associates for their hard work and contribution to the Group in 2009 especially in managing successfully the significant logistics required in our relocation under very stringent timelines.

We hope to continue to count on the unstinting support of our stakeholders who inspire management to work earnestly to take advantage of opportunities in 2010.

I would also like to express our appreciation to our shareholders for their continued belief in our Group. We look forward to your continued support.

Wee Ee-chao
Chairman and Managing Director

CHINA

Review of 2009

China beat its economic growth target for 2009 after GDP grew 10.7% in the last quarter compared with the average growth rate of 7.0% in the first three quarters. Overall, GDP grew 8.7%, with total value of Rmb33,535.3b. Consumer Price Index (CPI) turned positive in November from -1.8% in July and peaked at 1.9% in December. For the whole year, the CPI fell by 0.7%. Producer Price Index (PPI) turned positive in December, +1.7% compared to -8.2% in July. For the full year, PPI decreased by 5.4%.

The Rmb4t stimulus plan and expansionary monetary policy have resulted in massive liquidity in the economy. In 2009, Chinese banks lent out a record Rmb9.59t worth of new loans, representing a 31.7% increase. In monetary terms, broad money (M2) was Rmb 60.6t, a 27.7% jump compared to 17.8% increase in 2008. M1 was Rmb22t, 32.4% higher vs only 9.1% increase in 2008.

In terms of trade, total exports volume was US$1,201.7b in 2009, a 16% drop compared with 2008 while total imports volume dropped by 11.2% to US$1,005.6b. However, the gap in trade balance narrowed by US$99.4b to US$196.1b. Based on monthly data, imports began to climb since May and jumped 55.6% in December whereas exports turned positive eventually in December (for the first time since Aug 08).

Fixed Assets Investment (FAI) reached Rmb22,484.6b in 2009, up 30.1%, attributed to extraordinary fiscal policy. Meanwhile, growth rate accelerated by 4.6ppt over the previous year. Consumption level was stable. Total retail sales of consumer goods reached Rmb12,534.3b for the year, an increase of 15.5%, or 16.9% in real value compared with 2008. Housing prices soared as well, indicating a potential asset price bubble and rising inflationary pressure.

Grain production level was up for the sixth year to 530.82m tonnes, a 0.4% growth. The financial subsidies and higher purchase prices encouraged farmers to put more efforts in grain production.

Outlook for 2010

The economy is likely to grow more quickly in 1Q10 and 2Q10 before a mild slowdown in 2H10, given the low base in 1H09. The sky-high volume of the increase in new loans in 2009 will show a decline in 2010. Rapid money supply growth may force the People's Bank of China (PBOC) to take pre-emptive action in an effort to enforce China's goal of 'moderate' money supply growth, particularly given the signs of recovery in the US and EU in 2H10 and increasing chances of Required Reserve Ratio (RRR) hikes, with anticipated interest rate increase. Exports remain uncertain in 1H10, given debt crisis in Europe. However, better economic figures from the US and emerging economies may boost consumer confidence. In terms of exchange rate, given the current circumstances, especially pressures from western countries and an enlarged trading surplus, the Rmb is likely to appreciate in the second half of this year.

Stock Market Review for 2009

The Shanghai A-share Index soared dramatically by 77% in 2009, closing at 3,277.14. The market received a significant boost since the announcement of the Rmb4t economic stimulus package in 4Q08 as well as the introduction of 10 industrial (automobile, steel, electronics and information, logistics, textile, equipment manufacturing, non-ferrous metals, light industry, petrochemicals and shipping) restructuring and revitalisation plan in Jan-Feb 09. However, the enormous amount of new loan increases has raised concerns about growing inflationary pressure at the end of the year.

The Shanghai A-share Index peaked at around 3,478 in early August (vs the low of 1,849 at the beginning of the year). IPO launches restarted in June after a standstill for eight months. The Second Board was finally launched in Shenzhen after a ten-year delay. To support the stock market, China Huijin Investment, a government-owned entity, purchased 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 October, indicating it would like to purchase more shares within the next 12 months. In Hong Kong, China H-share Index also performed well, increasing 62%.

Stock Market Outlook for 2010

In 2010, China's robust economic and accelerating corporate earnings growth, inexpensive valuations, Rmb appreciation potential and continued economic reforms which will spark positive structural changes are important bull market signals. Amid the slow global growth, China is likely to deliver an outstanding GDP growth of over 9% and corporate earnings growth of more than 25% in 2010. These make China a stronger magnet for global portfolio and hot money over the next 12 months.

However, bull markets do not go straight up. In 2010, the China market faces three uncertain factors: a) an overdue US$ rebound that may temporarily reverse fund flows to emerging markets, b) a possible fine-tuning of China's monetary policy that may trigger profit-taking following the hefty gains in 2009 and c) rising protectionism that may cause the Rmb to appreciate more rapidly than expected. We believe a magnitude of over 15% correction is possible and it is more likely to happen in 2H10 for the China H-share Index.

HONG KONG

Review of 2009

The Hong Kong economy rebounded from a contraction of 3.6% in the first quarter to a 2.6% growth in the last quarter of the year. Overall, Hong Kong's GDP fell by 2.7% in 2009, the first annual recession since 1998, compared with 2.1% growth in 2008. Merchandise trade was the most heavily hit segment and dragged down the economy for most of the year. For the whole year, total exports of goods saw a huge 12.6% drop in real terms after growing 5% in 2008. Re-exports, the main driver of Hong Kong's exports, shrank by 11.8% from 6% growth in 2008.

Hong Kong's labour market has been deeply depressed by the global financial crisis. However, the government's policy of 'stabilising the financial sector, supporting enterprises and preserving employment' has effectively provided a faster improvement than the market had expected. Eventually, unemployment rate fell to 4.9% in the fourth quarter after it peaked at 5.4% in the second quarter.

Inflationary pressure in 2008 quickly turned into deflation in the middle of 2009. However, the extremely loose monetary environment finally lifted the CPI back to positive figure and hit 1.3% of GDP growth in the last quarter. Consumption demand was held back because of falling income but the sector saw progressive improvement in the final quarter when retail sales rose 12.8%, after experiencing a recession for the rest of the year. The property market rebounded very strongly from the end of 2008, surging 27% by the end of 2009.

Outlook for 2010

The lower unemployment rate, accelerated retail sales and better trading figures in 4Q09 indicated that the economic rebound will possibly continue in 1H10. Meanwhile, the recovery of external demand from both emerging and developed countries may also provide further support to GDP growth. Therefore, the GDP growth rate could be particularly strong in the first quarter, given the low base in 1Q09. However, inflationary pressure may possibly start building up from the beginning of the year. The rising global food and commodity prices may pose upside risks to the CPI.

Local consumer and business sentiments are likely to be strong in 2010, given the expectation of an improvement in income. Inbound tourism is also seeing an increasing chance to move up, following the persistently growing number of visitors since last August, particularly from mainland China.

Overall, the performance of the small and open economy of Hong Kong will largely depend on the fragile global recovery in 2010. With the rebound in global production and trade, Hong Kong could continue the momentum seen in late 2009.

Stock Market Review for 2009

The Hong Kong market recovered very quickly from the downturn triggered by the global financial crisis. The Hang Seng Index (HSI) reached a high of 23,099 in mid-November before hitting bottom at 11,345 in early March. The HSI closed at 21,872, 52% higher than the end of 2008. Total market capitalisation was HK$17,874.3b at the end of 2009, 74% higher. In 2009, a total of 73 companies were newly listed on the Main Board and GEM, raising HK$248.2b, the largest among all stock exchanges in the world. Total equity funds raised was HK$642.1b in 2009.

In 2009, more actions were also taken by regulators to strengthen market regulation and protect investors after the severe financial crisis in 2008. The measures actually restored investor confidence as well as improved market transparency. Meanwhile, the signing of agreements between the Hong Kong Stock Exchange and Shanghai and Shenzhen Stock Exchanges may signal further co-operations between mainland China and Hong Kong. The exchanges would work more closely together to facilitate the fund-raising activities of Chinese enterprises.

Stock Market Outlook for 2010

A massive volume of capital has flowed into the Hong Kong market, creating an extraordinary easy monetary environment. The rally in property and stock markets in 2009 was partially the consequence of the massive capital inflows. If the inflows eventually correct, the Hong Kong market may easily be distorted, being a small and open economy. However, on the back of the gradual global recovery, especially the development of China's economy, we believe Hong Kong's economic growth may be sustainable. We look forward to a further rebound in 2010.

We believe the next growth momentum is likely to be the real recovery of the external sector, when countries step out of the recession. The boom experienced in the sector may significantly improve the employment figure and will in turn provide a strong income effect. We believe property (including commercial properties), local retail and industrial sectors will be the prime beneficiaries of this recovery. Once again, we believe Hong Kong-listed China stocks should perform well, given the better-than-expected fundamentals in mainland China.

INDONESIA

Review of 2009

Amid the global financial crisis, Indonesia's GDP grew 4.5% in 2009 on the back of a domestically-driven economy. Inflation was also low at 2.78% and hence, Bank Indonesia (BI) could cut the BI rate by 300bp to 6.5% from 9.5% at end-08. As a result, consumer confidence recovered to above 100 in April, which drove the recovery in cement and automotive sales.

Despite the strong recovery in purchasing power, the proportion of private consumption declined to 58.6% from above 60% in the previous years on the back of gross fixed capital formation growing 4.2%, as the result of improved political stability with the peaceful parliamentary and presidential elections.

Outlook for 2010

The Indonesian economy should grow faster in 2010, driven by growing private and government spending. BI foresees the economy growing by 5.6% this year. Exports should also back GDP growth as the global economy recovers. We foresee inflation remaining soft at 5.5%, within BI's estimate of 4-6%. The central bank is expected to raise the BI rate by 125bp in 2H10. At the same time, the Ministry of Finance estimates the budget deficit to hover at around 2.1%. Rising oil and commodity prices are the key risks for the economy, which will raise inflation and the government's budget.

Stock Market Review for 2009

The Jakarta Composite Index (JCI) gained 87% to close at 2,534.4 in Dec 09, positioning Indonesia as one of the best-performing markets in the world. The outperformance was driven by positive economic growth with Indonesia successfully weathering the global recession, a recovery in commodity prices, and stable political situation. Market liquidity also more than doubled since 2Q09 and was even higher than that during the 2007 bull run. The Miscellaneous Industry and Mining sectors' indices rose 179.8% and 151.1% respectively, while the recovery in consumer spending was reflected in the 105.4% return in the Consumer Goods sector's index, the third-best performing sector in 2009.

Stock Market Outlook for 2010

After the strong run-up, we expect the next driver for the market to come from faster economic growth and realisation of infrastructure development. However, it has to be supported by a stable political situation. The recent Bank Century case indicates that the government does not have strong support from its coalition members. We even see a gridlock between the government and the House of Representatives. A prolonged political gridlock may affect the economy. The best conclusion expected from this affair is for Bank Century's case to fizzle out as we foresee a tit-for-tat tactic between the conflicting parties.

MALAYSIA

Review of 2009

Malaysia emerged from a technical recession in 2Q09 with positive growth momentum stretching over the last three quarters. The economy grew 4.5% in 4Q09 as it rebounded from three straight quarters of yoy contraction. For the full year, the economy contracted 1.7% (2008: +4.6%).

The strong growth momentum was underpinned by firm domestic demand, particularly from the increase in public sector spending as the implementation of fiscal stimulus measures picked up pace. Malaysia's export performance also strengthened in 4Q09, amid improvements in external demand and stronger commodity prices.

Outlook for 2010

UOB Economic-Treasury Research maintains its 2010 GDP forecast for Malaysia at 4.9%, taking into consideration moderate external demand growth and the Malaysian government's less expansionary budget for 2010. The country's budget deficit is expected to narrow sharply to around 5.6% of GDP in 2010, from an estimated 7.4% in 2009.

Stock Market Review for 2009

The FBMKLCI fell 4.4% from the start of 2009 to bottom out at 838.39 in Mar 09. The turning point emerged after the government announced the RM60b fiscal stimulus programme to shore up the economy. Thereafter, the FBMKLCI commenced a steady uptrend to close the year at 1,272.78, up 45%, amid increasingly positive newsflow from policy reforms under new Prime Minister Najib Razak's administration. They included improved Malaysia-Singapore bilateral ties as well as a slew of liberalisation measures aimed at attracting foreign investments (such as repealing Foreign Investment Committee guidelines over equity M&A and share transactions, easing Bumiputera equity requirements and lifting foreign ownership limits in selected sub-segments). 2009 also saw the re-listing of Maxis Berhad in what was Malaysia and South East Asia's biggest IPO at the time of listing.

Stock Market Outlook for 2010

We foresee the FBMKLCI entering a consolidation phase post-1Q10 uptrend, where the index scaled to higher ground amid strong market liquidity, a relatively stable political landscape, improving foreign direct investment (FDI) trends and a firmer Ringgit. We expect the uptrend to be crimped by mounting external issues, which include tightening liquidity (as interest rates rise), sputtering fiscal stimulus packages globally in 2H10 and continuing weak US consumer spending.

Bank Negara Malaysia's move to raise the Overnight Policy Rate by 25bp to 2.25% on 3 Mar 10 has come ahead of general expectations but within broader expectations that the central bank would take a less accommodative stance in 2010. The move also reinforced our view of a relatively sluggish equity market through 3Q10. We expect 2010 to be a flattish year for the FBMKLCI.

SINGAPORE

Review of 2009

Singapore's 2009 GDP contracted 2%, affected by the global economic fallout and H1N1. The economy bottomed out in 1Q09 (-9.4%) followed by positive yoy growth since 3Q09. The services industries fell 2.2% in 2009 due to a fall in all major sectors except the Information & Communications sector. Manufacturing sector contracted 4.1%. A bright spot was the Construction sector, which expanded 16.0% due to the high volume of infrastructure jobs as well as a recovery in the Property sector in 2H09.

Despite the challenging external environment, Singapore's economy was relatively resilient. This was underpinned by the government's proactive measures to boost the economy through an expansionary 2009 Budget and measures such as Jobs Credit Scheme and Special Risk-Sharing Initiatives (SRI).

Outlook for 2010

UOB Economic-Treasury Research forecasts 2010 GDP growth at 5.8%, in line with the Ministry of Trade and Industry's (MTI) forecast of 4.5-6.5% GDP growth in 2010.

Looking ahead, evidences of a further economic recovery looks to be gaining ground. The service industries, particularly retail, and hotels, are expected to enjoy a boost from the opening of the two integrated resorts in 2010. Supporting this is a strong 17.5% rise in Jan 10's tourist arrivals. Singapore Tourism Board (STB) forecasts a 19-29% rise in 2010 tourist arrivals.

Stock Market Review for 2009

After bottoming out in Mar 09 at 1,459.95, the FSSTI rallied 99% from its low to end 2009 at 2,897.62. The sharp turnaround in the FSSTI was in line with regional markets, which recovered on coordinated government stimulus measures and expectations of improving corporate earnings.

As a result of the market's strong recovery from its bottom in Mar 09, sectors that underperformed the FSSTI included low beta and resilient sectors such as land transport, media and telecommunications. Conversely, sectors that enjoyed the strongest recovery in share price include Supply Chain, Plantation and Property.

Stock Market Outlook for 2010

Singapore is well-placed to benefit from the global economic recovery. The banking sector is well-capitalised. The expected recovery of corporate loans will complement consumer loan growth and it is expected to drive loan growth of 5-8% in 2010.

Although the macroeconomic newsflow for Singapore remains upbeat, we believe investors may take a measured approach to Singapore's stock market after the FSSTI's 65% rally in 2009. Therefore, we advocate a balanced approach to the market, preferring a combination of high dividend yield stocks as well as stocks with company-specific catalysts.

THAILAND

Review of 2009

Despite the sharp contraction during the first three quarters of the year as a result of the global economic crisis, Thailand's GDP grew 5.8% in the last quarter on the back of strong exports recovery, given the faster-than-expected economic recovery of its trading partners, steady expansion in public spending and recovery in household consumption expenditure. Thailand's full-year GDP contracted 2.3%, better than the consensus estimate of 2.5-3.5% contraction. Headline inflation declined to -0.9% due to weaker oil price as well as the government's measures to ease the high cost of living. Core inflation stood at 0.3%.

Outlook for 2010

For 2010, UOB Economic-Treasury Research has forecasted Thai GDP growth of 4.3%, which is at the top range of the consensus but appears possible if there is no delay in the resolution of the suspension of capital-intensive projects at the Map Ta Phut industrial estate, political situation kept under control and public spending under the Strong Thai Scheme progresses smoothly. Other growth catalysts include increasing household income in tandem with domestic economic recovery, a decline in unemployment rate to its normal rate of around 1-1.2%, and rising farm income from high agricultural prices. The Thai baht/ US$ exchange rate of Bt33 is likely to strengthen towards the end of 2010. Inflation has been on an uptrend since 4Q09 but it is still within control. Thus, the policy rate will be kept at 1.25%, at least until the middle of 2010.

Stock Market Review for 2009

Overall, the Stock Exchange of Thailand (SET) Index performed better in 2009 than 2008, both in terms of price levels and trading values despite all political and economic crises, domestically and worldwide. In 2009, the SET Index closed at 734, an increase of 63% over year-end 2008. In 2009, the Index reached the highest level of 751.86 and lowest level of 411.27. The top five best performing sectors are Agriculture (+175%), Construction Materials (+112%), Petrochemicals (+107%), Banking (+105%) and Agro and Food (+104%). Daily average trading value was US$525.6m, up 12.5% over 2008. Foreign investors made a major shift from being net sellers in 2008 with a position of US$4.91b to net buyers in 2009 with US$1.15b.

Stock Market Outlook for 2010

Given a modest pick-up in corporate profitability this year, the SET Index is likely to advance at a slower pace compared to 2009. Based on the bottom-up approach using 2010 target price for stocks under our coverage and consensus estimates for non-rated stocks, the SET Index has around 15-20% upside from the current level to reach 863. The major drivers of the Index's rise are: **a)** an economic recovery with GDP growth of 3-4%, **b)** double-digit net profit growth and **c)** the injection of massive public spending under the Strong Thai Scheme. Our investment strategy for 2010 focuses on sectors which offer good earnings growth. We prefer Banks on their good earnings growth and attractive valuations. Small-cap sectors like Media, Contractors and Healthcare are recovery plays. Earnings growth for the Energy sector will be good but its prospects are clouded by the unclear outcome of the Map Ta Phut issue.

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 2009 :- 1.4

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Wee Ee-chao	4	3	–	–	–	–	–	–
Tang Wee Loke	4	2	–	–	–	–	1	1
Neo Chin Sang	4	4	–	–	–	–	–	–
Esmond Choo Liong Gee*	4	4	4	4	–	–	–	–
Walter Tung Tau Chyr	4	4	–	–	1	1	–	–
Henry Tay	4	4	4	4	1	1	–	–
Chelva R Rajah	4	3	4	3	1	1	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 $93,878 was paid to the external auditors for non-audit services versus $388,451 for audit fees rendered during the year. 11.4, 11.6

The AC annually reviews the independence of the external auditors.

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.

The remuneration of the directors of the Company for the financial year ended 31 December 2009 is as follows:- 9.1, 9.2

Name	Fees (%)	Fixed Salary (%)	Variable Income (%)	Total (%)
$5,250,000 to S$5,500,000				
Wee Ee-chao	–	9.10	90.90	100
S$2,500,000 to S$2,750,000				
Esmond Choo	–	15.37	84.63	100
S$500,000 to S$750,000				
Neo Chin Sang	–	54.04	45.96	100
S$250,000 to S$500,000				
Tang Wee Loke	–	100	–	100
Below S$250,000				
Walter Tung	100	–	–	100
Francis Lee	100	–	–	100
Henry Tay	100	–	–	100
Chelva Retnam Rajah	100	–	–	100
Roland Knecht	100	–	–	100

The remuneration band of the top five executives of the Group for this financial year are:-

Remuneration Bands	No. of Executives
S$2,500,000 to S$2,750,000	1
S$1,250,000 to S$1,500,000	1
S$500,000 to S$750,000	1
S$250,000 to S$500,000	2
Total	5

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 2009 (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 2009 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
UOB Limited	S$ 6.05 million *	Not applicable #
Peak Properties Pte Ltd	S$ 7.35 million **	Not applicable #

* Rental for extention of lease for 91,000 sf of space at OUB Centre and UOB Plaza 1 for a period of 3 to 4 mths from 1.8.2009 to 30.11.2009

** Rental for lease of 7438 sf of space at 8 Anthony Road #01-02 from 1.11.2009 to 20.7.2023

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

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 29 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 Union 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:

– Group Managing Director, Group Head of Private Banking 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 Managing Director Senior Advisor of Heritage Asset Management Pte Ltd., Singapore.

Lee Chin Yong Francis – Mr Lee is the Senior Executive Vice President of United Overseas Bank Limited, responsible for the Group's retail businesses for consumers and small business customers. He joined UOB in 1980. Prior to his appointment in Singapore in 2003, he was the Chief Executive Officer ("CEO") of UOB (Malaysia). Between 2003 and 2008, Mr Lee was the head of International and spearheaded the Group's expansion in the region. He was also responsible for the Bank's consumer banking business in Singapore and the region.

Mr Lee is a director of several UOB subsidiaries and affiliates, including United Overseas Bank (Malaysia), PT Bank United Overseas Bank (Indonesia), PT Bank United Overseas Bank Buana, United Overseas Bank (Thai) Public Company and United Overseas Bank (China).

He holds a Malaysia Certificate of Education and has 31 years of experience in the financial industry.

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 29 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 an Executive Director of UOB Kay Hian Pte Ltd. He is the Head of Operations for the Group and is also involved in general management. He graduated with an Honours degree from the University of Edinburgh and qualified as a chartered accountant with Institute of Chartered Accountants of Scotland.

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 20 years.

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

JAKARTA

MR. HIMAWAN GUNADI – He has almost 20 years working experience in the stockbroking industry. He joined PT UOB Kay Hian Securities in October 2006 as the Managing Director and is responsible for developing the Company's retail and institution business in Indonesia.

Prior to joining the Group, he was the Director & Head of Local Equity Sales of DBS Vickers Securities Indonesia and the Director of Local Equity Sales of Peregrine Securities before that.

Himawan graduated from the University of Texas in 1988 and was granted Master of Business Administration in Finance by University of Northrop, California in 1989.

The directors present their report together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2009.

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 year**	**At end of year**	**At beginning of year**	**At end of year**
The Company *(Ordinary shares)*				
Wee Ee-chao	–	–	122,937,976	143,289,976
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 2010 were the same as at 31 December 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 for salaries, bonuses, fees and other benefits as disclosed in the financial statements. 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 options to take up unissued shares of the Company or any corporation in the Group were 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 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all non-executive directors, is chaired by Dr. Henry Tay Yun Chwan, an independent director, and includes Mr Chelva Retnam Rajah, an independent director and Mr Francis Lee Chin Yong. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

a) the audit plans and results of the internal and external auditors' examination and evaluation of the Group's systems of internal accounting controls;

b) the Group's financial and operating results and accounting policies;

c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

e) the co-operation and assistance given by the management to the Group's external auditors; and

f) the re-appointment of the external auditors of the Group.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

7 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
31 March 2010

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position 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 2009, 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
31 March 2010

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 statements of financial position of the Group and the Company as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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.

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 statement of financial position 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 2009 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 LLP

Public Accountants and Certified Public Accountants

Singapore
31 March 2010

Statements Of Financial Position

31 December 2009

	Note	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
ASSETS					
Current assets					
Cash and cash equivalents	6	**180,778,030**	709,492,873	**119,955**	459,035
Outstanding contracts receivable	7(a)	**1,063,051,910**	402,696,244	**–**	–
Trade receivables	8	**1,155,395,634**	664,305,871	**–**	–
Financial assets, at fair value through profit or loss	9(a)	**26,234,003**	1,843,735	**–**	–
Other current assets	10	**17,190,610**	19,996,087	**83,350,196**	59,069,697
Derivative financial instruments	11	**7,791**	4,559	**–**	–
Total current assets		**2,442,657,978**	1,798,339,369	**83,470,151**	59,528,732
Non-current assets					
Trade receivables	8	**–**	16,194,375	**–**	–
Subsidiaries	12	**–**	–	**235,845,121**	235,845,121
Associates	13	**96,958**	108,793	**–**	–
Financial assets, available-for-sale	14	**17,967,035**	18,405,506	**–**	–
Trading rights in Exchanges	15	**102,941**	104,382	**–**	–
Memberships in Exchanges		**233,926**	227,555	**–**	–
Property, plant and equipment	16	**76,738,023**	43,359,117	**–**	–
Deferred tax assets	17	**225,730**	303,920	**–**	–
Total non-current assets		**95,364,613**	78,703,648	**235,845,121**	235,845,121
Total assets		**2,538,022,591**	1,877,043,017	**319,315,272**	295,373,853
LIABILITIES					
Current liabilities					
Outstanding contracts payable	7(b)	**944,002,666**	357,960,744	**–**	–
Trade and other payables	18	**121,464,828**	227,954,397	**89,314,297**	75,701,154
Financial liabilities, at fair value through profit or loss	9(b)	**5,600**	–	**–**	–
Borrowings	19	**424,808,576**	305,982,777	**–**	–
Income tax payable		**19,821,679**	14,383,154	**–**	144,564
Derivative financial instruments	11	**8,363**	1,593	**–**	–
Total current liabilities		**1,510,111,712**	906,282,665	**89,314,297**	75,845,718
Non-current liability					
Deferred tax liabilities	17	**1,075,519**	437,378	**–**	–
Total liabilities		**1,511,187,231**	906,720,043	**89,314,297**	75,845,718
EQUITY					
Capital reserves and minority interests					
Share capital	20	**72,470,901**	72,470,901	**72,470,901**	72,470,901
Reserves	21	**(11,853,393)**	(8,673,677)	**–**	–
Retained earnings		**953,123,080**	893,090,787	**157,530,074**	147,057,234
Equity attributable to owners of the Company		**1,013,740,588**	956,888,011	**230,000,975**	219,528,135
Minority interests		**13,094,772**	13,434,963	**–**	–
Total equity		**1,026,835,360**	970,322,974	**230,000,975**	219,528,135
Total liabilities and equity		**2,538,022,591**	1,877,043,017	**319,315,272**	295,373,853
Clients' trust/segregated accounts					
Bank balances					
– with related parties		**179,660,179**	133,655,881	**–**	–
– with non-related banks		**555,113,321**	375,082,977	**–**	–
Margin with clearing house		**6,141,108**	8,406,472	**–**	–
Less: Amounts held in trust		**(740,914,608)**	(517,145,330)	**–**	–
		–	–	**–**	–

See accompanying notes to financial statements.

Consolidated Statement Of Comprehensive Income

Year ended 31 December 2009

	Note	Group 2009 $	Group 2008 $
Revenue	22	**400,238,151**	371,758,685
Foreign exchange gain		**6,793,027**	2,387,822
Realised gain on financial assets, available-for-sale		**6,251,349**	4,252,069
Commission expense		**(99,968,181)**	(69,378,309)
Staff costs	23	**(99,418,069)**	(106,473,994)
Finance expense	24	**(5,385,697)**	(13,843,898)
Other operating expenses	25	**(73,875,508)**	(64,050,595)
Profit before income tax		**134,635,072**	124,651,780
Income tax expense	26	**(19,371,895)**	(15,135,325)
Profit for the year		**115,263,177**	109,516,455
Other comprehensive (expense) income:			
Exchange differences on translation of foreign operations	27	**(4,057,880)**	(3,917,600)
Statutory reserves	27	**23,316**	(46,635)
Available-for-sale investments	27	**985,889**	(20,059,978)
Income tax relating to components of other comprehensive income	27	**(444,987)**	332,269
Other comprehensive expense for the year, net of tax		**(3,493,662)**	(23,691,944)
Total comprehensive income for the year		**111,769,515**	85,824,511
Profit attributable to:			
Owners of the Company		**114,385,469**	108,744,804
Minority interests		**877,708**	771,651
		115,263,177	109,516,455
Total comprehensive income attributable to:			
Owners of the Company		**111,158,483**	85,306,721
Minority interests		**611,032**	517,790
		111,769,515	85,824,511
Earnings per share - basic and diluted (cents)	28	**15.78**	15.01

See accompanying notes to financial statements.

Year ended 31 December 2009

	Note	Share capital $	Fair value reserve $
Group			
Balance at 1 January 2008		72,470,901	27,803,765
Total comprehensive income for the year		–	(19,813,893)
Final dividend for 2007 paid	29	–	–
Interim dividend for 2008 paid	29	–	–
Acquisition of additional interest in a subsidiary		–	–
Payment of dividend by a subsidiary		–	–
Balance at 31 December 2008		72,470,901	7,989,872
Total comprehensive income for the year		**–**	**541,598**
Final dividend for 2008 paid	29	**–**	**–**
Interim dividend for 2009 paid	29	**–**	**–**
Acquisition of additional interest in a subsidiary		**–**	**–**
Payment of dividend by a subsidiary		**–**	**–**
Balance at 31 December 2009		**72,470,901**	**8,531,470**

See accompanying notes to financial statements.

Attributable to owners of the Company →

Foreign currency translation reserve $	Statutory reserve $	Retained earnings $	Attributable to owners of the Company $	Minority interests $	Total $
(14,558,512)	1,385,195	874,137,428	961,238,777	14,677,282	975,916,059
(3,577,555)	(46,635)	108,744,804	85,306,721	517,790	85,824,511
–	–	(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
(3,791,900)	**23,316**	**114,385,469**	**111,158,483**	**611,032**	**111,769,515**
–	**–**	**(50,729,632)**	**(50,729,632)**	**–**	**(50,729,632)**
–	**–**	**(3,623,544)**	**(3,623,544)**	**–**	**(3,623,544)**
18,421	**28,849**	**–**	**47,270**	**(812,541)**	**(765,271)**
–	**–**	**–**	**–**	**(138,682)**	**(138,682)**
(21,788,795)	**1,403,932**	**953,123,080**	**1,013,740,588**	**13,094,772**	**1,026,835,360**

Year ended 31 December 2009

	Note	Share capital $	Retained earnings $	Total $
Company				
Balance at 1 January 2008		72,470,901	175,234,190	247,705,091
Total comprehensive income for the year		–	61,614,489	61,614,489
Final dividend for 2007 paid	29	–	(86,167,901)	(86,167,901)
Interim dividend for 2008 paid	29	–	(3,623,544)	(3,623,544)
Balance at 31 December 2008		72,470,901	147,057,234	219,528,135
Total comprehensive income for the year		–	**64,826,016**	**64,826,016**
Final dividend for 2008 paid	29	–	**(50,729,632)**	**(50,729,632)**
Interim dividend for 2009 paid	29	–	**(3,623,544)**	**(3,623,544)**
Balance at 31 December 2009		**72,470,901**	**157,530,074**	**230,000,975**

See accompanying notes to financial statements.

Consolidated Statement Of Cash Flows

Year ended 31 December 2009

	Note	2009 $	2008 $
Operating activities			
Profit before income tax		**134,635,072**	124,651,780
Adjustments for:			
Depreciation expense	25	**3,286,062**	2,474,145
Net loss (gain) on disposal of property, plant and equipment		**90,243**	(15,666)
Realised gain on financial assets, available-for-sale		**(6,251,349)**	(4,252,069)
Dividend income	22	**(793,296)**	(1,160,973)
Allowance (write back of allowance) for trade receivables		**2,938,292**	(205,060)
Allowance for impairment in financial assets, available-for-sale	14	**1,426,318**	2,671,040
Interest expense	24	**5,385,697**	13,843,898
Exchange differences		**(4,020,674)**	(4,255,336)
Operating cash flows before movements in working capital		**136,696,365**	133,751,759
Changes in operating assets and liabilities:			
Financial assets/liabilities, at fair value through profit or loss		**(24,384,668)**	1,305,619
Trade, outstanding contracts and other receivables		**(1,135,387,101)**	2,008,969,121
Trade, outstanding contracts and other payables		**474,859,123**	(613,491,873)
Cash (used in) generated from operations		**(548,216,281)**	1,530,534,626
Interest paid	24	**(5,385,697)**	(13,843,898)
Income tax paid		**(13,703,801)**	(53,428,553)
Net cash (used in) from operating activities		**(567,305,779)**	1,463,262,175
Investing activities			
Payments for property, plant and equipment (Note A)	16	**(33,039,038)**	(40,599,082)
Refund of stamp duty		**1,014,600**	–
Proceeds from disposal of financial assets, available-for-sale	14	**6,471,349**	4,650,607
Proceeds from disposal of property, plant and equipment		**50,222**	23,385
Proceeds from capital repayment in associates		**–**	1,031,483
Payment to minority interests for dividend		**(138,682)**	(268,050)
Payment to minority interests for additional interest in a subsidiary		**(812,541)**	(1,492,059)
Payment for financial assets, available-for-sale	14	**(220,893)**	(3,447,522)
Dividends received from quoted/unquoted securities	22	**793,296**	1,160,973
Net cash used in investing activities		**(25,881,687)**	(38,940,265)

	Note	2009 $	2008 $
Financing activities			
Net drawdown (repayment) of short-term bank loans		**106,246,478**	(751,204,867)
Dividends paid		**(54,353,176)**	(89,791,445)
Net cash from (used in) financing activities		**51,893,302**	(840,996,312)
Net (decrease) increase in cash and cash equivalents during the year		**(541,294,164)**	583,325,598
Cash and cash equivalents at beginning of the year		**708,723,767**	125,398,169
Cash and cash equivalents at end of the year	6	**167,429,603**	708,723,767

Note A: Non-cash transaction

During the current financial year, the Group accquired property, plant and equipment of $36,724,438 (2008: $40,599,082) of which $4,700,000 (2008: $NIL) remains unpaid at the end of the reporting period. This is recorded in accrued operating expenses as part of trade and other payables.

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 200004464C) is incorporated in Singapore with its principal place of business and address of its registered office at 8 Anthony Road, #01-01, Singapore 229957 (2008 : 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 statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2009 were authorised for issue by the Board of Directors on 31 March 2010.

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 2009. 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 except as disclosed below:

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

FRS 1 (2008) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position at the beginning of the earliest comparative period presented if the entity applies new accounting policies retrospectively or makes retrospective restatements or reclassifies items in the financial statements.

Amendments to FRS 107 *Financial Instruments : Disclosures – Improving Disclosures about Financial Instruments*

The amendments to FRS 107 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

FRS 108 – *Operating Segments*

The Group has adopted FRS 108 with effect from 1 January 2009. 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, the predecessor Standard (FRS 14 *Segment Reporting*) required 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. For the Group, the operating segments identified under FRS 108 are consistent with those previously identified under FRS 14.

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:

- Amendment to FRS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- Amendment to FRS 39 *Financial Instruments: Recognition and Measurement* and INT FRS 109 *Reassessment of Embedded Derivatives* – Amendments relating to Embedded Derivatives
- FRS 27 (Revised) *Consolidated and Separate Financial Statements;* and FRS 103 (Revised) *Business Combinations*
- Improvements to Financial Reporting Standards (issued in June 2009)

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 27 (Revised) *Consolidated and Separate Financial Statements;* and FRS 103 (Revised) *Business Combinations*

FRS 27 (Revised) is effective for annual periods beginning on or after 1 July 2009. FRS 103 (Revised) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

Apart from matters of presentation, the principal amendments to FRS 27 that will impact the Group concern the accounting treatment for transactions that result in changes in a parent's interest in a subsidiary. It is likely that these amendments will significantly affect the accounting for such transactions in future accounting periods, but the extent of such impact will depend on the detail of the transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

Similarly, FRS 103 is concerned with accounting for business combination transactions. The changes to the standard are significant, but their impact can only be determined once the detail of future business combination transactions is known. The amendments to FRS 103 will be adopted prospectively for transactions after the date of adoption of the revised standard and, therefore, no restatement will be required in respect of transactions prior to the date of adoption.

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 statement of comprehensive income 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 statement of financial position 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 statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Investments are recognised and derecognised 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.

Other 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.

<u>Effective interest method</u>

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".

<u>Financial assets at fair value through profit or loss (FVTPL)</u>

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.

<u>Available-for-sale financial assets</u>

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 other comprehensive income 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 or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss 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 the end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

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 the end of each reporting period. 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 available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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 against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

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, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

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.

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

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing 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.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently 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 interest paid on the financial liability. Fair value is determined in the manner described in Note 4.

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 method with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

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.

Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 11 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently remeasured to their fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

IMPAIRMENT OF NON-FINANCIAL ASSETS – At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets, including trading rights in exchanges, property, plant and equipment and investments in subsidiaries and associates, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Rental income from operating lease is recognised 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 use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any 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:

Leasehold land	Lower of the estimated useful life or the life of the lease term of 15 years
Buildings	5% to 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.

Fully depreciated assets still in use are retained in the financial statements.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, 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 end of the reporting period, 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 reduced for goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

<u>Commission and trading income</u>

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

<u>Dividend income</u>

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

<u>Fee income</u>

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

<u>Interest income</u>

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 are recognised in profit or loss 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 Group'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 end of the reporting period.

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 statement of financial position 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 end of the reporting period.

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 statement of comprehensive income 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 end of the reporting period.

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.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 end of the reporting period.

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.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

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 statement of financial position 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. 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 in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

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 end of the reporting period. 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 recognised in other comprehensive income and accumulated in a separate component of equity. On the disposal of a foreign operation, the cumulative amount of exchange differences relating to that foreign operation accumulated in a separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

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 recognised in other comprehensive income and accumulated in foreign currency translation reserve (attributed to minority interest, as appropriate).

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***

The 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 sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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 17 and Note 26 to the financial statements. The income tax expense for the year ended 31 December 2009 is $19,371,895 (2008 : $15,135,325). Deferred tax assets and deferred tax liabilities as at 31 December 2009 amounted to $225,730 (2008 : $303,920) and $1,075,519 (2008 : $437,378) respectively. Income tax payable as at 31 December 2009 is $19,821,679 (2008 : $14,383,154).

(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 2009, the carrying amount of loans and receivables is $1,155,395,634 (2008 : $680,500,246) net of allowance for doubtful debts of $5,780,659 (2008 : $2,663,972).

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded in profit or loss. 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 RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Financial assets				
Financial assets, at fair value through profit or loss	**26,234,003**	1,843,735	–	–
Derivative financial instruments	**7,791**	4,559	–	–
Loan and receivables (including cash and cash equivalents)	**2,408,065,638**	1,804,489,999	**83,470,151**	59,528,732
Available-for-sale financial assets	**17,967,035**	18,405,506	–	–
Financial liabilities				
Financial liabilities, at fair value through profit or loss	**5,600**	–	–	–
Derivative financial instruments	**8,363**	1,593	–	–
Amortised cost (including loans and finance leases)	**1,490,276,070**	891,897,918	**89,314,297**	75,701,154

(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.

There has been no change to the Group's exposure to these financial risks or the manner in which the Group manages and measures the risk. Market risks exposures are measured using sensitivity analysis indicated below.

(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 non-functional currencies;
- holding non-local currencies (primarily in United States dollar, Hong Kong 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 at the end of the reporting period.

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

	Singapore dollar $	United States dollar $	Hong Kong dollar $	Malaysia ringgit $	Others $
At 31 December 2009					
Financial assets					
Cash and cash equivalents	**456,524**	**9,728,833**	**7,921,500**	**10,008,568**	**116,262,879**
Outstanding contracts receivable	**4,118,788**	**30,953,539**	**227,422,377**	**3,104,861**	**46,014,261**
Trade receivables	**6,884,527**	**125,538,601**	**359,956,346**	**1,220,561**	**32,042,788**
Financial assets, at fair value through profit or loss	**24,257,140**	**–**	**147**	**73**	**2,940**
Other current assets	**19,037**	**437,101**	**2,988,083**	**45,789**	**2,376,439**
Financial assets, available-for-sale	**–**	**10,167,998**	**–**	**–**	**950,625**
	35,736,016	**176,826,072**	**598,288,453**	**14,379,852**	**197,649,932**
Financial liabilities					
Outstanding contracts payable	**7,163,789**	**26,530,638**	**232,094,250**	**3,484,403**	**45,257,323**
Trade and other payables	**21,232**	**3,075,648**	**17,480,732**	**2,813,412**	**13,740,909**
Borrowings	**4,331,112**	**113,019,048**	**101,765,998**	**16,480**	**5,718,576**
	11,516,133	**142,625,334**	**351,340,980**	**6,314,295**	**64,716,808**
Net financial assets	**24,219,883**	**34,200,738**	**246,947,473**	**8,065,557**	**132,933,124**
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	**–**	**(1,942,099)**	**(248,103,029)**	**(4,042,168)**	**(92,667,912)**
Intercompany balances	**(25,083,994)**	**577,822**	**246,726**	**(10,721)**	**16,796,517**
Currency forwards	**2,394,194**	**132,581**	**(2,296,431)**	**(573,710)**	**(1,130,149)**
Foreign currencies trust balances	**–**	**83,705**	**(30,440)**	**(1,353,869)**	**(48,776,365)**
Currency exposures	**1,530,083**	**33,052,747**	**(3,235,701)**	**2,085,089**	**7,155,215**
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

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 2009	
Financial assets	
Cash and cash equivalents	**1,079**
Financial liabilities	**–**
Net financial assets/currency exposure	**1,079**
At 31 December 2008	
Financial assets	
Cash and cash equivalents	1,163
Financial liabilities	–
Net financial assets/currency exposure	1,163

A 5% strengthening of the Singapore Dollar against the following currencies at the end of the reporting period 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.

	2009		2008	
	Increase (Decrease)			
	Profit after tax	Equity	Profit after tax	Equity
	$	$	$	$
The Group				
United States Dollar	**(1,414,849)**	**(508,400)**	262,763	(492,817)
Hong Kong Dollar	**138,507**	**–**	(8,864)	–
Malaysia Ringgit	**(89,254)**	**–**	(201,414)	–
Company				
United States Dollar	**(54)**	**–**	(48)	–

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.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. Trading activity in foreign currency denominated securities is subject to fluctuations that are cyclical in nature, resulting in uneven foreign currency exposure over the year.

(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:

	2009		2008	
	Increase			
	Profit after tax	Equity	Profit after tax	Equity
	$	$	$	$
The Group				
Listed in Singapore	**1,294,533**	**335,068**	80,956	406,982
Listed on other exchanges	**139**	**76,533**	3,577	513,293

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

A 5% decrease in equity prices would have had the equal but opposite effect on profit after tax and equity to the amounts shown above, on the basis that all other variables remain constant.

(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 2009 would increase/(decrease) by $8,764,126 (2008 : $10,532,158).

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	Fixed rates More than 6 months	Non- interest bearing	Total
	$	$	$	$	$
The Group					
At 31 December 2009					
Assets					
Cash and cash equivalents	**94,043,308**	**38,690,500**	–	**48,044,222**	**180,778,030**
Trade receivables	–	**1,155,395,634**	–	–	**1,155,395,634**
Other financial assets	–	–	**13,091,769**	**1,103,009,034**	**1,116,100,803**
Investments in associates	–	–	–	**96,958**	**96,958**
Non-financial assets	–	–	–	**85,651,166**	**85,651,166**
Total assets	**94,043,308**	**1,194,086,134**	**13,091,769**	**1,236,801,380**	**2,538,022,591**
Liabilities					
Borrowings	**13,348,427**	**411,460,149**	–	–	**424,808,576**
Other financial liabilities	–	–	–	**1,065,481,457**	**1,065,481,457**
Non-financial liabilities	–	–	–	**20,897,198**	**20,897,198**
Total liabilities	**13,348,427**	**411,460,149**	–	**1,086,378,655**	**1,511,187,231**

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

The Group *(continued)*

	Variable rates Less than 6 months $	Fixed rates Less than 6 months $	Fixed rates More than 6 months $	Non- interest bearing $	Total $
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	373,558,781	985,639,785	–	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

	Fixed rates Less than 6 months $	Non- interest bearing $	Total $
The Company			
At 31 December 2009			
Assets			
Cash and cash equivalents	–	**119,955**	**119,955**
Investments in subsidiaries	–	**235,845,121**	**235,845,121**
Other assets	–	**83,350,196**	**83,350,196**
Total assets	–	**319,315,272**	**319,315,272**
Total liabilities	–	**89,314,297**	**89,314,297**
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

(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.

The maximum amount the Group could be forced to settle under the financial guarantee contract in Note 31, if the full guaranteed amount is claimed by the counterparty to the guarantee is $106 million (2008 : $254 million). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

During the financial year, the collateral held as security for trade receivables is as follows:

	2009	2008
	$	$
Quoted securities	**3,818,120,012**	1,789,260,721
Cash	**3,804,991**	165,368,958
Bankers' guarantees	**430,000**	1,750,000
	3,822,355,003	1,956,379,679

The amount of collateral held as security for trade receivables impaired as at 31 December 2009 is $110,120 (2008 : $Nil).

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

	2009	2008
	$	$
Outstanding contracts receivable	**241,374,488**	154,284,797
Trade receivables	**444,566,876**	394,645,633
Outstanding contracts payable	**5,069,496**	1,815,847

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.

(iv) Credit risk (continued)

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

	The Group	
	2009	2008
	$	$
0 to 30 days past due	**169,744,167**	303,322,909
31 days to 60 days past due	**937,865**	1,983,326
More than 60 days past due	**8,091,705**	12,323,056
	178,773,737	317,629,291

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

	2009	2008
	$	$
At beginning of year	**2,663,972**	3,522,185
Currency translation difference	**178,395**	(70,944)
Allowance made (Write back)	**2,938,292**	(205,060)
Allowance utilised	**–**	(582,209)
At end of year	**5,780,659**	2,663,972

(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 capital structure of the Group consists of equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings.

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2009 and 2008.

(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 the end of the reporting period. 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.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Financial instruments measured at fair value

Group

	Total	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
Financial Assets				
2009				
Financial assets at fair value through profit or loss:				
– Held for trading investments	**26,234,003**	**26,234,003**	–	–
– Derivative financial instruments	**7,791**	**7,791**	–	–
Financial assets, available-for-sale:				
– Fund investments	**4,642,076**	–	**4,642,076**	–
– Quoted equities	**8,232,024**	**8,232,024**	–	–
– Unquoted equities	**80,918**	–	–	**80,918**
Total	**39,196,812**	**34,473,818**	**4,642,076**	**80,918**

	Total	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
Financial Liabilities				
2009				
Financial liabilities at fair value through profit or loss	**5,600**	**5,600**	–	–
Derivative financial instruments	**8,363**	**8,363**	–	–
Total	**13,963**	**13,963**	–	–

Company

The company had no financial assets or liabilities carried at fair value in 2009.

Financial instruments measured at fair value based on level 3

	Financial assets, available-for-sale (Unquoted equity shares) $
2009	
Opening balance	**71,786**
Fair value increase recognised in other comprehensive income	**9,132**
Closing balance	**80,918**

Significant assumptions in determining fair value of financial assets and liabilities

Fund investments – available-for-sale

The Group invests in managed funds which are not quoted in an active market and which may be subjected to restrictions on redemptions such as lock up periods, redemption gates and side pockets. Transactions in the shares of such funds are valued based on the Net Assets Value (NAV) per share published by the administrator of those funds. Such NAV is adjusted when necessary, to reflect the effect of the time passed since the calculation date, liquidity risk, limitations on redemptions and other factors. Depending on the fair value of an underlying fund's assets and liabilities and on the adjustments needed on the NAV per share published by that fund, the Group classifies the fair value of that investments as either level 2 or level 3.

Unquoted equity shares – available-for-sale

Fair value is estimated using a net asset methodology to appropriately measure its assets and liabilities which includes some assumptions that are not supportable by observable market prices or rates. If these inputs to the valuation model were 10% higher/lower with all the other variables held constant, the carrying amount of the shares would decrease/increase by $8,092.

5 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The Group in the normal course of business acts as brokers in securities for 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	
	2009	**2008**
	$	**$**
Rental of premises paid/payable to a related party	**16,747,268**	6,152,475

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

(b) Key management personnel compensation is as follows:

	The Group	
	2009	**2008**
	$	**$**
Salaries and other short-term employee benefits	**14,736,053**	13,808,597
Employer's contribution to defined contribution plans, including Central Provident Fund	**57,494**	57,612
	14,793,547	13,866,209

(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 2009 are disclosed in Note 19 as borrowings from a related party.

6 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
Bank balances with:				
– Related party (Note 5)	**22,575,641**	30,750,136	**119,955**	459,035
– Non-related banks	**119,499,780**	370,827,233	**–**	–
Cash on hand	**12,106**	12,204	**–**	–
	142,087,527	401,589,573	**119,955**	459,035
Fixed deposits with:				
– Related party (Note 5)	**3,575,284**	217,915,990	**–**	–
– Non-related banks	**35,115,219**	89,987,310	**–**	–
	38,690,503	307,903,300	**–**	–
	180,778,030	709,492,873	**119,955**	459,035

At the end of the reporting period, the carrying amounts of cash and cash equivalents approximate their fair values.

Fixed deposits bear average effective interest rates of 6.24% (2008 : 1.81%) per annum and are for a tenure of approximately 29 days (2008: 14 days).

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

	The Group	
	2009	2008
	$	$
Cash and bank balances (as above)	**180,778,030**	709,492,873
Less: Bank overdrafts (Note 19)	**(13,348,427)**	(769,106)
Cash and cash equivalents per consolidated cash flow statement	**167,429,603**	708,723,767

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 end of the reporting period and have not been settled as at the end of the reporting period.

(a) Outstanding contracts receivable comprises the following:

	The Group	
	2009	2008
	$	$
Due from third parties	**1,063,051,910**	402,696,244

(b) Outstanding contracts payable comprises the following:

	The Group	
	2009	2008
	$	$
Due to third parties	**944,002,666**	357,960,744

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	
	2009	**2008**
	$	**$**
Trade receivables from third parties	**1,161,176,293**	683,164,218
Less: Allowance for impairment of doubtful trade receivables	**(5,780,659)**	(2,663,972)
	1,155,395,634	680,500,246
Current trade receivables (recoverable within 12 months)	**1,155,395,634**	664,305,871
Non-current trade receivables (recoverable after 12 months)	**–**	16,194,375
	1,155,395,634	680,500,246

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 end of the reporting period, 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 debt and equity securities that offer the Group the opportunity for return through dividend income and fair value gains. Equity securities 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.

Included in listed debt securities at fair value are instruments amounting to $13,091,769 with an effective interest rate of 0.5% (2008 : Nil%) and a maturity date of 22 June 2013 (2008 : Nil).

(a) Current assets

Financial assets, at fair value through profit or loss

	The Group	
	2009	**2008**
	$	**$**
Trading securities		
Listed securities:		
– Equity securities – Malaysia	**73**	29
– Equity securities – Singapore	**1,973,703**	1,842,850
– Debt securities – Singapore	**24,257,140**	–
– Equity securities – Others	**3,087**	856
	26,234,003	1,843,735

(b) Current liabilities

Financial liabilities, at fair value through profit or loss

	The Group	
	2009	**2008**
	$	**$**
Trading securities		
Listed securities:		
– Equity securities – Singapore	**5,600**	–

10 OTHER CURRENT ASSETS

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Amounts due from subsidiaries [Note 10(a)]	–	–	**83,286,965**	59,020,512
Deposits [Note 10(b)]	**6,898,154**	6,724,410	–	–
Prepayments	**1,452,392**	1,471,041	–	–
Amount deposited with lenders of securities [Note 10(c)]	**4,323,239**	5,239,482	–	–
Other receivables	**4,516,825**	6,561,154	**63,231**	49,185
	17,190,610	19,996,087	**83,350,196**	59,069,697

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

(b) Included in deposits is an amount of $1,635,394 (2008 : $1,173,030) 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 30).

(c) Securities borrowing and lending contracts

	The Group	
	2009	**2008**
	$	**$**
Securities borrowed		
Securities borrowed from lenders, at fair value:		
– Lent to clients	**3,042,145**	4,869,570
Securities lent		
Securities lent to clients, at fair value:		
– Borrowed from lenders	**3,042,145**	4,869,570

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 utilises forward foreign exchange contracts with settlement dates ranging between 4 to 8 days (2008 : between 2 to 6 days).

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.

The following table details the forward foreign exchange contracts at the end of the reporting period:

	Contract or underlying principal amount		Gross positive fair value		Gross negative fair value		Settlement dates of open contracts	
	2009	2008	2009	2008	2009	2008	2009	2008
	$	$	$	$	$	$	$	$
The Group								
Forward foreign exchange contracts	**4,374,846**	4,728,985	**7,791**	4,559	**8,363**	1,593	**Within one week after end of the reporting period**	Within one week after end of the reporting period

12 SUBSIDIARIES

	The Company	
	2009	2008
	$	$
Equity investments at cost		
At beginning of year	**235,845,121**	230,093,881
Capital injection	**–**	5,751,240
At end of year	**235,845,121**	235,845,121

Details of subsidiaries are included in Note 33.

13 ASSOCIATES

Investments in associates, which are held by a subsidiary, comprise:

	The Group	
	2009	2008
	$	$
At beginning of year	**108,793**	860,250
Currency translation differences	**(11,835)**	280,026
Capital repayment	**–**	(1,031,483)
At end of year	**96,958**	108,793

The summarised financial information of associates are as follows:

Assets	**324,299**	403,057
Liabilities	**1,014**	750
Revenue	**–**	–
Net loss	**–**	–

Details of the associates are included in Note 33.

14 FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	The Group 2009 $	The Group 2008 $
Financial assets, available-for-sale includes the following:		
(a) Listed securities, at fair value:		
– Equity – Singapore	**6,701,361**	8,139,642
– Equity – Philippines	**950,625**	409,522
– Equity – Others	**580,038**	380,156
(b) Unquoted investments, at fair value:		
– Fund in Vietnam	**4,642,076**	3,180,084
– Equity – Vietnam	**80,918**	71,786
(c) Fund investments/unquoted equity shares, at cost:		
– Fund in Cayman Islands	**4,729,736**	6,089,086
– Equity – Thailand	**147,051**	–
– Equity – Others	**135,230**	135,230
	17,967,035	18,405,506

	The Group 2009 $	The Group 2008 $
Movements in allowance for impairment loss during the year are as follows:		
At beginning of year	**2,671,040**	–
Reversal of impairment loss through other comprehensive income	**(1,661,875)**	–
Charge to profit or loss	**1,426,318**	2,671,040
At end of year	**2,435,483**	2,671,040

In 2009, 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 (2008 : Nil).

Fund investment at cost include impairment losses amounting to $1,447,000 (2008 : $Nil). The underlying instruments of fund investment consist primarily of unquoted China equities whose fair value estimates generated by the various valuation models cannot be reliably estimated as the range of fair values varied significantly. Accordingly, the fund investment is stated at cost less impairment loss.

Investment in unquoted equity shares represent equity interest in a company managing China funds and as such, the fair value estimate of the investment generated by the various valuation models cannot be reliably estimated. Accordingly, the investment is stated at cost.

15 TRADING RIGHTS IN EXCHANGES

	The Group 2009 $	The Group 2008 $
Trading rights in The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited and Philippine Stock Exchange, Inc, at amortised cost	**102,941**	104,382

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold land	Construction-in-progress
	$	$	$
Group			
Cost:			
At 1 January 2008	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
Additions/Adjustments	–	**(1,014,600)**	**29,515,641**
Disposals	–	–	–
Transfer	**32,604,247**	–	**(32,604,247)**
Currency translation differences	–	–	–
At 31 December 2009	**32,604,247**	**35,029,255**	–
Accumulated depreciation:			
At 1 January 2008	230,813	–	–
Depreciation charge	–	–	–
Disposals	(223,115)	–	–
Currency translation differences	(7,698)	–	–
At 31 December 2008	–	–	–
Depreciation charge	**395,203**	**424,597**	–
Disposals	–	–	–
Currency translation differences	–	–	–
At 31 December 2009	**395,203**	**424,597**	–
Net book value:			
At 31 December 2009	**32,209,044**	**34,604,658**	–
At 31 December 2008	–	36,043,855	3,088,606

Leasehold improvements $	Furniture, fittings and office equipment $	Computer equipment and software $	Communication equipment $	Motor vehicles $	Total $
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
2,077,621	**2,670,256**	**3,155,654**	**82,541**	**237,325**	**36,724,438**
(5,188,822)	**(2,030,605)**	**(1,536,395)**	**(152,972)**	**(72,361)**	**(8,981,155)**
–	**–**	**–**	**–**	**–**	**–**
(7,191)	**72,203**	**31,831**	**(4,966)**	**20,747**	**112,624**
5,201,664	**7,045,508**	**19,523,857**	**1,971,493**	**1,186,062**	**102,562,086**
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
430,293	**309,488**	**1,478,353**	**81,360**	**166,768**	**3,286,062**
(5,072,645)	**(2,030,605)**	**(1,529,705)**	**(152,612)**	**(55,123)**	**(8,840,690)**
(8,803)	**41,023**	**2,769**	**(13,166)**	**9,806**	**31,629**
3,006,400	**4,145,781**	**15,410,050**	**1,819,267**	**622,765**	**25,824,063**
2,195,264	**2,899,727**	**4,113,807**	**152,226**	**563,297**	**76,738,023**
662,501	507,779	2,414,134	143,205	499,037	43,359,117

Details of the leasehold land and buildings as at 31 December 2009 are set out below:

Location	**Description**	**Tenure/Unexpired term**
8 Anthony Road	4 storey office building on 8,682.8 sq. m.	Lease for a term of 15 years from 22 July 2009 to 21 July 2023

Leasehold land was purchased in 2008 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 has been completed and depreciated using the straight line method over the useful life of the property.

17 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 statement of financial position as follows:

	The Group	
	2009	2008
	$	$
Deferred tax assets	**225,730**	303,920
Deferred tax liabilities	**(1,075,519)**	(437,378)

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

	Fair value (gains)/losses	**Tax loss**	**Total**
	$	**$**	**$**
The Group			
Deferred tax assets			
At 1 January 2008	–	46,755	46,755
Credited to profit or loss (Note 26)	239,000	29,829	268,829
Currency translation differences	–	(11,664)	(11,664)
At 31 December 2008	239,000	64,920	303,920
Credited to profit or loss	–	**149,866**	**149,866**
Currency translation differences	–	**10,944**	**10,944**
Financial assets, available-for-sale (Note 21(b))	**(239,000)**	–	**(239,000)**
At 31 December 2009	–	**225,730**	**225,730**

	Fair value (gains)/losses $	Accelerated tax depreciation $	Total $
Deferred tax liabilities			
At 1 January 2008	–	(722,862)	(722,862)
Charged to profit or loss (Note 26)	–	(124,833)	(124,833)
Financial assets, available-for-sale (Note 21(b))	332,269	–	332,269
Currency translation differences	–	78,048	78,048
At 31 December 2008	332,269	(769,647)	(437,378)
Charged to profit or loss (Note 26)	–	**(431,810)**	**(431,810)**
Financial assets, available-for-sale (Note 21(b))	**(205,987)**	–	**(205,987)**
Currency translation differences	–	**(344)**	**(344)**
At 31 December 2009	**126,282**	**(1,201,801)**	**(1,075,519)**

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 $2,623,252 (2008 : $3,721,199) at the end of the reporting period 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.

18 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009 $	2008 $	2009 $	2008 $
Trade payables to:				
– Third parties	**47,813,396**	175,380,905	–	–
Accrued operating expenses	**64,178,294**	30,230,793	**4,910,854**	4,358,276
Cash collaterals held for securities lent to clients	**2,574,551**	3,131,254	–	–
Amount due to subsidiaries	–	–	**84,392,993**	71,321,045
Other payables	**6,898,587**	19,211,445	**10,450**	21,833
	121,464,828	227,954,397	**89,314,297**	75,701,154

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 end of the reporting period.

Included in trade and other payables is an amount of $3,430,145 (2008:$163,857,477) representing cash deposits pledged by a margin client to the Group for the revolving credit limit granted and the Group has an obligation to return the pledged deposits when the credit facility is terminated.

19 BORROWINGS

	The Group 2009 $	The Group 2008 $	The Company 2009 $	The Company 2008 $
Current				
Bank overdrafts:				
– with related parties	**11,863,227**	–	–	–
– with non-related banks	**1,485,200**	769,106	–	–
	13,348,427	769,106	–	–
Short-term bank loans:				
– with related parties	**305,693,752**	296,720,252	–	–
– with non-related banks	**105,766,397**	8,493,419	–	–
	411,460,149	305,213,671	–	–
Total borrowings	**424,808,576**	305,982,777	–	–

The carrying amounts of borrowings approximate their fair values.

The terms of bank overdrafts and short-term bank loans of the Group at the end of the reporting period are as follows:

Year ended 31 December 2009

Bank overdrafts

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with related parties			
11,863,227	**5.00% per annum**	**A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary**	**Upon demand**
Balances with non-related banks			
1,139,763	**7.75% per annum**	**Unsecured**	**Upon demand**
345,437	**3.82% per annum**	**Unsecured**	**Upon demand**
1,485,200			

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balance with related parties			
305,693,752	**0.99% per annum**	**A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary**	**Due within 6 months from the end of the reporting period**
Balance with non-related banks			
105,766,397	**1.03% per annum**	**A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary**	**Due within 6 months from the end of the reporting period**

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 the end of the reporting period
245,098,751	1.13% per annum	Unsecured	Due within 6 months from the end of the reporting period
296,720,252			

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balances with non-related banks			
8,493,419	0.88% per annum	Unsecured	Due within 6 months from the end of the reporting period

20 SHARE CAPITAL

	The Group and The Company			
	2009	**2008**	**2009**	**2008**
	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.

21 RESERVES

(a) Composition

	The Group	
	2009	2008
	$	$
Fair value reserve	**8,531,470**	7,989,872
Foreign currency translation reserves	**(21,788,795)**	(18,015,316)
Statutory reserve	**1,403,932**	1,351,767
	(11,853,393)	(8,673,677)

(b) Fair value reserve

	The Group	
	2009	2008
	$	$
At beginning of year	**7,989,872**	27,803,765
Fair value gains (losses) on financial assets, available-for-sale (Note 14)	**7,237,238**	(15,807,909)
Deferred tax on fair value (gains) losses on financial assets, available-for-sale (Note 17)	**(444,987)**	332,269
Minority interests	**–**	66,310
	14,782,123	12,394,435
Currency translation differences	**696**	(152,494)
Fair value gains transferred to profit or loss on realisation	**(6,251,349)**	(4,252,069)
At end of year	**8,531,470**	7,989,872

(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.

22 REVENUE

	The Group	
	2009	2008
	$	$
Commission and trading income	**346,008,867**	287,334,711
Interest income:		
– fixed deposits with a related party (Note 5)	**480,771**	684,978
– fixed deposits with non-related banks	**3,530,253**	6,507,136
– clients	**36,031,940**	61,088,177
– others	**1,034,826**	1,766,686
	41,077,790	70,046,977
Dividend income from quoted/unquoted securities	**793,296**	1,160,973
Facility, shares withdrawal and arrangement fees	**5,561,159**	9,731,892
Other operating revenue	**6,797,039**	3,484,132
	400,238,151	371,758,685

23 STAFF COSTS

	The Group	
	2009	2008
	$	$
Wages, salaries and other staff costs	**97,536,307**	102,616,283
Employers' contribution to defined contribution plans including Central Provident Fund	**1,881,762**	3,857,711
	99,418,069	106,473,994

24 FINANCE EXPENSE

	The Group	
	2009	2008
	$	$
Interest expense:		
– bank borrowings from related parties (Note 5)	**451,143**	4,521,789
– borrowings from non-related banks	**1,533,471**	3,010,519
– others	**3,401,083**	6,311,590
	5,385,697	13,843,898

25 OTHER OPERATING EXPENSES

	The Group	
	2009	2008
	$	$
Net fair value (gain) losses on financial assets at fair value through profit or loss	**(4,182,511)**	2,029,980
Operating lease expenses	**25,283,417**	13,769,687
Marketing and business promotions	**4,805,428**	6,983,421
Communication expenses	**14,580,119**	13,526,182
Contract processing charges	**4,404,833**	3,448,454
Information services	**6,856,438**	6,310,161
Depreciation expenses	**3,286,062**	2,474,145
Loss (Gain) on disposal of property, plant and equipment	**90,243**	(15,666)
Non-audit fees:		
– paid to auditors of the Company	**58,045**	37,000
– paid to other auditors	**49,905**	73,365
Maintenance and rental of office equipment	**2,649,913**	1,752,370
Printing and stationery	**1,406,603**	1,383,581
Allowance for impairment in financial assets, available-for-sale	**1,426,318**	2,671,040
General administrative expenses	**13,160,695**	9,606,875
	73,875,508	64,050,595

26 INCOME TAX EXPENSE

Income tax recognised in profit or loss

	The Group 2009 $	The Group 2008 $
Tax expense attributable to profit is made up of:		
Current income tax:		
– Singapore	**15,195,690**	14,309,146
– Foreign	**4,076,452**	2,791,316
	19,272,142	17,100,462
Deferred income tax	**300,150**	(230,122)
	19,572,292	16,870,340
(Over) Under provision in prior years:		
– current income tax	**(182,191)**	(1,821,141)
– deferred tax	**(18,206)**	86,126
	19,371,895	15,135,325

Domestic income tax is calculated at 17% (2008 : 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 2009 $	The Group 2008 $
Profit before tax	**134,635,072**	124,651,780
Tax calculated at tax rate of 17% (2008 : 18%)	**22,887,962**	22,437,320
Effects of:		
– Singapore statutory stepped income exemption and tax rebate	**(105,148)**	(142,597)
– Concessionary tax	**(609,218)**	(410,636)
– Income not subject to tax	**(5,190,399)**	(7,827,218)
– Expenses not deductible for tax purposes	**1,522,711**	2,571,049
– Utilisation of previously unrecognised tax losses	–	(1,156)
– Tax benefits on tax losses and other temporary differences not recognised	**156,062**	–
– Effects of different tax rates in other countries	**668,687**	233,291
– Deferred tax assets not recognised	**241,635**	10,287
– Overprovision in prior years	**(200,397)**	(1,735,015)
	19,371,895	15,135,325

Income tax relating to each component of other comprehensive income.

	The Group 2009 $	The Group 2008 $
Deferred tax		
(Gains) losses of financial assets, available-for-sale	**(444,987)**	332,269

27 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	The Group	
	2009	2008
	$	$
Other comprehensive income:		
Available-for-sale investments:		
Gains (losses) arising during the year	**7,237,238**	(15,807,909)
Reclassification to profit or loss from equity on disposal of available-for-sale investments	**(6,251,349)**	(4,252,069)
Deferred tax liability	**(444,987)**	332,269
Exchange differences on translation of foreign operations	**(4,057,880)**	(3,917,600)
Exchange differences on statutory reserves	**23,316**	(46,635)
Other comprehensive income for the year, net of tax	**(3,493,662)**	(23,691,944)

28 EARNINGS PER SHARE

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

	2009	2008
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**$114,385,469**	$108,744,804
Weighted average number of ordinary shares for the purposes of basic earnings per share	**724,709,009**	724,709,009
Basic earnings per share	**15.78 cents**	15.01 cents

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

29 DIVIDENDS

	The Group and The Company	
	2009	2008
	$	$
One-tier tax-exempt interim dividend in respect of the year ended 31 December 2009 of 0.5 cents per ordinary share paid (31 December 2008 : 0.5 cents per ordinary share paid)	**3,623,544**	3,623,544
One-tier tax-exempt final dividend in respect of the year ended 31 December 2008 of 7.0 cents per ordinary share paid (31 December 2007 : 11.89 cents per ordinary share paid)	**50,729,632**	86,167,901
	54,353,176	89,791,445

At the Annual General Meeting on 28 April 2010, a one-tier tax-exempt final dividend of 7.5 cents per ordinary share amounting to a total of $54,353,176 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 2010.

30 CONTINGENT LIABILITIES

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

At the end of the reporting period, there were contingent liabilities of $3,273,539 (2008 : $1,176,850) 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 $1,635,394 (2008 : $1,173,030) placed by the subsidiary with CDP.

(b) At the end of the reporting period, there were contingent liabilities of $Nil (2008 : $10,076,500) 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.

31 COMMITMENTS

(a) Operating lease commitments

The Group as lessee

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

	The Group	
	2009	2008
	$	$
Within one year	**3,273,602**	19,059,139
In the second to fifth years inclusive	**640,246**	3,208,856
	3,913,848	22,267,995

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 (2008 : 3 years) and rentals are fixed for an average of 3 years (2008 : 3 years).

The Group as lessor

The Group rents out its property in Singapore under operating leases.

There was no property rental income earned during the year. The property is managed and maintained by a property manager at an annual cost of $143,723 (2008 : $Nil).

At the end of the reporting year, the Group has contracted with tenants for the following future minimum lease payments:

	2009	2008
	$	$
Within one year	**535,536**	–
In the second to fifth years inclusive	**2,142,144**	–
After five years	**4,596,684**	–
	7,274,364	–

(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 2009, the commitment drawn under corporate guarantees is $105,859,253 (2008 : $253,990,095).

(c) Capital commitments

Capital expenditures contracted for at the end of the reporting period but not recognised in the financial statements are as follows:

	The Group	
	2009	2008
	$	$
Property, plant and equipment	–	24,957,179

32 SEGMENT INFORMATION

The Group is organised on a geographical basis, namely Singapore, Hong Kong and other countries. The Group provides securities and futures broking and other related services. There is no single external customer that contributes more than 10% of the consolidated revenue.

The information below are also reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Based on reportable segments:

	Singapore $	Hong Kong $	Others $	Elimination $	Total $
The Group					
2009					
Revenue					
– External sales	**261,819,090**	**73,921,192**	**23,420,079**	**–**	**359,160,361**
– Interest income	**19,763,456**	**16,561,029**	**4,753,305**	**–**	**41,077,790**
– Inter-segment sales	**10,211,772**	**(763,210)**	**10,034,412**	**(19,482,974)**	**–**
	291,794,318	**89,719,011**	**38,207,796**	**(19,482,974)**	**400,238,151**
Segment results	**99,486,541**	**26,393,277**	**8,311,366**	**443,888**	**134,635,072**
Profit before tax					**134,635,072**
Income tax expense					**(19,371,895)**
Profit after tax					**115,263,177**
Segment assets	**1,975,495,163**	**693,573,357**	**172,697,948**	**(304,066,565)**	**2,537,699,903**
Associates					**96,958**
Deferred tax asset					**225,730**
Consolidated total assets					**2,538,022,591**
Segment liabilities	**1,135,440,337**	**444,135,259**	**68,221,510**	**(157,507,073)**	**1,490,290,033**
Income tax payable					**19,821,679**
Deferred tax liabilities					**1,075,519**
Consolidated total liabilities					**1,511,187,231**
Other segment items					
Capital expenditure	**34,623,184**	**229,438**	**1,871,816**	**–**	**36,724,438**
Impairment losses recognised in profit or loss	**1,447,000**	**–**	**(20,682)**	**–**	**1,426,318**
Depreciation expense	**2,117,924**	**349,623**	**818,515**	**–**	**3,286,062**
Finance expense	**2,810,822**	**1,402,622**	**1,172,253**	**–**	**5,385,697**
2008					
Revenue					
– External sales	201,086,690	79,970,501	20,654,517	–	301,711,708
– Interest income	31,178,096	32,091,249	6,777,632	–	70,046,977
– 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

	Singapore $	Hong Kong $	Others $	Elimination $	Total $
The Group					
2008					
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 or loss	2,671,040	–	–	–	2,671,040
Depreciation expense	1,387,528	367,312	719,305	–	2,474,145
Finance expense	8,453,565	4,112,169	1,278,164	–	13,843,898

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.

33 LISTING OF COMPANIES IN THE GROUP

Name of company	Principal activities	Country of incorporation	Equity holding by Company 2009 %	Company 2008 %	Subsidiaries 2009 %	Subsidiaries 2008 %
Subsidiaries						
PT UOB Kay Hian Securities[c]	Stockbroking	Indonesia	99.0	99.0	–	–
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	6.4	4.6
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 in Group office premises	Singapore	100	100	–	–

Name of company	Principal activities	Country of incorporation	Equity holding by Company		Subsidiaries	
			2009	2008	2009	2008
			%	%	%	%
Subsidiaries						
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[f]	Dormant	Hong Kong, SAR	–	–	–	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
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.

(f) Company deregistered in the current year.

34 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the financial year ended 31 December 2009, the Group's subsidiary, UOB Kay Hian Securities (Thailand) Public Company Limited (UOBKH Thailand) held an extraordinary general meeting on 22 January 2010 to approve the acquisition of the brokerage business of Merchant Partners Securities Public Company Limited (Merchant Partners) for a total consideration of approximately $4.5 million.

On 24 February 2010, the Group announced the issue of 28,837,000 shares by UOBKH Thailand under the sale and purchase agreement as consideration to be paid to Merchant Partners for the transfer of its stock broking business to UOBKH Thailand.

With the new share issue, the Group's effective interest in the subsidiary reduced from 83.3% to 76.5%.

Analysis Of Shareholdings

as at 16 March 2010

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		

Distribution Of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	382	3.36	134,058	0.02
1,000 – 10,000	8,976	78.95	37,976,920	5.24
10,001 – 1,000,000	1,990	17.51	78,066,267	10.77
1,000,001 & Above	20	0.18	608,531,764	83.97
Total	11,368	100.00	724,709,009	100.00

Top twenty shareholders as at 16 March 2010	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	36,290,340	5.01
Tang Wee Loke	29,893,381	4.12
UOB Kay Hian Pte Ltd	28,606,000	3.95
HSBC (Singapore) Nominees Pte Ltd	27,648,348	3.82
United Overseas Bank Nominees Pte Ltd	21,820,900	3.01
Citibank Nominees S'pore Pte Ltd	19,271,037	2.66
Bank Of China Nominees Pte Ltd	10,000,000	1.38
OCBC Nominees Singapore Pte Ltd	8,170,450	1.13
DBSN Services Pte Ltd	5,658,632	0.78
Capital Intelligence Limited	4,531,000	0.63
Tye Hua Nominees (Pte) Ltd	4,413,000	0.61
Tung Tau Chyr Walter	2,542,422	0.35
Lau Mei Lea	2,100,000	0.29
Raffles Nominees (Pte) Ltd	1,695,501	0.23
Hai Chua Fishery Pte Ltd	1,607,000	0.22
Philip Securities Pte Ltd	1,477,568	0.20
Kim Eng Securities Pte. Ltd.	1,016,400	0.14
Ang Jwee Herng	1,013,000	0.14
	608,531,764	83.97

	Direct interest		Deemed interest	
Substantial shareholders	No. of shares	% of total issued shares	No. of shares	% of total issued shares
Wee Ee Chao	–	–	143,289,976 (1)	19.77
United Overseas Bank Limited	285,537,809	39.40	4,413,000 (2)	0.61

Notes: (1) Mr Wee Ee Chao's deemed interest arises from the 115,238,976 shares held by U.I.P. Holdings Limited and 28,051,000 shares held by UOB Kay Hian Private Limited.

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

Public Float

Based on available information as at 16 March 2010, approximately 35.24% of the issued shares of the company is held by the public (Rule 723 of the SGX-ST Listing Manual).

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at the Auditorium, 8 Anthony Road, Singapore 229957 on Wednesday, 28 April 2010 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 2009 and the reports of the directors and auditors thereon.

2 To declare a one-tier tax exempt final dividend of 7.5 cents per ordinary share for the year ended 31 December 2009.

3 To approve the sum of S$205,000 as directors' fees for the year ended 31 December 2009. (2008: S$183,500)

4(a) To re-elect Mr Chelva Retnam Rajah, 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 Chelva Retnam Rajah, if re-elected as a director, will remain a member of the audit committee, a member of the nominating committee and a member and the chairman of the remuneration committee. Mr Rajah is an independent director.

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

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

4(c) To re-elect Mr Esmond Choo Liong Gee, 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.

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
13 April 2010

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 8 Anthony Road #01-01, Singapore 229957 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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