UOB-Kay Hian Holdings Limited

Annual Report 2011

nurturing progress, delivering growth

UOBKayHian

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Corporate Information

Board of Directors

Wee Ee-chao
Chairman and Managing Director

Neo Chin Sang
Executive Director

Esmond Choo Liong Gee
Executive Director

Tang Wee Loke
**Non-Executive Director*

Francis Lee Chin Yong
Non-Executive Director

Dr. Henry Tay Yun Chwan
Independent Director

Chelva Retnam Rajah
Independent Director

Roland Knecht
Independent Director

Walter Tung Tau Chyr
Independent 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

* *wef 1 January 2012*

Kay Hian Holdings

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

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

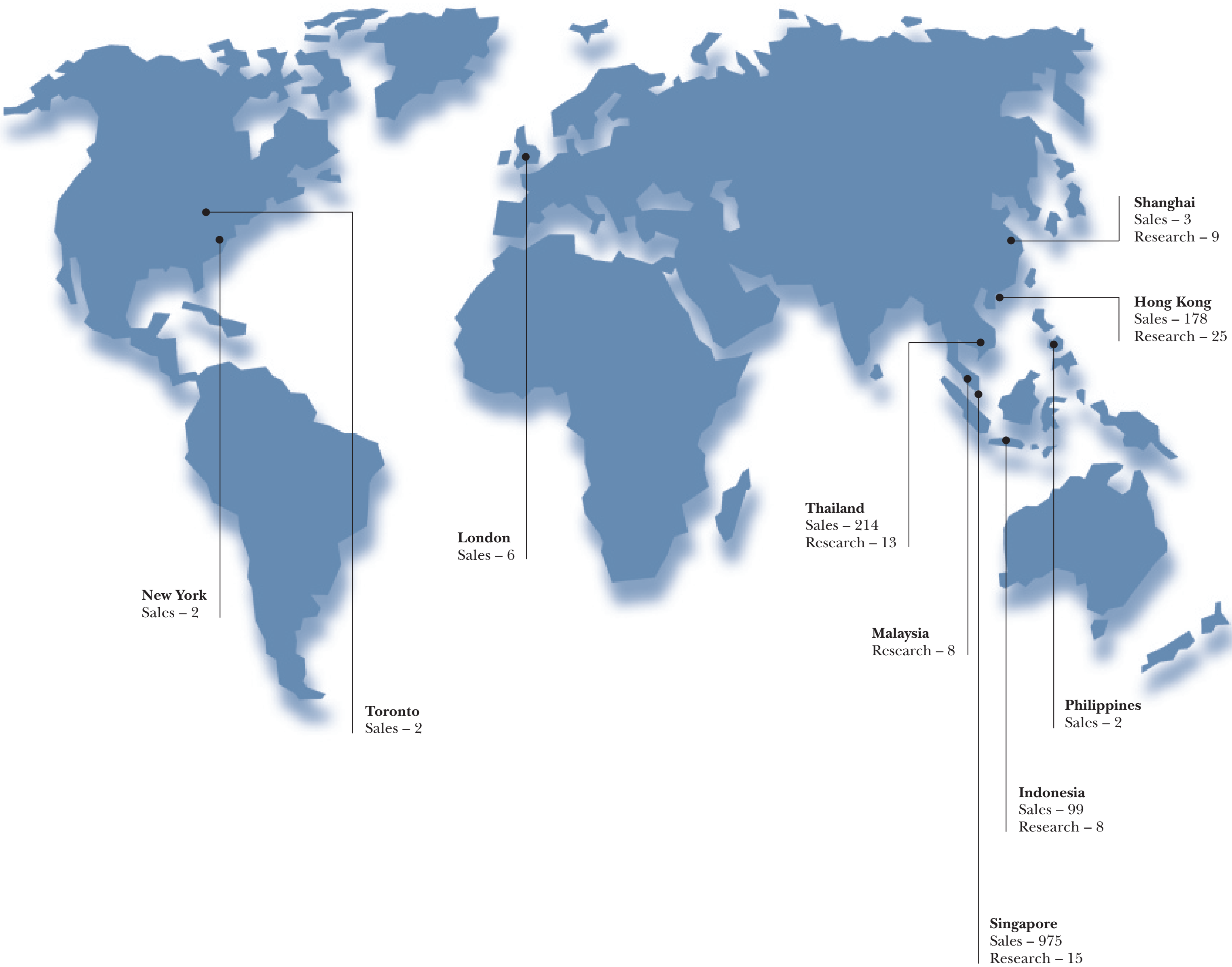
Group wide we employ approximately 2,351 professional and support staff globally. Our staff enrolment include 1481 sales trading staff and agents, 78 research analysts and 792 management, credit and back-office support staff.

We achieved considerable scale and operational leverage from our synergistic acquisitions since 2001. We believe that our non-discretionary and fixed operating costs as a percentage of our revenue are the lowest amongst the brokerages in Singapore. Our efficient cost structure provides a defensive business model that helps 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 therefore continue to invest 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 975 retail and institutional sales personnel. In addition, we have 504 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 across key global markets. In Singapore, our UTRADE internet platform is a market leader and is trusted and well regarded for its content and ease of use.

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 31.12.2011 (S$'000)	Group For the Year Ended 31.12.2010 (S$'000)	Group For the Year Ended 31.12.2009 (S$'000)	Group For the Year Ended 31.12.2008 (S$'000)
Revenue & Foreign Exchange Gain	**386.330**	446,477	407,031	374,147
Profit from Operations	**108,949**	166,442	134,635	124,652
Profit Before Tax	**108,949**	166,442	134,635	124,652
Profit After Tax	**93,249**	140,938	115,263	109,516
Profit After Tax and Non-controlling Interests	**91,935**	139,519	114,385	108,745
Shareholders' Equity (excluding non-controlling interests)	**1,086,798**	1,063,321	1,013,741	956,888
Earnings Per Share	**12.69 cents**	19.25 cents	15.78 cents	15.01 cents
Gross Dividend Per Share (Note a)	**6.50 cents**	9.50 cents	8.00 cents	7.50 cents
Net Assets Per Share (Note b)	**149.96 cents**	146.72 cents	139.88 cents	132.04 cents
Percentage Return on Shareholders' Equity				
Profit Before Tax	**10.13%**	16.03%	13.66%	13.00%
Profit After Tax	**8.67%**	13.57%	11.70%	11.42%
Profit After Tax and Non-controlling Interests	**8.55%**	13.43%	11.61%	11.34%

Note

(a) 2011 dividend of 6.5 cents (2010: dividend of 9.5 cents) is paid/payable on a one-tier tax exempt.

(b) Net asset value is derived after deducting 2.98 cents (2010: 2.80 cents) per share attributable to non-controlling interests.

UOB-Kay Hian Share Price

(From 3 January 2011 to 15 March 2012)

Last Close : S$1.67 High : S$2.02 Low : S$1.47

Chairman's Statement

Operating Environment

After a relatively buoyant 2010, 2011 was an extended period of retracement for regional markets. This was precipitated by a number of factors, key of which were cooling policy measures to curb the growing risk of a property bubble developing in major regional economies, especially in China, Hong Kong and Singapore. The dampening effects of these policies were further compounded by the rapidly worsening EU debt woes from the 2nd quarter of 2011, as well as the lacklustre performances of the Japanese and US economies.

Such macro policies and economic developments adversely affected market sentiments and caused investors to underweight the equity markets in favour of alternative commodities and fixed income investments, thereby impinging on the trading volumes of the regional markets in which we operate.

In particular, our key Singapore and Hong Kong operations were the most severely affected and both markets suffered a significant decline in trading volumes. Most of the decrease can be attributed to an exceptionally slow 4th quarter in 2011.

The poor performances of several large IPOs listed in Hong Kong and Singapore prompted some issuers to defer their listings in 2011. Our IPO and placement opportunities were consequently reduced.

The difficult macroeconomic environment was compounded by a lack of retail interest which hurt a significant portion of our total business. In addition, profit margins shrank as a result of the increasingly competitive environment in which we operate.

2011 Operating Performance

The unfavourable operating environment impacted us negatively and this was reflected in the lower Group total revenue of S$377.1m (2010: S$439.9m) and correspondingly lower 2011 profit after tax attributable to shareholders of S$91.9m (2010: S$139.5m).

Our net asset value per share increased by 2.21% from 146.72 cents to 149.96 cents.

Dividend

Consistent with our past practice of paying approximately 50% of our year's distributable profits, our Board of Directors has recommended a final tax-exempt (one tier) dividend of $43,482,540.54, amounting to 6 cents per share (2010: 9 cents per share) for the financial year ended 31 December 2011.

Current Year Prospects

2012 started bullishly with investor interest returning to equity markets after a sustained period of under-investment. We see investor risk appetite increasing in 2012 on a combination of factors such as positive economic indicators emerging from the US, attractive stock valuations, benign interest rates and relatively high dividend yields. Confidence however remains fragile and stock market performance will be prone to short-term volatility due to the following key risk factors:

(i) Prolonged EU debt woes leading to a sustained period of austerity measures which will negatively affect export economies in Asia.

(ii) Rising commodity and oil prices which will hamper global economic growth.

(iii) Prolonged effects of restraining government policies which may stagnate growth in certain sectors like property and related services.

(iv) A severe slowdown in the Chinese economy.

Despite near-term macroeconomic challenges, we firmly believe in investing to remain competitive, stay relevant to our clients and keep ahead of the competition. Given the growing importance of online trading, we will continue to invest in technology so as to provide better trading tools and information that can enhance our clients' trading experience with us. Our sustained investment in talent, especially in the areas of equity research and sales services, will yield better investment and trading ideas for our clients to trade profitably in the regional markets. These initiatives will improve our services and therefore our relevance to our existing and potential clients in a very competitive and challenging market.

We were active in the second half of 2011 in the area of mergers and acquisitions.

We boosted our Thai presence and market share with the acquisition of United Securities Public Company Limited (US). We have since successfully integrated the acquired US operations into our Group. We expect that our acquisition will start to contribute positively from the current financial year.

In Malaysia, we have entered into a conditional agreement to acquire a 100% stake in Innosabah Securities Sdn Bhd, achieving the first such acquisition of a Malaysian brokerage by a foreign investor. When completed, this acquisition will provide our Group with an important platform for expanding our business into Malaysia, a historically important hinterland for Singapore.

With our rapid business expansion, we have strengthened our Management by appointing two Executive Directors with regional responsibilities to the board of our Singapore stockbroking subsidiary. We are pleased to welcome Messrs Kok Heng Loong and Yendi Likin Oey to our Management team.

Acknowledgements

On behalf of our Board of Directors, I wish to thank all staff, representatives and associates for their hard work and contributions to the Group in 2011.

We again thank our shareholders for their support, which has inspired management to work earnestly to harness the opportunities in 2012.

Wee Ee-chao
Chairman and Managing Director

CHINA

Review of 2011

In 2011, China's GDP grew 9.2% yoy to Rmb47.2t, in line with market expectations. The Consumer Price Index (CPI) rose significantly by 5.4% yoy due to rising food prices.

New renminbi loans amounted to Rmb7.47t for the entire year. Monetary authorities switched from tightening to selective easing in 4Q11 and lowered the reserve requirement ratio (RRR) by 50bp to 21% in Nov 11. In 2011, the renminbi gained 5% against the US dollar to Rmb6.30/US$ by end-11.

Urban fixed-asset investment (FAI) growth slowed down to 23.8% yoy in 2011 due to moderation in property and railway investments. Retail sales growth increased 17.1% yoy given persistent wage rate hikes. Export and import growth reached 20.3% yoy and 24.9% yoy respectively and trade surplus narrowed to US$155b from US$183.8b in 2010.

Outlook for 2012

China's economy will continue to grow moderately, but will have a soft landing in 2012. The government will maintain its prudent monetary policy and proactive fiscal policy, and will put more effort into improving people's livelihood and boosting domestic demand.

GDP growth will slow down to 8.6% yoy in 2012, and inflationary pressure will fade away (CPI to drop to 3.2% yoy). FAI growth will decline to about 20.5% yoy, given tightening measures in the property sector. Net exports will also fall further to US$125b.

New credit will grow at a relatively stable pace (Rmb8t) and M2 could increase 14.5%. There will be a 150bp cut in the RRR this year, whereas the benchmark interest rate will remain unchanged.

Stock Market Review for 2011

Shanghai A-share Composite index declined 21.68% (closing at 2,199.42) in 2011, and Shenzhen Stock index also fell 28.41% (closing at 8,918.82), making it the second worst performing market among major stock markets. The A-share market was under pressure from tightened liquidity throughout the entire year and capital withdrawals by foreign investors. In 2011, the financing of A-share IPOs reached Rmb272b for 276 enterprises, the third highest in history.

In Hong Kong, the HSCEI fell 21.4% in 2011, closing at 9,979.81. The index peaked at 13,770 in mid-Apr 11, then dipped to 8,058 in early Oct 11.

Stock Market Outlook for 2012

We remain bullish on China stocks in 2012, given rising global liquidity, improving economic outlook and an easing stance by the government. Our end-12 HSCEI target is set at 13,370, or 9.7x 2012F PE. This target PE represents 1SD below the mean PE of 13.5x for the last 11 years.

In terms of investment themes, we recommend high-yielding stocks (major banks), high-beta stocks (building materials and property developers), stocks poised to benefit from policy easing (banks and developers) and stocks experiencing high secular growth (consumer, tourism, gas distribution and healthcare).

HONG KONG

Review of 2011

Hong Kong's GDP growth reached 5.0% yoy in 2011, but slowed to 3.0% in 4Q11 mainly due to weak exports. Total exports of goods saw growth moderate to 10.1% yoy in 2011 from 22.8% yoy in 2010.

Private consumption growth remained resilient in 2011, surging 24.8% yoy vs 18.3% yoy in 2010. A stable employment condition and positive income outlook were the main reasons for the growth. Unemployment rate fell to 3.2% in Dec 11, compared with 3.9% in Dec 10.

The CPI reading climbed to 5.3% yoy in 2011, from 2.4% yoy in 2010, due to rising prices in the food and housing sectors.

Outlook for 2012

The weak global economic environment could further slow Hong Kong's economic growth in 1H12, but relatively strong domestic consumption and tourism spending could to some extent offset the slowdown. GDP growth could thus hit 3.1% yoy in 2012.

Exports will continue to face difficulties, especially in 1H12, given sluggish market demand in developed countries. Export growth could drop to 7.5% yoy in 2012. Domestically, consumption growth will remain healthy and inflationary pressure will ease gradually with CPI declining to about 4% at the end of 2012.

Stock Market Review for 2011

Concerns over tapering growth in advanced economies and escalating European debt problems sent shockwaves to the local stock market. Also relevant was the growth moderation in China's economy. The HSI once fell to the bottom of 16,170 on 4 October. While it rebounded to a high of 20,272 on 28 October, it subsequently closed at 18,434 at end-11, down 20.0%, or 4,601 points lower than a year earlier.

As a result, market capitalisation of the Hong Kong stock market contracted by 16.8% to HK$17.5t, though it remains the seventh-largest bourse globally.

Meanwhile, trading activities were relatively steady during most of 2011, though showing some retreat in 4Q11. Average daily turnover in the securities market edged up by 0.9% to $69.7b in 2011.

Average daily trading value of securitised derivatives products went up by 9.4%, with the surge of 28.8% in callable bull/bear contracts more than offsetting the slight decline of 1.1% in derivative warrants.

Stock Market Outlook for 2012

Despite the slower economic growth, we are optimistic about the Hong Kong stock market as the quantitative easing by the three major central banks (US Federal Reserve, European Central Bank, and Bank of Japan) will add much liquidity to the global financial system. Also, China has shifted to an easing stance. Hong Kong, being one of the freest economies in the world, will benefit from the capital inflow.

We recommend local banks as they will benefit from the rising renminbi business and the good growth prospects for Chinese businesses. We continue to favour retailing plays as Hong Kong remains one of the most desired destinations for mainland tourists. Last, we also like some exporters that are trading at compelling valuations and will eventually benefit from the economic recovery in developed countries.

INDONESIA

Review of 2011

Despite a slowdown in global demand in 4Q11, Indonesia achieved high economic growth with GDP growth reaching 6.5% yoy in 2011. This was mainly attributable to high consumer spending and strong investment. Domestic consumption rose 4.7% yoy, and government consumption recovered with growth of 3.2% yoy in 2011. Fixed capital formation growth improved by 8.8% yoy. The recent investment rating upgrade by Moody's suggests Indonesia is entering a cycle of investment expansion.

At the same time, Indonesia managed to lower inflationary pressure from 7.0% yoy in 2010 to 3.8% yoy in 2011, the lowest since Apr 10. The lower inflation rate led Bank Indonesia (BI) to lower the BI rate by 25bp to 5.75% currently.

Outlook for 2012

The severity of the European debt crisis may hurt global economic growth. Tight liquidity may also erode Indonesia's economic fundamentals if credit disappears. However, UOB Economic-Treasury Research (UOB ETR) expects GDP forecast of about 6.0% yoy for 2012, in line with the International Monetary Fund's and Asean Development Bank's GDP growth projections of 6.3% and 6.5% respectively.

Low inflation may give BI room to lower the BI rate, which will boost loan growth since cost of funds will decline. We stick to our view that economic growth in 2012 will be consumption-driven, supported by government spending on infrastructure projects.

However, the Indonesian government plans to increase subsidised fuel prices in lieu of its initial plan to phase out fuel subsidies for private car users from Apr 12. This may increase inflationary pressure in 2012.

Stock Market Review for 2011

The JCI edged up by 3.2% yoy to end at 3,822.0 in Dec 11 on the back of strong economic fundamentals and low inflation. However, the severe European debt crisis dampened the global stock market and the JCI fell from the record high of 4,193.4 in early-Aug 11. Meanwhile, foreign trading activity accounted for about 35.1% of total trading activity on the JCI.

Stock Market Outlook for 2012

We believe Indonesia's economic fundamentals remain intact thanks to a growing domestic market with ongoing recovery in consumer spending, and growing industrialisation. Many industries will benefit from the expected growth of investments in Indonesia, including banking, automobile and its supply chain, industrial estate, cement and construction.

With expectation of 17.5% yoy EPS growth, therefore, we expect JCI to rise to 4,600 by end-12 based on 13x 2013F PE.

However, key risks are a global economic slowdown, high market volatility due to the European crisis and inflationary pressure as a result of government plans to increase subsidised fuel prices.

We think the market will be driven by companies with high domestic exposure, such as consumer, infrastructure (cement, construction and toll roads) and domestic-focused manufacturers.

MALAYSIA

Review of 2011

Malaysia's 4Q11 GDP growth moderated, but remained surprisingly resilient at 5.2% yoy (3Q11: 5.8% yoy), bringing full-year GDP growth to 5.1%, down sharply from 7.2% in 2010. Domestic consumption, supported by strong public and private spending, mitigated a soft external sector which was impacted by weaker demand from developed economies.

Outlook for 2012

UOB ETR expects growth to moderate to 3.9% in 2012. Income growth, which helped to prop up private spending in 2011, could ease this year as a result of the continued weakness in the global outlook. The outlook for exports is also likely to remain weak this year with growth likely to remain in low single digits. Nonetheless, public spending is expected to remain firm given the prospect of an early general election this year. Similarly, development spending under the Economic Transformation Programme (ETP) will also continue to support growth.

Slowing growth, coupled with easing inflation expected from the start of this year, increases the prospect of monetary easing, particularly in 1H12. This underpins UOB ETR's forecast for a 50bp cut in the Overnight Policy Rate (OPR) this year to 2.50%.

Stock Market Review for 2011

The FBMKLCI climbed to a high of 1,594.74 in July, but thereafter tumbled alongside global equities to a low of 1,331.8 in September, as predominantly positive domestic newsflow (such as progress on ETP projects and a slew of M&A activities) was outweighed by global headwinds. Nonetheless, the FBMKLCI staged a recovery to close the year at 1,530.73 (+0.8%), making Malaysia one of the better performing markets in the region last year.

Stock Market Outlook for 2012

We expect a continued modest uptrend for the FBMKLCI through 1Q12, driven by growing expectations of a general election in May-Jun 12 and rising M&A and privatisation activities. However, we expect caution to emerge in 2H12, as investors shift their attention to potentially market-adverse GE results, and on external concerns as fiscal cuts in the Western world should dampen global GDP growth. We peg our end-12 FBMKLCI target at 1,560, based on 12.9x prospective PE (1SD below the historical average).

Key fundamental investment themes for 2012 are ETP beneficiaries (particularly winners of the Mass Rapid Transit project, oil & gas plays and beneficiaries of the Iskandar Malaysia development). We also like capital management plays, particularly number forecasting operators. The M&A theme is also likely to feature during the year as more M&A activities should be forthcoming considering the current conducive environment for selected companies – low interest rate regime, strong cash flows or/and balance sheets relative to their respective market caps, and still-good visibility in the domestic economy and earnings growth.

SINGAPORE

Review of 2011

Singapore's 2011 GDP growth moderated to 4.9% yoy after registering a growth of 14.8% yoy in 2010. The growth in 2011 was underpinned by broad-based growth, particularly from sectors such as manufacturing (+7.6% yoy) and finance & insurance (+9.1% yoy).

Inflation remained elevated in 2011, with CPI rising 5.2% yoy. The key drivers were housing (+8.3% yoy) and transport (+11.9% yoy). More importantly, core inflation monitored by the Monetary Authority of Singapore (MAS) - excluding components of accommodation and private road transport - was a reasonable +2.2% yoy.

Outlook for 2012

UOB ETR forecasts 2012 GDP growth at 2.5%, which is within the range of 1-3% guided by the Ministry of Trade and Industry. As for inflation, the CPI is projected to moderate to 3.2% in 2011 from 5.2% in 2011.

Looking ahead, the external environment is expected to remain challenging with global bodies such as the International Monetary Fund and World Bank cutting their forecasts for 2012 GDP growth to 3.3% yoy and 2.5% yoy respectively (from 4.1% yoy and 3.6% yoy). Nevertheless, we believe Singapore is in a good position to weather the external uncertainties given its strong banking system, low corporate leverage and high government reserves.

As for monetary policy, UOB ETR believes MAS may continue to loosen monetary policy from its current "gradual appreciation" stance in Apr 12. This is due to lower domestic GDP outlook for 2012 and expectations that inflation could moderate in line with a weaker economy

Stock Market Review for 2011

The FSSTI underperformed the region, declining 17% yoy in 2011. Concerns over external developments such as the euro zone debt crisis and the lacklustre economy and jobs recovery in the US hampered the performance of the FSSTI. On the domestic front, measures to cool the residential property market also helped curb sentiment, particularly on property stocks.

Sectors that outperformed in 2011 were primarily defensive sectors such as telecommunications (+2.3% yoy), land transport (-10.7% yoy) and media (-7.3% yoy).

Stock Market Outlook for 2012

We are selective on the FSSTI after its ytd rise of more than 10%. While the near-term risk of a financial dislocation in the euro zone has abated with the introduction of the Long-term Refinancing Operations (LTRO) in Dec 11, we think slowing global growth may not be fully factored in. Assuming no financial dislocation from the euro zone, we see a trading range of up to 3,075-3,150.

Against this backdrop, we look for themes that could outperform in a slower external growth environment. Our key themes for 2012 include: a) high dividend yield, b) domestic demand, c) beneficiaries of China demand, and d) M&A.

THAILAND

Review of 2011

Thailand's economy was hit by a series of disasters in 2011, causing GDP growth to slow down from 8% to just 2%. The first disaster to strike was the Arab Springs, which lifted oil price beyond US$100/bbl. Inflation was a concern for much of the year, with core inflation averaging 3-4%. Food inflation generally stayed in the range of 5-6%, but reached an all-time high of 10% in November during the floods. The tsunami in Japan (Mar 11) and Thailand's biggest floods in 50 years (2H11) hit industrial export sectors, such as electronics (25% of exports), petrochemicals and automobiles (10% of export each), quite heavily. The Bank of Thailand raised interest rates several times in 2011 in order to stave off inflation and only agreed to cut interest rates towards year's end in view of the floods' impact. On the global front, Thailand faced continued threats of Europe's sovereign debt crisis and further slowdown in the US, following the landmark downgrades of sovereign credit ratings of the US and European nations.

Outlook for 2012

Threat to the overall European economy persists due to conflicts between the stronger economies (Germany, France) and weaker ones (Italy, Greece), but the US economy was clearly on the mend as seen from the declining unemployment numbers. Thailand will see some gradual recovery in automobile production in March and electronics in June. Corporate tax cuts from 30% to 23% will benefit corporate earnings, but labour-intensive industries will be hurt by the minimum wage hikes starting in April.

Stock Market Review for 2011

In 2011, the Thai market proved to be resilient, dropping only 0.7% from 1,032.76 to 1,025.32 despite a series of international and domestic crises. We saw high levels of volatility and shifting investor focus. In 1Q11, markets were clearly concerned about inflation, but the Thai market rose slightly as the SET index was skewed towards inflation beneficiaries, such as energy plays and banks, that made up 40% of market capitalisation. The SET retreated slightly in 2Q11 following the blows dealt to the automobile value chain by Japan's tsunami and the start of the European debt crisis. In 3Q11, the deterioration of Europe's debt crisis coupled with spreading floods in important industrial estates caused the Thai markets to collapse 12%, but Thailand recovered as quickly in 4Q11 as foreign investors engaged in bottom-fishing.

Stock Market Outlook for 2012

The Thai market rose 10% during the first two months, hitting our SET index target of 1,130 early in the year, but we think the index will remain at this level by year's end. Negative catalysts such as minimum wage hike and slow industrial recovery in electronics continue to weigh on the substantial export sector.

What we see for Thailand is another volatile year with a possible correction between now and April before a recovery in 2H11. Stocks that should outperform in 1H12 are flood recovery beneficiaries in industrial estates, construction materials, and residential property. In 2H12, we think winners will be concentrated in sectors undergoing M&A, such as petrochemicals, healthcare and food. The Thai broking industry will undergo further consolidation.

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 2011:- 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	4	–	–	–	–	–	–
Neo Chin Sang	4	4	–	–	–	–	–	–
Esmond Choo Liong Gee*	4	4	4	4	–	–	–	–
Tang Wee Loke	4	3	–	–	–	–	1	1
Francis Lee Chin Yong	4	3	4	3	–	–	–	–
Henry Tay Yun Chwan	4	4	4	4	3	3	–	–
Chelva Retnam Rajah	4	4	4	4	3	3	1	1
Roland Knecht	4	4	–	–	–	–	1	1
Walter Tung Tau Chyr	4	4	–	–	3	3	–	–

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

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

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

- 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 6.1, 6.2, 6.3,
the Company and the Group's performance, position and prospects. Directors receive Board papers in advance 10.2
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.

To familiarise newly appointed directors with the Group's business and corporate governance practices, 1.6
directors are provided with relevant materials of the Group's business which explain activities and how the Group's business is managed.

Audit Committee ('AC')

The AC comprises three members, namely Dr. Henry Tay Yun Chwan (chairman), Mr. Chelva Retnam Rajah 11.1, 11.2, 11.3,
and Mr. Francis Lee. Dr. Tay and Mr. Rajah are independent directors and Mr. Lee is a non-executive director. 11.5, 11.8
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.

The main terms of reference of the AC are:-

- to review with the internal and external auditors the adequacy of the internal control systems; 11.4
- 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 $88,349 was paid to the external auditors for non-audit services versus $454,235 for audit fees rendered during the year.

The AC annually reviews the independence of the external auditors. 11.4, 11.6

Internal Controls

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

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

- discussions with management on risks identified by internal audit;
- 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's 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'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 2011 is as follows:- 9.1, 9.2

Name	Fees (%)	Fixed Salary (%)	Variable Income (%)	Total (%)
S$4,000,000 to S$4,250,000				
Wee Ee–chao	–	11.90	88.10	100
S$1,750,000 to S$2,000,000				
Esmond Choo Liong Gee	–	19.92	80.08	100
S$500,000 to S$750,000				
Neo Chin Sang	–	60.08	39.92	100
S$250,000 to S$500,000				
Tang Wee Loke	–	100	–	100
Below S$250,000				
Francis Lee Chin Yong	100	–	–	100
Henry Tay Yun Chwan	100	–	–	100
Chelva Retnam Rajah	100	–	–	100
Roland Knecht	100	–	–	100
Walter Tung Tau Chyr	100	–	–	100

The remuneration bands of the top five executives of the Group who are not directors of the Company for this financial year are:-

Remuneration Bands	No. of Executives
S$1,750,000 to S$2,000,000	1
S$1,500,000 to S$1,750,000	1
S$250,000 to S$500,000	3
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 transaction 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 2011 (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 2011 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Flair Investment Pte Ltd	$468,000 *	Not applicable #

* Rental for 3 year lease of 39, Circular Road.

\# The Company has not sought any shareholders' mandate for interested person transaction 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 from American University (USA). 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 30 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 investment and real estate development in the region. He serves on the Board of Haw Par Corporation Ltd, UOL Group Limited and Pan Pacific Hotels Group Limited (formerly known as Hotel Plaza Limited) as a non-executive director and is also a Director of Kheng Leong Co. Pte. Ltd. and Wee Investment Group. He was appointed Chairman of the Singapore Tourism Board in January 2002 and retired in December 2004. He was also the First Vice-President of the Real Estate Developers' Association of Singapore (REDAS) from 2005 to 2006 and continued to serve on the Committee of REDAS from 2007-2010.

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 remained as an executive director of UOB-Kay Hian Holdings Limited until 31 December 2011. He was appointed non-executive director from 1 January 2012. 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 – holds a B.Com (Hons) and is a member of the Institute of Chartered Accountants in Australia. He 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

Dr. Henry Tay Yun Chwan – graduated from Monash University in 1969 with MBBS (Honours). 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. 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. Prior to joining Kay Hian, Mr. Tung worked for Shulton Far East Pte Ltd and the Inchcape Group.

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 the:

- Group Managing Director, Group Head of Private Banking and Executive Committee Member of Banque Heritage, Geneva;
- Branch Manager of Banque Heritage, Zurich;
- Director of Heritage Asset Management Ltd., Hong Kong; and
- Managing Director Senior Advisor of Heritage Asset Management Pte Ltd., Singapore.

Lee Chin Yong Francis – was appointed a non-executive director of UOB-Kay Hian Holdings Limited and a member of the Audit Committee on 3 July 2006. Mr Lee is the Managing Director, Head of Retail of United Overseas Bank Limited. He is responsible for the Group's retail businesses for consumers (including Private Banking) 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) Bhd, PT Bank UOB Indonesia, United Overseas Bank (Thai) Public Company Ltd and United Overseas Bank (China) Ltd.

He holds a Malaysia Certificate of Education and has 33 years of experience in the financial industry.

Key management personnel of the Group

SINGAPORE

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 has more than 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 was appointed as Co-Chief Executive Officer in 2004.

He is responsible for the management of the company's retail and institutional business. He is also involved in the supervision of research, investment advisory and overall business development. He has more than 15 years of experience in the securities business with various leading securities companies in Thailand 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 – 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 2011.

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	–	–	143,289,976	148,927,976
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, Mr Wee Ee-chao is deemed to have an interest in all the related corporations of the Company.

The directors' interest in the ordinary shares of the Company as at 21 January 2012 were the same as at 31 December 2011.

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
30 March 2012

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 77 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 2011, 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
30 March 2012

Independent Auditors' Report To The Members Of UOB-Kay Hian Holdings Limited

Report on the Financial Statements

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 2011, and 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 77.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

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 about 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 of financial statements that give a true and fair view 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, 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 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, 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
30 March 2012

Statements Of Financial Position

31 December 2011

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
ASSETS					
Current assets					
Cash and bank balances	6	**357,745,654**	285,834,628	**5,228,461**	113,478
Outstanding contracts receivable	7(a)	**404,040,287**	876,078,828	**–**	–
Trade receivables	8	**1,229,848,924**	1,701,931,102	**–**	–
Other financial assets, at fair value through profit or loss	9(a)	**30,149,266**	28,189,483	**–**	–
Other current assets	10	**22,873,165**	21,646,599	**19,777,421**	115,062,130
Derivative financial instruments	11	**13,414**	186,689	**–**	–
Total current assets		**2,044,670,710**	2,913,867,329	**25,005,882**	115,175,608
Non–current assets					
Trade receivables	8	**79,292,000**	29,221,129	**–**	–
Goodwill	12	**5,187,874**	4,022,655	**–**	–
Subsidiaries	13	**–**	–	**243,273,005**	235,845,121
Associates	14	**–**	–	**–**	–
Financial assets, available–for–sale	15	**13,821,183**	9,083,619	**–**	–
Trading rights in Exchanges	16	**97,353**	96,413	**–**	–
Memberships in Exchanges		**441,201**	235,915	**–**	–
Property, plant and equipment	17	**65,231,047**	71,442,613	**–**	–
Deferred tax assets	18	**724,150**	367,319	**–**	–
Total non–current assets		**164,794,808**	114,469,663	**243,273,005**	235,845,121
Total assets		**2,209,465,518**	3,028,336,992	**268,278,887**	351,020,729
LIABILITIES					
Current liabilities					
Outstanding contracts payable	7(b)	**377,161,853**	791,716,378	**–**	–
Trade and other payables	19	**96,646,418**	154,679,460	**18,742,505**	100,445,351
Other financial liabilities, at fair value through profit or loss	9(b)	**–**	1,140	**–**	–
Borrowings	20	**308,751,793**	645,824,983	**–**	–
Debts issued	21	**295,711,270**	325,387,000	**–**	–
Income tax payable		**16,651,887**	25,392,102	**–**	–
Derivative financial instruments	11	**678,724**	9,169	**–**	–
Total current liabilities		**1,095,601,945**	1,943,010,232	**18,742,505**	100,445,351
Non–current liabilities					
Trade and other payables	19	**3,635,770**	–	**–**	–
Deferred tax liabilities	18	**1,834,560**	1,685,770	**–**	–
Total non–current liabilities		**5,470,330**	1,685,770	**–**	–
Total liabilities		**1,101,072,275**	1,944,696,002	**18,742,505**	100,445,351
EQUITY					
Capital, reserves and non–controlling interests					
Share capital	22	**72,470,901**	72,470,901	**72,470,901**	72,470,901
Reserves	23	**(43,174,104)**	(43,815,582)	**–**	–
Retained earnings		**1,057,501,489**	1,034,665,787	**177,065,481**	178,104,477
Equity attributable to owners of the Company		**1,086,798,286**	1,063,321,106	**249,536,382**	250,575,378
Non–controlling interests		**21,594,957**	20,319,884	**–**	–
Total equity		**1,108,393,243**	1,083,640,990	**249,536,382**	250,575,378
Total liabilities and equity		**2,209,465,518**	3,028,336,992	**268,278,887**	351,020,729
Clients' trust/segregated accounts					
Bank balances					
– with related parties		**181,429,763**	364,008,159	**–**	–
– with non–related banks		**628,485,197**	530,140,374	**–**	–
Margin with clearing house		**12,976,402**	11,778,239	**–**	–
Less: Amounts held in trust		**(822,891,362)**	(905,926,772)	**–**	–
		–	–	**–**	–

See accompanying notes to financial statements

Consolidated Statement Of Comprehensive Income

Year ended 31 December 2011

	Note	Group 2011 $	Group 2010 $
Revenue	24	**377,094,197**	439,945,231
Net foreign exchange gain		**9,235,976**	6,531,518
Realised (loss) gain on financial assets, available–for–sale		**(82,049)**	7,673,049
Commission expense		**(70,964,708)**	(95,434,268)
Staff costs	25	**(105,598,843)**	(122,166,199)
Finance expense	26	**(31,343,443)**	(9,667,842)
Other operating expenses	27	**(69,391,854)**	(60,439,641)
Profit before income tax		**108,949,276**	166,441,848
Income tax expense	28	**(15,699,997)**	(25,503,785)
Profit for the year		**93,249,279**	140,938,063
Other comprehensive (expense) income:			
Exchange differences on translation of foreign operations	29	**(1,015,831)**	(22,434,528)
Available–for–sale investments	29	**201,195**	(7,776,091)
Income tax relating to components of other comprehensive income	28	**(69,344)**	200,507
Other comprehensive expense for the year, net of tax	29	**(883,980)**	(30,010,112)
Total comprehensive income for the year		**92,365,299**	110,927,951
Profit attributable to:			
Owners of the Company		**91,935,371**	139,519,427
Non–controlling interests		**1,313,908**	1,418,636
		93,249,279	140,938,063
Total comprehensive income attributable to:			
Owners of the Company		**92,075,224**	109,386,391
Non–controlling interests		**290,075**	1,541,560
		92,365,299	110,927,951
Earnings per share – Basic and diluted	30	**12.69 cents**	19.25 cents

See accompanying notes to financial statements

Statements Of Changes In Equity

Year ended 31 December 2011

	Note	Share capital $	Equity reserve $
Group			
Balance at 1 January 2010		72,470,901	–
Total comprehensive income for the year		–	–
Non–controlling interest arising from acquisition of assets and related business		–	(1,996,126)
Final dividend for 2009 paid	31	–	–
Interim dividend for 2010 paid	31	–	–
Acquisition of additional interest in a subsidiary	13	–	177,185
Payment of dividend by a subsidiary		–	–
Balance at 31 December 2010		72,470,901	(1,818,941)
Total comprehensive income for the year		–	–
Non–controlling interest arising from acquisition of subsidiary	36	–	–
Final dividend for 2010 paid	31	–	–
Interim dividend for 2011 paid	31	–	–
Acquisition of additional interest in a subsidiary	13	–	**226,786**
Transfer to statutory reserve		–	–
Payment of dividend by a subsidiary		–	–
Balance at 31 December 2011		**72,470,901**	**(1,592,155)**

See accompanying notes to financial statements

Attributable to owners of the Company						
Fair value reserve $	Foreign currency translation reserves $	Statutory reserve $	Retained earnings $	Attributable to owners of the Company $	Non-controlling interests $	Total $
8,531,470	(21,788,795)	1,403,932	953,123,080	1,013,740,588	13,094,772	1,026,835,360
(7,596,308)	(22,555,198)	18,470	139,519,427	109,386,391	1,541,560	110,927,951
–	104,270	(114,479)	–	(2,006,335)	6,370,382	4,364,047
–	–	–	(54,353,176)	(54,353,176)	–	(54,353,176)
–	–	–	(3,623,544)	(3,623,544)	–	(3,623,544)
–	(9,293)	9,290	–	177,182	(440,709)	(263,527)
–	–	–	–	–	(246,121)	(246,121)
935,162	(44,249,016)	1,317,213	1,034,665,787	1,063,321,106	20,319,884	1,083,640,990
138,897	**51,642**	**(50,686)**	**91,935,371**	**92,075,224**	**290,075**	**92,365,299**
–	–	–	–	–	**2,425,528**	**2,425,528**
–	–	–	**(65,223,812)**	**(65,223,812)**	–	**(65,223,812)**
–	–	–	**(3,623,544)**	**(3,623,544)**	–	**(3,623,544)**
–	–	**22,526**	–	**249,312**	**(1,195,927)**	**(946,615)**
–	–	**252,313**	**(252,313)**	–	–	–
–	–	–	–	–	**(244,603)**	**(244,603)**
1,074,059	**(44,197,374)**	**1,541,366**	**1,057,501,489**	**1,086,798,286**	**21,594,957**	**1,108,393,243**

Statements Of Changes In Equity *(continued)*

Year ended 31 December 2011

	Note	Share capital $	Retained earnings $	Total $
Company				
Balance at 1 January 2010		72,470,901	157,530,074	230,000,975
Total comprehensive income for the year		–	78,551,123	78,551,123
Final dividend for 2009 paid	31	–	(54,353,176)	(54,353,176)
Interim dividend for 2010 paid	31	–	(3,623,544)	(3,623,544)
Balance at 31 December 2010		72,470,901	178,104,477	250,575,378
Total comprehensive income for the year		–	**67,808,360**	**67,808,360**
Final dividend for 2010 paid	31	–	**(65,223,812)**	**(65,223,812)**
Interim dividend for 2011 paid	31	–	**(3,623,544)**	**(3,623,544)**
Balance at 31 December 2011		**72,470,901**	**177,065,481**	**249,536,382**

See accompanying notes to financial statements

Consolidated Statement Of Cash Flows

Year ended 31 December 2011

	Note	2011 $	2010 $
Operating activities			
Profit before income tax		**108,949,276**	166,441,848
Adjustments for:			
Depreciation expense	27	**9,651,712**	9,457,757
Net loss on disposal of property, plant and equipment		**77,863**	78,140
Property, plant and equipment written off		**–**	15,246
Realised loss (gain) on financial assets, available–for–sale		**82,049**	(7,673,049)
Dividend income	24	**(578,828)**	(1,001,671)
Allowance (write back of allowance) for trade receivables		**3,994,540**	(161,827)
Allowance for impairment in financial assets, available–for–sale	15	**246,634**	131,157
Interest expense	26	**31,343,443**	9,667,842
Exchange differences		**(6,065,756)**	(16,850,690)
Operating cash flows before movements in working capital		**147,700,933**	160,104,753
Changes in operating assets and liabilities:			
Other financial assets/liabilities, at fair value through profit or loss		**(1,960,923)**	(1,959,940)
Trade, outstanding contracts and other receivables [Note A]		**914,702,158**	(216,047,075)
Trade, outstanding contracts and other payables		**(480,615,074)**	(119,070,850)
Debts issued [Note A]		**(29,675,730)**	148,177,500
Cash from (used in) operations		**550,151,364**	(28,795,612)
Interest paid	26	**(31,343,443)**	(9,667,842)
Income tax paid		**(24,266,978)**	(19,257,997)
Net cash from (used in) operating activities		**494,540,943**	(57,721,451)
Investing activities			
Payments for property, plant and equipment [Note B]	17	**(3,442,057)**	(3,933,233)
Acquisition of subsidiary	36	**(19,139,657)**	–
Proceeds from disposal of financial assets, available–for–sale		**1,755,015**	8,598,874
Proceeds from disposal of property, plant and equipment		**115,807**	22,622
Proceeds from liquidation of associates		**–**	78,729
Payment to non–controlling interests for dividend		**(244,603)**	(246,121)
Payment for financial assets, available–for–sale		**(173,211)**	–
Dividends received from quoted/unquoted securities	24	**578,828**	1,001,671
Net cash (used in) from investing activities		**(20,549,878)**	5,522,542

	Note	2011 $	2010 $
Financing activities			
Payment to non-controlling interests for additional interest in a subsidiary		**(946,615)**	(263,527)
Net (repayment) drawdown of short-term bank loans		**(329,708,933)**	222,860,208
Dividends paid		**(68,847,356)**	(57,976,720)
Net cash (used in) from financing activities		**(399,502,904)**	164,619,961
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		**4,787,122**	(5,520,653)
Net increase in cash and bank balances		**79,275,283**	106,900,399
Cash and cash equivalents at beginning of the year		**274,330,002**	167,429,603
Cash and cash equivalents at end of the year	6	**353,605,285**	274,330,002

Notes: Non-cash transactions

Note A

In 2010, the Group issued debts amounting to $325,387,000 of which $177,209,500 had been issued on a non-cash basis as considerations in exchange for originating or purchasing certain trade receivables of equivalent amounts (Notes 8 and 21).

Note B

In 2010, as part of the acquisition of the brokerage business of Merchant Partners Securities Public Company Limited, the Group acquired plant and equipment of $341,392 through the allocation of new ordinary shares of UOB Kay Hian Securities (Thailand) Public Company Limited as consideration paid.

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. 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 2011 were authorised for issue by the Board of Directors on 30 March 2012.

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 2011. 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:

- Improvements to Financial Reporting Standards (Issued in October 2010)
- FRS 24 *(Revised) Related Party Disclosures*

FRS 24 *(Revised) Related Party Disclosures*

FRS 24 *(Revised) Related Party Disclosures* has been adopted beginning 1 January 2011 and has been applied retrospectively. The revised Standard clarifies the definition of a related party and consequently the following additional party have been identified as related to the Group:

- Joint ventures of an investor who has significant influence over the Group

In addition, the Group is required to disclose commitments between itself and its related parties.

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

- Amendments to FRS1 *Presentation of Financial Statements – Amendments relating to Presentation of Items of other Comprehensive Income*
- Amendments to FRS 107 *Financial Instruments : Disclosures – Transfers of Financial Assets*
- FRS 110 *Consolidated Financial Statements*
- FRS 112 *Disclosure of Interests in Other Entities*
- FRS 113 *Fair Value Measurement*

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:

Amendments to FRS 107 *Financial Instruments: Disclosures – Transfers of Financial Assets*

The amendments to FRS 107 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the tranferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed througout the period.

The Group does not anticipate that these arrangements to FRS 107 will have a significant effect on the Group's disclosures regarding its existing arrangements. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after 1 January 2013, and the Group is currently estimating the extent of additional disclosures needed.

FRS 113 *Fair Value Measurement*

FRS 113 is a single new Standard that applies to both financial and non-financial items. It replaces the guidance on fair value measurement and related disclosures in other Standards, with the exception of measurement dealt with under FRS 102 *Share-based Payment*, FRS 17 *Leases*, net realisable value in FRS 2 *Inventories* and value-in-use in FRS 36 *Impairment of Assets*.

FRS 113 provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, but does not change the requirements in other Standards regarding which items should be measured or disclosed at fair value.

FRS 113 will be effective prospectively from annual periods beginning on or after 1 January 2013. Comparative information is not required for periods before initial application.

The Group is currently estimating the effects of FRS113 in the period of initial adoption.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and 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 and 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 in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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 – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and
- 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* are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

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.

<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".

Financial assets

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

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

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

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

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset 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 assets 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 fair value through profit or loss.

Financial assets that the Group designates on initial recognition as being at FVTPL are recognised at fair value with transaction costs being recognised in profit or loss. Subsequently they are measured at fair value. 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.

The principal category of financial assets designated as at FVTPL is the debt securities underpinning the credit-linked notes issued by the Group. Fair value designation significantly reduces the measurement inconsistency that would arise if these debt securities were classified as loans and receivables.

Available-for-sale financial assets

Certain shares and debt securities held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised directly in 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.

Receivables and other current assets

Outstanding contracts receivable, trade receivables 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 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 Group 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 FVTPL are recognised at fair value with transaction costs being recognised in profit or loss. Subsequently they are measured at fair value. Gains and losses are recognised in profit or loss as they arise. 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.

The principal category of financial liabilities designated as at FVTPL is the credit-linked notes issued by the Group. Fair value designation significantly reduces the measurement inconsistency that would arise if these liabilities were measured at amortised cost.

Other financial liabilities

Outstanding contracts payable, 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, if not designated as at FVTPL, 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 a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. 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.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL – At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) 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 (cash-generating unit) 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.

<u>The Group as lessee</u>

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.

<u>The Group as lessor</u>

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 in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. 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 its carrying amount, 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 or the relevant cash-generating unit, 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:

Commission income

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

Trading income

Trading income relates mainly to proprietary trading entered into by the Group and is recognised on a mark-to-market or realisation basis.

Dividend income

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

Fee income

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

Interest income

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

BORROWING COSTS – Borrowing costs 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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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 at 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 at 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 under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 a separate component of equity under the header of foreign currency translation reserve.

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

SEGMENT REPORTING – An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

The Group determines and presents operating segments based on information that is internally provided to the Chief Executive Officer ("CEO") and the Board of Directors ("BOD"), who are the Group's chief operating decision makers. All operating segments' operating results are reviewed regularly by the Group's CEO and BOD to make decision about resources to be allocated to the segment and assess its performance.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows 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 18 and Note 28 to the financial statements. The income tax expense for the year ended 31 December 2011 is $15,699,997 (2010 : $25,503,785). Deferred tax assets and deferred tax liabilities as at 31 December 2011 amounted to $724,150 (2010 : $367,319) and $1,834,560 (2010 : $1,685,770) respectively. Income tax payable as at 31 December 2011 is $16,651,887 (2010 : $25,392,102).

(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 economic or legal environment in which the debtor operates in.

As at 31 December 2011, the carrying amount of trade receivables is $1,309,140,924 (2010 : $1,731,152,231) net of allowance for doubtful debts of $13,075,364 (2010 : $5,516,632).

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.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was $5,187,874 (2010 : $4,022,655).

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	
	2011	2010	2011	2010
	$	$	$	$
Financial assets				
Fair value through profit or loss (FVTPL):				
Held for trading	**30,149,266**	28,189,483	–	–
Designated as at FVTPL (see below)	**68,093,670**	101,791,500	–	–
Derivative financial instruments	**13,414**	186,689	–	–
Loan and receivables (including cash and bank balances)	**2,023,388,322**	2,811,036,945	**25,005,882**	115,175,608
Available-for-sale financial assets	**13,821,183**	9,083,619	–	–
Financial liabilities				
Fair value through profit or loss (FVTPL):				
Held for trading	–	1,140	–	–
Designated as at FVTPL (see below)	**68,093,670**	101,791,500	–	–
Derivative financial instruments	**678,724**	9,169	–	–
Amortised cost (including loans, finance leases and debts issued)	**1,013,813,434**	1,815,816,321	**18,742,505**	100,445,351

(i) Trade receivables designated as at FVTPL

The carrying amount of trade receivables designated as at FVTPL approximate their fair values.

At the end of the reporting period, there are no significant concentrations of credit risk for trade receivables designated as at FVTPL. The carrying amount reflected above represents the Company's and the Group's maximum exposure to credit risk for such trade receivables.

(ii) Credit derivatives over trade receivables at fair value

There are no credit derivatives over trade receivables designated as at fair value.

(iii) Financial liabilities designated as at FVTPL

The carrying amount of financial liabilities designated as at FVTPL approximate their fair values.

(iv) Difference between carrying amount and maturity amount

The carrying amount of financial liabilities designated as at FVTPL equals their maturity amount.

(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 a system of controls in place 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 foreign currency borrowings, foreign exchange contracts and interest rate swaps 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.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective entities' functional currencies are as follows:

	Singapore dollar $	United States dollar $	Hong Kong dollar $	Malaysian ringgit $	Thai baht $	Others $
At 31 December 2011						
Financial assets						
Cash and bank balances	**1,403,430**	**24,587,513**	**79,595,187**	**11,955,015**	**81,915,123**	**86,892,053**
Outstanding contracts receivable	**290,966**	**50,081,046**	**60,152,990**	**14,380,197**	**35,022,906**	**36,426,609**
Trade receivables	**3,508,766**	**480,185,014**	**229,425,212**	**586,656**	**41,431,784**	**43,253,557**
Other financial assets, at fair value through profit or loss	**6,921,434**	**11,456,733**	**105**	**70**	**6,972,599**	**2,827,916**
Other current assets	**34,563**	**459,838**	**2,987,541**	**480,014**	**3,827,202**	**1,156,508**
Financial assets, available-for-sale	**–**	**7,347,304**	**–**	**–**	**5,119,331**	**1,354,548**
	12,159,159	**574,117,448**	**372,161,035**	**27,401,952**	**174,288,945**	**171,911,191**
Financial liabilities						
Outstanding contracts payable	**395,916**	**48,410,402**	**27,730,204**	**13,978,015**	**66,591,660**	**38,930,181**
Trade and other payables	**174,381**	**12,190,529**	**8,951,686**	**1,778,942**	**6,996,980**	**23,672,415**
Borrowings	**2,000,377**	**178,629,257**	**65,227,500**	**388,445**	**8,221,000**	**15,285,215**
Debts issued	**–**	**269,256,270**	**–**	**–**	**–**	**26,455,000**
	2,570,674	**508,486,458**	**101,909,390**	**16,145,402**	**81,809,640**	**104,342,811**
Net financial assets	**9,588,485**	**65,630,990**	**270,251,645**	**11,256,550**	**92,479,305**	**67,568,380**
Less: Net financial assets denominated in the respective entities' functional currencies	**–**	**(815,808)**	**(269,739,305)**	**(4,287,512)**	**(89,878,396)**	**(30,738,005)**
Intercompany balances	**(26,731,815)**	**11,039,147**	**152,096**	**4,303**	**5,607,282**	**(222,713)**
Currency forwards	**(436,282)**	**376,183**	**829,368**	**(274,198)**	**(225,277)**	**(570,520)**
Foreign currencies trust balances	**–**	**(3,366,663)**	**1,132**	**(31,706)**	**(979,364)**	**(43,710,823)**
Currency exposures	**(17,579,612)**	**72,863,849**	**1,494,936**	**6,667,437**	**7,003,550**	**(7,673,681)**
At 31 December 2010						
Financial assets						
Cash and bank balances	1,591,145	19,510,814	15,071,054	21,253,579	152,474,703	54,965,770
Outstanding contracts receivable	161,179	49,249,061	129,619,165	19,440,717	47,662,395	74,954,918
Trade receivables	6,195,236	513,310,012	355,811,660	1,938,100	36,820,806	51,058,938
Other financial assets, at fair value through profit or loss	21,051,238	1,372,989	155	95	3,408,187	5,307
Other current assets	30,784	481,140	3,362,226	69,758	2,294,264	2,124,153
Financial assets, available-for-sale	–	7,860,827	–	–	149,144	1,073,648
	29,029,582	591,784,843	503,864,260	42,702,249	242,809,499	184,182,734
Financial liabilities						
Outstanding contracts payable	2,864,341	34,969,314	103,811,668	18,321,592	71,008,012	75,322,977
Trade and other payables	248,114	5,887,593	15,033,415	12,218,134	1,853,826	33,449,137
Borrowings	3,754,306	194,662,854	129,311,288	104,290	–	556,067
Debts issued	–	298,932,000	–	–	–	26,455,000
	6,866,761	534,451,761	248,156,371	30,644,016	72,861,838	135,783,181
Net financial assets	22,162,821	57,333,082	255,707,889	12,058,233	169,947,661	48,399,553
Less: Net financial assets denominated in the respective entities' functional currencies	–	(1,040,453)	(255,293,945)	(4,266,494)	(87,621,567)	(20,635,358)
Intercompany balances	(24,437,702)	1,426,117	2,653,190	612	10,796,726	(2,179,769)
Currency forwards	–	(8,850,169)	(1,073,913)	(5,014,800)	12,750,644	(2,247,277)
Foreign currencies trust balances	–	151,286	932,347	857,187	(96,060,177)	(19,201,715)
Currency exposures	(2,274,881)	49,019,863	2,925,568	3,634,738	9,813,287	4,135,434

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

Foreign currencies trust balances are monies held on behalf of clients and they do not form a part of the statement of financial position of the Group.

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

	US Dollar
	$
At 31 December 2011	
Financial assets	
Cash and bank balances representing net financial assets/currency exposure	**899**
At 31 December 2010	
Financial assets	
Cash and bank balances representing net financial assets/currency exposure	941

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

	2011		2010	
	(Decrease)			
	Profit after tax	Equity	Profit after tax	Equity
	$	$	$	$
The Group				
United States Dollar	**(2,804,108)**	**(367,365)**	(1,743,085)	(393,041)
Hong Kong Dollar	**(63,983)**	–	(123,898)	–
Malaysia Ringgit	**(285,366)**	–	(153,931)	–
Thai Bhat	**(80,644)**	**(255,967)**	409,276	6,316
Company				
United States Dollar	**(45)**	–	(47)	–

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 listed security 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:

	2011		2010	
	Increase			
	Profit after tax	Equity	Profit after tax	Equity
	$	$	$	$
The Group				
Listed in Singapore	**1,000,680**	**–**	1,218,752	–
Listed on other exchanges	**466,041**	**67,727**	170,672	66,132

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

A 5% decrease in listed security 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 2011 would increase / decrease by $10,176,894 (2010 : $10,271,131).

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 2011					
Assets					
Cash and bank balances	**213,355,342**	**76,324,519**	**–**	**68,065,793**	**357,745,654**
Trade receivables	**–**	**1,214,592,254**	**94,548,670**	**–**	**1,309,140,924**
Other financial assets	**–**	**4,473,680**	**18,858,039**	**445,247,558**	**468,579,277**
Non-financial assets	**–**	**–**	**–**	**73,999,663**	**73,999,663**
Total assets	**213,355,342**	**1,295,390,453**	**113,406,709**	**587,313,014**	**2,209,465,518**
Liabilities					
Borrowings	**4,140,369**	**304,611,424**	**–**	**–**	**308,751,793**
Debts issued	**–**	**201,162,600**	**94,548,670**	**–**	**295,711,270**
Other financial liabilities	**–**	**–**	**–**	**478,122,765**	**478,122,765**
Non–financial liabilities	**–**	**–**	**–**	**18,486,447**	**18,486,447**
Total liabilities	**4,140,369**	**505,774,024**	**94,548,670**	**496,609,212**	**1,101,072,275**

	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 2010					
Assets					
Cash and bank balances	204,770,892	39,977,769	–	41,085,967	285,834,628
Trade receivables	–	1,454,832,681	276,319,550	–	1,731,152,231
Other financial assets	–	–	22,424,227	910,877,150	933,301,377
Non-financial assets	–	–	–	78,048,756	78,048,756
Total assets	204,770,892	1,494,810,450	298,743,777	1,030,011,873	3,028,336,992
Liabilities					
Borrowings	11,504,626	634,320,357	–	–	645,824,983
Debts issued	–	48,963,000	276,424,000	–	325,387,000
Other financial liabilities	–	–	–	946,406,147	946,406,147
Non-financial liabilities	–	–	–	27,077,872	27,077,872
Total liabilities	11,504,626	683,283,357	276,424,000	973,484,019	1,944,696,002

	Fixed rates less than 6 months $	Non–interest bearing $	Total $
The Company			
At 31 December 2011			
Assets			
Cash and bank balances	–	**5,228,461**	**5,228,461**
Investments in subsidiaries	–	**243,273,005**	**243,273,005**
Other assets	–	**19,777,421**	**19,777,421**
Total assets	–	**268,278,887**	**268,278,887**
Total liabilities	–	**18,742,505**	**18,742,505**
At 31 December 2010			
Assets			
Cash and bank balances	–	113,478	113,478
Investments in subsidiaries	–	235,845,121	235,845,121
Other assets	–	115,062,130	115,062,130
Total assets	–	351,020,729	351,020,729
Total liabilities	–	100,445,351	100,445,351

(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 Company could be forced to settle under the financial guarantee contract in Note 33, if the full guaranteed amount is claimed by the counterparty to the guarantee is $213,986,239 (2010 : $334,590,093). Based on expectations at the end of the reporting period, the Company 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 (Note 33).

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

	2011	2010
	$	$
Quoted securities	**3,376,721,988**	4,575,154,268
Cash	**198,014**	363,746
Bankers' guarantees	**210,000**	300,000
	3,377,130,002	4,575,818,014

The amount of collateral held as security for trade receivables impaired as at 31 December 2011 is $696,141 (2010 : $111,688).

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.

Certain trade receivables have been designated as the referenced assets in respect of derivatives embedded or put options packaged with certain debts issued by the Group. The embedded credit default swaps and the put option allows the Group to deliver the underlying referenced assets to the noteholders as full and final settlement upon the occurrence of a credit event (Note 21).

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

	2011	2010
	$	$
Outstanding contracts receivable	**97,082,831**	187,606,857
Trade receivables	**328,699,945**	466,548,023
Trade payables	**1,515,255**	2,949,934

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

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

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

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

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

	The Group	
	2011	**2010**
	$	**$**
1 to 30 days past due	**93,469,934**	135,652,250
31 days to 60 days past due	**2,513,989**	2,661,223
More than 60 days past due	**11,572,172**	6,386,082
	107,556,095	144,699,555

The Group has not recognised any allowance on these receivables as the directors are of the view that these receivables are recoverable.

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

	2011	**2010**
	$	**$**
At beginning of year	**5,516,632**	5,780,659
Currency translation difference	**179,499**	15,319
Increase (decrease) in allowance recognised in profit or loss	**3,994,540**	(161,827)
Allowance utilised	**(312,929)**	(117,519)
Acquisition of subsidiary (Note 36)	**3,697,622**	–
At end of year	**13,075,364**	5,516,632

(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, except for the liability arising from the agreement entered into by a subsidiary with a third party in relation to the fund investment held at cost (Note 15 and Note 19).

(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 provide 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 2011 and 2010.

(d) Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances, 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 carrying amount of debts issued and the assets underpinning them approximate their respective fair values due to their relatively short term maturity or frequent repricing. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

(d) Fair value of financial assets and financial liabilities *(continued)*

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

	Total	Level 1	Level 2	Level 3
	$	$	$	$
Group				
At 31 December 2011				
Financial Assets				
Financial assets at fair value through profit or loss (FVTPL):				
– Held for trading investments	30,149,266	30,149,266	–	–
– Designated as at FVTPL	68,093,670	–	–	68,093,670
– Derivative financial instruments	13,414	–	13,414	–
Financial assets, available-for-sale:				
– Fund investments	3,514,773	–	3,514,773	–
– Quoted equities	1,354,548	1,354,548	–	–
– Unquoted equities	61,530	–	–	61,530
Total	103,187,201	31,503,814	3,528,187	68,155,200
Financial Liabilities				
Financial liabilities at fair value through profit or loss (FVTPL):				
– Designated as at FVTPL	68,093,670	–	–	68,093,670
– Derivative financial instruments	678,724	–	678,724	–
Total	68,772,394	–	678,724	68,093,670

	Total $	Level 1 $	Level 2 $	Level 3 $
Group				
At 31 December 2010				
Financial Assets				
Financial assets at fair value through profit or loss (FVTPL):				
– Held for trading investments	28,189,483	28,189,483	–	–
– Designated as at FVTPL	101,791,500	–	–	101,791,500
– Derivative financial instruments	186,689	–	186,689	–
Financial assets, available-for-sale:				
– Fund investments	3,364,274	–	3,364,274	–
– Quoted equities	1,322,648	1,322,648	–	–
– Unquoted equities	107,940	–	–	107,940
Total	134,962,534	29,512,131	3,550,963	101,899,440
Financial Liabilities				
Financial liabilities at fair value through profit or loss (FVTPL):				
– Held for trading investments	1,140	1,140	–	–
– Designated as at FVTPL	101,791,500	–	–	101,791,500
– Derivative financial instruments	9,169	–	9,169	–
Total	101,801,809	1,140	9,169	101,791,500

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy in 2011 and 2010.

Company

The Company had no financial assets or liabilities carried at fair value in 2011 and 2010.

Financial instruments measured at fair value based on level 3

	Financial assets available-for-sale (unquoted equity shares) $	Financial assets designated as at fair value through profit or loss $	Financial liabilities designated as at fair value through profit or loss $
2011			
Opening balance	**107,940**	**101,791,500**	**101,791,500**
Settlements during the year	**–**	**(33,697,830)**	**(33,697,830)**
Additions during the year	**6,260**	**–**	**–**
Fair value decrease recognised in other comprehensive income	**(52,670)**	**–**	**–**
Ending balance	**61,530**	**68,093,670**	**68,093,670**
2010			
Opening balance	80,918	–	–
Additions during the year	–	101,791,500	101,791,500
Fair value increase recognised in other comprehensive income	27,022	–	–
Ending balance	107,940	101,791,500	101,791,500

Significant assumptions in determining fair value of financial assets and liabilities

<u>Fund investments – available-for-sale</u>

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 investment 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 $6,153 (2010 : $10,794).

Derivative financial instruments – at fair value through profit or loss

The Group uses widely recognised valuation models for determining fair values of over-the-counter interest rate swaps and forward foreign exchange contracts. The most frequently applied valuation technique includes forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, inputs into models are market observable and are therefore included within level 2.

The Group uses valuation technique with significant non-market observable inputs for determining the fair values of option contracts. These option contracts are valued using models that calculate the present value and incorporate various non-observable assumptions including the credit spread of the reference asset and market rate volatilities. The fair value of such instruments is included within level 3.

Financial assets/liabilities designated as at fair value through profit or loss

Trade receivables and structured liabilities which were designated as at fair value through profit or loss are categorised in level 3 of the fair value hierarchy. The fair value of the trade receivables may be estimated from the market price on a recently occurring transaction adjusted for all changes in risks and information since that transaction date. Structured liabilities comprise credit-linked notes underpinned by the trade receivables. The fair value of these structured liabilities is determined with reference to the fair value of the underlying trade receivables held as assets. If there had been a change in the credit worthiness of the counterparties to the trade receivables and all other variables were held constant, the Group's profit and loss and equity would not be affected as any increase/decrease in the fair value of the financial assets would be offset with a corresponding increase/decrease in the fair value of the financial liabilities.

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	
	2011	**2010**
	$	**$**
Rental of premises paid/payable to a related party	**(386,550)**	(162,459)
Rental of premises received/receivable from a related party	**535,536**	535,536

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

No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by the related party.

(b) Key management personnel compensation is as follows:

	The Group	
	2011	**2010**
	$	**$**
Salaries and other short-term employee benefits	**12,064,031**	17,792,047
Employer's contribution to defined contribution plans, including Central Provident Fund	**55,389**	58,696
	12,119,420	17,850,743

(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 2011 are disclosed in Note 20 as borrowings from a related party.

6 CASH AND BANK BALANCES

	The Group		The Company	
	2011	2010	2011	2010
	$	$	$	$
Bank balances with:				
– Related party (Note 5)	**80,019,203**	30,915,296	**5,228,461**	113,478
– Non-related banks	**201,378,521**	214,924,832	**–**	–
Cash on hand	**23,412**	16,731	**–**	–
	281,421,136	245,856,859	**5,228,461**	113,478
Fixed deposits with:				
– Related party (Note 5)	**4,313,363**	13,648,313	**–**	–
– Non-related banks	**72,011,155**	26,329,456	**–**	–
	76,324,518	39,977,769	**–**	–
	357,745,654	285,834,628	**5,228,461**	113,478

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

Fixed deposits bear average effective interest rates of 3.69% (2010 : 4.13%) per annum and are for a tenure of approximately 56 days (2010 : 27 days).

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

	The Group	
	2011	2010
	$	$
Cash and bank balances (as above)	**357,745,654**	285,834,628
Less: Bank overdrafts (Note 20)	**(4,140,369)**	(11,504,626)
Cash and cash equivalents per consolidated statement of cash flows	**353,605,285**	274,330,002

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	
	2011	2010
	$	$
Due from third parties	**404,040,287**	876,078,828

(b) Outstanding contracts payable comprises the following:

	The Group	
	2011	2010
	$	$
Due to third parties	**377,161,853**	791,716,378

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	
	2011	**2010**
	$	**$**
Trade receivables from third parties:		
At amortised cost [Note 8(a)]	**1,254,122,618**	1,634,877,363
Designated as at fair value through profit or loss [Note 8(b)]	**68,093,670**	101,791,500
Less: Allowance for impairment of doubtful trade receivables	**(13,075,364)**	(5,516,632)
	1,309,140,924	1,731,152,231
Current trade receivables (recoverable within 12 months)	**1,229,848,924**	1,701,931,102
Non-current trade receivables (recoverable after 12 months)	**79,292,000**	29,221,129
	1,309,140,924	1,731,152,231

(a) Included in trade receivables at amortised cost are medium term notes and loans issued amounting to $227,617,600 (2010 : $223,595,500), with maturity dates ranging from 10 June 2012 to 2 June 2015 (2010: 10 June 2012 to 2 June 2015). These trade receivables bear effective interest rates ranging from 4.41% to 12% per annum (2010: 4.41% to 12 % per annum). These trade receivables have been designated as the referenced assets in respect of certain derivatives embedded with, or put options packaged with, certain debts issued by the Group (Note 11 and 21).

(b) In 2011 and 2010, trade receivables designated as at fair value through profit or loss comprised of distressed debts purchased at a deep discount with a maturity date of 9 December 2025. These trade receivables bear effective interest rates ranging from 13.18% to 16.78% per annum (2010 : effective interest rate of 5.32% per annum) and have been designated as the referenced assets for certain debts issued by the Group (Note 21).

The net exposure to credit risk from these trade receivables designated as the referenced assets is mitigated through the embedded credit default swaps in the credit-linked notes, or through a put option (Note 21).

Concentration of credit risk with respect to trade receivables is 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 due to the relatively short term maturity period or frequent repricing of the financial instruments. The exposure to interest rate risks of trade receivables is disclosed in Note 4(b)(iii).

9 OTHER 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 $18,378,167 (2010 : $22,424,227) with an average effective interest rate of 4.8% (2010 : 1.7%) per annum and maturity dates ranging from 13 July 2014 to 4 May 2017 (2010 : 2 July 2013 to 4 May 2017).

(a) Current assets

Financial assets, at fair value through profit or loss

	The Group	
	2011	2010
	$	$
Trading securities		
Listed securities:		
– Equity securities – Malaysia	**70**	95
– Equity securities – Singapore	**1,970,409**	2,351,512
– Debt securities – Singapore	**18,378,167**	22,424,227
– Equity securities – Others	**9,800,620**	3,413,649
	30,149,266	28,189,483

(b) Current liabilities

Financial liabilities, at fair value through profit or loss

	The Group	
	2011	2010
	$	$
Trading securities		
Listed securities:		
– Equity securities – Singapore	–	1,140

10 OTHER CURRENT ASSETS

	The Group		The Company	
	2011	2010	2011	2010
	$	$	$	$
Amounts due from subsidiaries [Note 10(a)]	–	–	**19,318,986**	115,003,134
Deposits [Note 10(b)]	**9,094,153**	9,844,278	–	–
Prepayments	**2,318,038**	1,883,841	–	–
Amounts deposited with lenders of securities [Note 10(c)]	**5,446,711**	4,407,192	–	–
Other receivables	**6,014,263**	5,511,288	**458,435**	58,996
	22,873,165	21,646,599	**19,777,421**	115,062,130

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

(b) Included in deposits is an amount of $3,117,370 (2010 : $3,093,314) 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 32).

(c) Securities borrowing and lending contracts

	The Group	
	2011	2010
	$	$
Securities borrowed		
Securities borrowed from lenders, at fair value:		
– Lent to clients	**3,750,225**	1,707,240
Securities lent		
Securities lent to clients, at fair value:		
– Borrowed from lenders	**3,750,225**	1,707,240

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

11 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2011		2010	
	Assets	Liabilities	Assets	Liabilities
	$	$	$	$
Forward foreign exchange contracts	**13,414**	**6,288**	59,947	9,169
Interest rate swaps	**–**	**672,436**	126,742	–
Put options	**–**	**–**	–	–
	13,414	**678,724**	186,689	9,169

Forward foreign exchange contracts

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 2 to 5 days (2010 : 3 to 7 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	
	2011	2010	2011	2010	2011	2010	2011	2010
	$	$	$	$	$	$		
The Group								
Forward foreign exchange contracts	**3,525,333**	25,060,055	**13,414**	59,947	**6,288**	9,169	**Within one week after end of the reporting period**	Within one week after end of the reporting period

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates.

Contracts with nominal values of $39,000,000 (2010 : $43,000,000) have fixed interest payments at an average rate of 1.54% per annum (2010 : 1.54% per annum) for periods up until 2012 (2010 : up until 2011) and have floating interest receipts at 3-month SGD Swap Offer Rate, which approximates an average of 0.15% per annum (2010 : 0.27% per annum).

The fair value of outstanding interest rate swaps as at 31 December 2011 is estimated at $672,436 in liability (2010 : $126,742 in asset), measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the end of the reporting period:

Outstanding floating for fixed contracts

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2011	2010	2011	2010	2011	2010
	%	%	$	$	$	$
Group						
Less than 1 year	**1.54**	1.54	**39,000,000**	43,000,000	**(672,436)**	126,742

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the 3-month SGD Swap Offer Rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Put options

Put options are contractual agreement that convey the right, but not the obligation, for the purchaser to sell or deliver the underlying asset at an agreed-upon value either on or before the expiration of the option.

The Group has entered into a put option that allows the Group to deliver the underlying referenced assets [Note 8(a)] to the noteholder (Note 21) as full and final settlement upon the occurrence of a credit event.

As of 31 December 2011, the put option has nominal value amounting to $142,945,000 (2010 : $148,177,500) and fair value amounting to $Nil (2010 : $Nil).

12 GOODWILL

	The Group $
Cost:	
At 1 January 2010	–
Arising on acquisition of assets and related business	4,022,655
At 31 December 2010	4,022,655
Arising on acquisition of a subsidiary (Note 36)	**1,288,538**
Exchange differences	**(123,319)**
At 31 December 2011	**5,187,874**
Carrying amount:	
At 31 December 2011	**5,187,874**
At 31 December 2010	4,022,655

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	The Group	
	2011 $	2010 $
UOB Kay Hian Securities (Thailand) Public Company Limited and its subsidiary (single CGU)	**5,187,874**	4,022,655

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable values of cash-generating units including goodwill are determined based on value-in-use calculations.

The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. Key assumptions used in the calculation of value-in-use are operating margins and discount rates.

Cash flow forecasts are derived based on an estimated operating margin of 0.15% (2010 : 0.17%) for the following five years. The rate used to discount the forecasts cash flows is 7.5% per annum (2010 : 6.6% per annum).

As at 31 December 2011 and 2010, no impairment charge was required for goodwill on acquisition of subsidiaries, with any reasonably possible change to the key assumptions applied not likely to cause the recoverable values to be below their carrying values.

13 SUBSIDIARIES

	The Company	
	2011	2010
	$	$
Equity investments at cost		
At beginning of year	**235,845,121**	235,845,121
Additions during the year	**7,427,884**	–
At end of year	**243,273,005**	235,845,121

Details of subsidiaries are included in Note 35.

Additions during the year represent additional investments by the Company in its existing subsidiaries which did not change the equity holdings of the Company in its subsidiaries.

The following schedule shows the effect of changes in the Group's ownership interest in a subsidiary that did not result in a change of control, on the equity attributable to owners of the parent.

	2011	2010
	$	$
(a) Acquisition of assets and related business		
Shares issued as consideration for acquisition	–	(4,364,047)
Non–controlling interest (NCI) arising from issue of new shares	–	6,370,382
Effects of foreign currency translation	–	104,270
Statutory reserve allocated to NCI	–	(114,479)
Difference recognised in equity reserve	–	1,996,126
(b) Acquisition of additional interest in a subsidiary		
Amounts paid to acquire additional interest in a subsidiary	**946,615**	263,527
NCI acquired	**(1,195,927)**	(440,709)
Effects of foreign currency translation	–	(9,293)
Statutory reserve transferred from NCI	**22,526**	9,290
Difference recognised in equity reserve	**(226,786)**	(177,185)
Total movement in equity reserve (Note 23)	**(226,786)**	1,818,941

14 ASSOCIATES

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

	The Group	
	2011	2010
	$	$
At beginning of year	–	96,958
Currency translation differences	–	(18,229)
Liquidation	–	(78,729)
At end of year	–	–

The associates were liquidated in 2010.

15 FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	The Group	
	2011	**2010**
	$	**$**
Financial assets, available-for-sale include the following:		
(a) Listed securities, at fair value:		
– Equity – Philippines	**1,354,548**	1,073,648
– Equity – Others	**–**	249,000
(b) Unquoted investments, at fair value:		
– Fund in Vietnam	**3,514,773**	3,364,274
– Equity – Vietnam	**61,530**	107,940
(c) Unquoted investments, at cost less impairment:		
– Fund in Cayman Islands	**3,635,770**	4,004,383
– Equity – Thailand	**165,779**	149,144
– Equity – Others	**135,230**	135,230
– Debt – Thailand	**4,953,553**	–
	13,821,183	9,083,619

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

	The Group	
	2011	**2010**
	$	**$**
At beginning of year	**2,566,640**	2,435,483
Recovered on disposal	**(307,388)**	–
Charge to profit or loss	**246,634**	131,157
At end of year	**2,505,886**	2,566,640

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.

Fund investment at cost includes impairment losses amounting to $1,693,634 (2010 : $1,447,000). 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.

During the financial year, a subsidiary entered into an agreement with a third party in relation to the fund investment held at cost. Under this arrangement, all future cash flows from the fund will be transferred to the third party and any capital calls by the fund will also be reimbursed by the third party. A corresponding liability was recognised for this arrangement (Note 19).

In 2011, the fund investment at fair value comprises a fund in which a subsidiary is the only investor with 100% ownership interest. The fund has not been consolidated with the Group as the effect of consolidation is deemed to be immaterial.

Investment in unquoted equity shares represents 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 less impairment.

16 TRADING RIGHTS IN EXCHANGES

	The Group	
	2011	**2010**
	$	**$**
Trading rights in The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited and Philippines Stock Exchange, Inc, at amortised cost	**97,353**	96,413

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings $	Leasehold land $	Leasehold improvements $
Group			
Cost:			
At 1 January 2010	32,604,247	35,029,255	5,201,664
Additions/Adjustments	(231,499)	–	1,797,977
Disposals	–	–	(1,856)
Write off	–	–	–
Currency translation differences	–	–	(110,226)
At 31 December 2010	32,372,748	35,029,255	6,887,559
Acquisition of subsidiary	–	–	–
Additions	–	–	**339,906**
Disposals	–	–	**(113,779)**
Currency translation differences	**(2,365)**	–	**(60,885)**
At 31 December 2011	**32,370,383**	**35,029,255**	**7,052,801**
Accumulated depreciation:			
At 1 January 2010	395,203	424,597	3,006,400
Depreciation charge	2,351,434	2,547,582	1,224,524
Disposals	–	–	(1,211)
Write off	–	–	–
Currency translation differences	–	–	(109,560)
At 31 December 2010	2,746,637	2,972,179	4,120,153
Acquisition of subsidiary	–	–	–
Depreciation charge	**2,353,320**	**2,547,582**	**1,337,170**
Disposals	–	–	**(61,392)**
Currency translation differences	–	–	**(41,655)**
At 31 December 2011	**5,099,957**	**5,519,761**	**5,354,276**
Net book value:			
At 31 December 2011	**27,270,426**	**29,509,494**	**1,698,525**
At 31 December 2010	29,626,111	32,057,076	2,767,406

	Furniture, fittings and office equipment $	Computer equipment and software $	Communication equipment $	Motor vehicles $	Total $
	7,045,508	19,523,857	1,971,493	1,186,062	102,562,086
	838,018	1,526,248	217,047	126,834	4,274,625
	(136,752)	(443,070)	(15,091)	(33,302)	(630,071)
	(1,665,224)	(308,619)	–	–	(1,973,843)
	(80,531)	(238,104)	(78,424)	6,072	(501,213)
	6,001,019	20,060,312	2,095,025	1,285,666	103,731,584
	588,810	**1,076,562**	**–**	**8,814**	**1,674,186**
	748,502	**1,856,345**	**27,852**	**469,452**	**3,442,057**
	(584,780)	**(1,812,779)**	**(4,182)**	**(90,919)**	**(2,606,439)**
	(25,675)	**(51,608)**	**(18,293)**	**(35,225)**	**(194,051)**
	6,727,876	**21,128,832**	**2,100,402**	**1,637,788**	**106,047,337**
	4,145,781	15,410,050	1,819,267	622,765	25,824,063
	1,166,783	1,878,480	76,641	212,313	9,457,757
	(117,988)	(361,858)	(14,950)	(33,302)	(529,309)
	(1,652,076)	(306,521)	–	–	(1,958,597)
	(69,751)	(254,097)	(72,322)	787	(504,943)
	3,472,749	16,366,054	1,808,636	802,563	32,288,971
	547,141	**967,816**	**–**	**–**	**1,514,957**
	1,353,680	**1,714,007**	**90,767**	**255,186**	**9,651,712**
	(510,558)	**(1,751,869)**	**(3,921)**	**(85,029)**	**(2,412,769)**
	(20,817)	**(126,031)**	**(13,633)**	**(24,445)**	**(226,581)**
	4,842,195	**17,169,977**	**1,881,849**	**948,275**	**40,816,290**
	1,885,681	**3,958,855**	**218,553**	**689,513**	**65,231,047**
	2,528,270	3,694,258	286,389	483,103	71,442,613

Details of the leasehold land and buildings as at 31 December 2011 and 2010 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

18 DEFERRED TAX

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

	The Group	
	2011	**2010**
	$	**$**
Deferred tax assets	**724,150**	367,319
Deferred tax liabilities	**(1,834,560)**	(1,685,770)

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 losses $	**Tax loss $**	**Total $**
The Group			
Deferred tax assets			
At 1 January 2010	–	225,730	225,730
Charged to profit or loss (Note 28)	–	(47,115)	(47,115)
Currency translation differences	–	(14,132)	(14,132)
Financial assets, available-for-sale [Note 23(b)]	202,836	–	202,836
At 31 December 2010	202,836	164,483	367,319
Credited to profit or loss (Note 28)	–	**335,569**	**335,569**
Currency translation differences	–	**9,511**	**9,511**
Financial assets, available-for-sale [Note 23(b)]	**11,751**	–	**11,751**
At 31 December 2011	**214,587**	**509,563**	**724,150**

	Fair value (gains) losses $	**Accelerated tax depreciation $**	**Total $**
Deferred tax liabilities			
At 1 January 2010	126,282	(1,201,801)	(1,075,519)
Charged to profit or loss (Note 28)	–	(616,623)	(616,623)
Currency translation differences	–	8,701	8,701
Financial assets, available-for-sale [Note 23(b)]	(2,329)	–	(2,329)
At 31 December 2010	123,953	(1,809,723)	(1,685,770)
Charged to profit or loss (Note 28)	–	**(64,793)**	**(64,793)**
Currency translation differences	–	**(2,902)**	**(2,902)**
Financial assets, available-for-sale [Note 23(b)]	**(81,095)**	–	**(81,095)**
At 31 December 2011	**42,858**	**(1,877,418)**	**(1,834,560)**

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 $ 2,356,567 (2010 : $3,148,198) 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.

19 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Trade payables to:				
– Third parties	**34,799,600**	69,806,237	–	–
Accrued operating expenses	**48,800,482**	72,445,718	**4,053,265**	6,007,590
Cash collaterals held for securities lent to clients	**3,785,160**	1,439,250	–	–
Amount due to subsidiaries	–	–	**14,674,673**	94,425,004
Other payables	**12,896,946**	10,988,255	**14,567**	12,757
	100,282,188	154,679,460	**18,742,505**	100,445,351
Current	**96,646,418**	154,679,460	**18,742,505**	100,445,351
Non-current	**3,635,770**	–	–	–
	100,282,188	154,679,460	**18,742,505**	100,445,351

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

The non-current payable comprises the liability arising from the agreement entered into by a subsidiary to assign all future cash flows from the fund investment held at cost to a third party (Note 15). The fair value of this payable is determined with reference to the underlying fund investment.

The carrying amounts of trade and other payables approximate their fair values at the end of the reporting period.

20 BORROWINGS

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Current				
Bank overdrafts:				
– with related parties	**1,766,921**	10,230,311	–	–
– with non-related banks	**2,373,448**	1,274,315	–	–
	4,140,369	11,504,626	–	–
Short-term bank loans:				
– with related parties	**206,090,502**	474,110,103	–	–
– with non-related banks	**98,520,922**	160,210,254	–	–
	304,611,424	634,320,357	–	–
Total borrowings	**308,751,793**	645,824,983	–	–

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 2011

Bank overdrafts

$	**Weighted average effective interest rates**	**Security, if any**	**Maturity**
Balances with related parties			
1,766,921	**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			
2,373,448	**3.25% per annum**	**Unsecured**	**Upon demand**

Short-term bank loans

$	**Weighted average effective interest rates**	**Security, if any**	**Maturity**
Balances with related parties			
206,090,502	**1.04% 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**
Balances with non-related banks			
98,520,922	**1.04% per annum**	**Unsecured**	**Due within 6 months from the end of the reporting period**

Year ended 31 December 2010

Bank overdrafts

$	**Weighted average effective interest rates**	**Security, if any**	**Maturity**
Balances with related parties			
10,230,311	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			
323,793	7.75% per annum	Unsecured	Upon demand
950,522	3.83% per annum	Unsecured	Upon demand
1,274,315			

Year ended 31 December 2010 *(continued)*

Short-term bank loans

$	**Weighted average effective interest rates**	**Security, if any**	**Maturity**
Balances with related parties			
474,110,103	0.87% 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
Balances with non-related banks			
160,210,254	0.85% per annum	Unsecured	Due within 6 months from the end of the reporting period

21 DEBTS ISSUED

	The Group	
	2011	**2010**
	$	**$**
Notes issued		
At amortised cost	**227,617,600**	223,595,500
Designated as at fair value through profit or loss	**68,093,670**	101,791,500
	295,711,270	325,387,000

In 2010, the Group has established a USD 1,000,000,000 multi-currency structured note programme arranged by a related party in which the Group may raise funds through the issuance of notes from time to time under the programme.

These notes, with embedded credit default swaps or packaged put options, were issued at par with maturity dates ranging from 10 June 2012 to 9 December 2025 (2010 : 10 June 2012 to 9 December 2025). The embedded credit default swaps or packaged put options allow the Group to deliver the underlying referenced assets [Note 8(a) and (b)] to the noteholders as full and final settlement upon the occurrence of a credit event. The notes will be redeemed at face value on the maturity date provided that there is no occurrence of a credit event. These notes bear effective interest rate ranging from 2.25% to 16.28% per annum in 2011 and 2010.

The carrying amounts of debts issued approximate their fair values.

22 SHARE CAPITAL

	The Group and The Company			
	2011	**2010**	**2011**	**2010**
	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 a right to dividends as and when declared by the Company.

23 RESERVES

(a) Composition

	The Group	
	2011	2010
	$	$
Fair value reserve	**1,074,059**	935,162
Foreign currency translation reserves	**(44,197,374)**	(44,249,016)
Statutory reserve	**1,541,366**	1,317,213
Equity reserve (Note 13)	**(1,592,155)**	(1,818,941)
	(43,174,104)	(43,815,582)

(b) Fair value reserve

	2011	2010
At beginning of year	**935,162**	8,531,470
Fair value gains (losses) on financial assets, available-for-sale (Note 15)	**201,195**	(565,562)
Deferred tax on fair value (gains) losses on financial assets, available-for-sale (Note 18)	**(69,344)**	200,507
	1,067,013	8,166,415
Currency translation differences	**7,046**	(20,724)
Fair value gains transferred to profit or loss on realisation	**–**	(7,210,529)
At end of year	**1,074,059**	935,162

(c) Statutory reserve

Under the Public Limited Company Act B.E. 2535 of Thailand, a subsidiary, UOB Kay Hian Securities (Thailand) Public Company Limited and its subsidiary are 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 percent of the registered capital. The reserve is non-distributable.

In accordance with the Securities Regulation Code of the Philippines, a subsidiary, UOB Kay Hian Securities (Philippines) Inc. is required to set aside a certain minimum percentage of its profit after tax annually and transfer the same amount to a reserve fund.

(d) Equity reserve

The equity reserve represents the effects of changes in ownership interests in subsidiaries when there is no change in control.

24 REVENUE

	The Group	
	2011	2010
	$	$
Commission income	**275,195,493**	351,595,550
Trading income	**1,785,702**	3,113,492
Interest income		
– fixed deposits with a related party (Note 5)	**254,014**	181,004
– fixed deposits with non-related banks	**4,010,653**	3,153,834
– clients	**75,053,580**	55,823,734
– others	**4,675,484**	1,519,484
	83,993,731	60,678,056
Dividend income from quoted/unquoted securities	**578,828**	1,001,671
Facility, shares withdrawal and arrangement fees	**6,364,142**	17,288,248
Other operating revenue	**9,176,301**	6,268,214
	377,094,197	439,945,231

25 STAFF COSTS

	The Group	
	2011	2010
	$	$
Wages, salaries and other staff costs	**100,380,591**	118,319,743
Employers' contribution to defined contribution plans including Central Provident Fund	**5,218,252**	3,846,456
	105,598,843	122,166,199

26 FINANCE EXPENSE

	The Group	
	2011	2010
	$	$
Interest expense:		
– bank borrowings from related parties (Note 5)	**4,264,710**	3,659,472
– borrowings from non-related banks	**844,712**	1,757,288
– debts issued	**24,365,939**	2,323,254
– others	**1,868,082**	1,927,828
	31,343,443	9,667,842

27 OTHER OPERATING EXPENSES

	The Group	
	2011	2010
	$	$
Net fair value loss (gain) on financial assets at fair value through profit or loss	**1,362,981**	(1,257,087)
Operating lease expenses	**5,168,791**	4,386,328
Marketing and business promotions	**6,610,698**	6,184,579
Communication expenses	**15,310,510**	14,884,645
Contract processing charges	**3,080,967**	3,838,658
Information services	**7,654,533**	7,155,766
Depreciation expenses	**9,651,712**	9,457,757
Net loss on disposal of property, plant and equipment	**77,863**	78,140
Property, plant and equipment written off	**–**	15,246
Audit fees:		
– paid to auditors of the Company	**151,231**	135,470
– paid to other auditors	**352,938**	302,170
Non-audit fees:		
– paid to auditors of the Company	**74,701**	81,957
– paid to other auditors	**31,965**	42,489
Maintenance and rental of office equipment	**1,208,235**	1,061,730
Printing and stationery	**1,425,644**	1,444,506
Allowance for impairment in financial assets, available-for-sale	**246,634**	131,157
Allowance (reversal of allowance) for impairment of trade receivables	**3,994,540**	(161,827)
General administrative expenses	**12,987,911**	12,657,957
	69,391,854	60,439,641

28 INCOME TAX EXPENSE

Income tax recognised in profit or loss

	The Group 2011 $	The Group 2010 $
Tax expense attributable to profit is made up of:		
Current income tax:		
– Singapore	**14,331,600**	18,358,647
– Foreign	**5,651,083**	6,301,350
	19,982,683	24,659,997
Deferred income tax (Note 18)	**(218,423)**	683,870
	19,764,260	25,343,867
(Over) under provision in prior years:		
– current income tax	**(4,011,910)**	180,050
– deferred tax (Note 18)	**(52,353)**	(20,132)
	15,699,997	25,503,785

Domestic income tax is calculated at 17% (2010 : 17%) 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 2011 $	The Group 2010 $
Profit before tax	**108,949,276**	166,441,848
Tax calculated at tax rate of 17% (2010 : 17%)	**18,521,377**	28,295,114
Effects of:		
– Singapore statutory stepped income exemption and tax rebate	**(106,169)**	(110,023)
– Concessionary tax	**(2,023,246)**	(277,429)
– Income not subject to tax	**(2,295,276)**	(6,339,092)
– Expenses not deductible for tax purposes	**3,919,241**	2,961,972
– Tax benefits on tax losses and other temporary differences not recognised	**440,766**	39,670
– Different tax rates in other countries	**1,307,567**	773,655
– (Over) under provision in prior years	**(4,064,263)**	159,918
	15,699,997	25,503,785

Income tax relating to each component of other comprehensive income

	The Group 2011 $	The Group 2010 $
Deferred tax		
(Gains) losses of financial assets, available-for-sale	**(69,344)**	200,507

29 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	The Group	
	2011	2010
	$	$
Other comprehensive income:		
Available-for-sale investments:		
Gains (losses) arising during the year	**201,195**	(565,562)
Reclassification to profit or loss from equity on disposal of financial assets, available-for-sale	–	(7,210,529)
(Deferred tax liability arising) reversal of deferred tax liability on revaluation of financial assets, available-for-sale	**(69,344)**	200,507
Exchange differences on translation of foreign operations	**(1,015,831)**	(22,434,528)
Other comprehensive income for the year, net of tax	**(883,980)**	(30,010,112)

30 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:

	2011	2010
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**$91,935,371**	$139,519,427
Weighted average number of ordinary shares for the purposes of basic earnings per share	**724,709,009**	724,709,009
Basic earnings per share	**12.69 cents**	19.25 cents

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

31 DIVIDENDS

	The Group and The Company	
	2011	2010
	$	$
One-tier tax-exempt interim dividend in respect of the year ended 31 December 2011 of 0.5 cents per ordinary share paid (31 December 2010 : 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 2010 of 9.0 cents per ordinary share paid (31 December 2009 : 7.5 cents per ordinary share paid)	**65,223,812**	54,353,176
	68,847,356	57,976,720

At the Annual General Meeting on 26 April 2012, a one-tier tax-exempt final dividend of 6.0 cents per ordinary share amounting to a total of $43,482,541 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 2012.

32 CONTINGENT LIABILITIES

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 $2,830,001 (2010 : $2,900,490) 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 $3,117,370 (2010 : $3,093,314) placed by the subsidiary with CDP.

33 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	
	2011	**2010**
	$	**$**
Within one year	**5,199,053**	3,900,126
In the second to fifth years inclusive	**5,107,560**	7,018,736
	10,306,613	10,918,862

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 (2010 : 3 years) and rentals are fixed for an average of 3 years (2010 : 3 years).

The Group as lessor

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

Property rental income earned during the year was $537,936 (2010: $538,196). The property is managed and maintained by a property manager at an annual cost of $178,200 (2010 : $70,275).

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

	The Group	
	2011	**2010**
	$	**$**
Within one year	**535,536**	535,536
In the second to fifth years inclusive	**2,142,144**	2,142,144
After five years	**3,525,612**	4,061,148
	6,203,292	6,738,828

(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. [(Note 4(b) (iv)].

(c) Share purchase agreement

On 13 December 2011, the Company entered into a share purchase agreement to acquire the entire issued share capital of Innosabah Securities Berhad ("ISB") for a consideration equal to the consolidated net asset value of ISB as at 31 December 2011 plus a premium of RM 15,000,000 (approximately $ 6.17 million). As at the end of the reporting period, the proposed acquisition was in the process of being completed, subject to the satisfactory completion of certain conditions in the share purchase agreement.

34 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 measurement basis of the Group's reportable segments is in accordance with its accounting policy as described in Note 2. The information below is 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					
2011					
Revenue					
– External sales	194,513,149	64,280,364	34,306,953	–	293,100,466
– Interest income	57,484,850	17,122,969	9,385,912	–	83,993,731
– Inter-segment sales	9,183,669	(421,556)	10,957,573	(19,719,686)	–
	261,181,668	80,981,777	54,650,438	(19,719,686)	377,094,197
Segment results	81,120,789	18,495,708	11,228,618	(1,895,839)	108,949,276
Profit before tax					108,949,276
Income tax expense					(15,699,997)
Profit after tax					93,249,279
Segment assets	1,685,930,449	503,973,500	234,663,144	(215,825,725)	2,208,741,368
Deferred tax asset					724,150
Consolidated total assets					2,209,465,518
Segment liabilities	841,567,832	228,810,298	105,824,992	(93,617,294)	1,082,585,828
Income tax payable					16,651,887
Deferred tax liabilities					1,834,560
Consolidated total liabilities					1,101,072,275
Other segment items					
Capital expenditure	1,362,318	330,299	1,749,440	–	3,442,057
Goodwill	–	–	5,187,874	–	5,187,874
Impairment losses recognised in profit or loss	246,634	–	–	–	246,634
Depreciation expense	8,008,876	281,102	1,361,734	–	9,651,712
Finance expense	28,924,434	835,167	1,789,727	(205,885)	31,343,443

34 SEGMENT INFORMATION *(continued)*

	Singapore	Hong Kong	Others	Elimination	Total
	$	$	$	$	$
The Group					
2010					
Revenue					
– External sales	261,764,989	84,756,198	32,745,988	–	379,267,175
– Interest income	33,543,409	20,313,392	6,821,255	–	60,678,056
– Inter-segment sales	10,351,980	(874,018)	7,920,693	(17,398,655)	–
	305,660,378	104,195,572	47,487,936	(17,398,655)	439,945,231
Segment results	122,790,321	33,574,318	11,179,573	(1,102,364)	166,441,848
Profit before tax					166,441,848
Income tax expense					(25,503,785)
Profit after tax					140,938,063
Segment assets (Note A)	2,347,142,026	651,207,772	266,898,732	(237,278,857)	3,027,969,673
Deferred tax asset					367,319
Consolidated total assets					3,028,336,992
Segment liabilities (Note A)	1,513,906,543	390,976,711	149,859,319	(137,124,443)	1,917,618,130
Income tax payable					25,392,102
Deferred tax liabilities					1,685,770
Consolidated total liabilities					1,944,696,002
Other segment items					
Capital expenditure	1,925,007	322,851	2,026,767	–	4,274,625
Goodwill	–	–	4,022,655	–	4,022,655
Impairment losses recognised in profit or loss	131,157	–	–	–	131,157
Depreciation expense	8,027,779	305,517	1,124,461	–	9,457,757
Finance expense	6,335,663	2,495,062	837,117	–	9,667,842

<u>Note A</u>

In 2010, for the Singapore segment, the Group issued debts of $177,209,500 on a non-cash basis as considerations in exchange for originating or purchasing certain trade receivables of equivalent amounts (Notes 8 and 21).

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.

35 LISTING OF COMPANIES IN THE GROUP

Name of company	Principal activities	Country of incorporation	Equity holding by Company 2011 %	Equity holding by Company 2010 %	Equity holding by Subsidiaries 2011 %	Equity holding by Subsidiaries 2010 %
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	70.7	70.7	7.7	6.3
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	–	–
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 (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
Held by UOB Kay Hian Securities (Thailand) Public Company Limited						
United Securities Public Company Limited [b]	Stockbroking	Thailand	–	–	93.47	–

[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.

36 ACQUISITION OF SUBSIDIARY

(a) On 26 August 2011, the Group acquired 93.47% of the issued share capital of United Securities Public Company Limited ("United Securities") for cash consideration of Baht 880,503,890, or $35,330,219. This transaction has been accounted for by the acquisition method of accounting.

The Group acquired United Securities for various reasons, the primary reason being to gain access to a larger client base.

(i) Consideration transferred (at acquisition date fair values)

	$
United Securities Public Company Limited	
Cash	**35,330,219**

(ii) Assets acquired and liabilities assumed at the date of acquisition

	$
United Securities Public Company Limited	
Current assets	
Cash and bank balances	**16,190,562**
Trade receivables	**24,409,270**
Other current assets	**1,752,555**
Non-current assets	
Financial assets, available-for-sale	**6,288,425**
Plant and equipment	**159,229**
Current liabilities	
Trade and other payables	**(12,332,832)**
Net assets acquired and liabilities assumed	**36,467,209**

The trade receivables acquired in the transaction is net of allowance for impairment of doubtful trade receivables amounting to $3,697,622.

(iii) Non-controlling interest

The non-controlling interest (6.53%) in United Securities recognised at the acquisition date was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets and amounted to Baht 60,449,288 or $2,425,528.

(iv) Goodwill arising on acquisition

	$
United Securities Public Company Limited	
Consideration transferred	**35,330,219**
Add: non-controlling interest	**2,425,528**
Less: fair value of identifiable net assets acquired	**(36,467,209)**
Goodwill arising on acquisition	**1,288,538**

Goodwill arose in the acquisition of the United Securities brokerage business because the cost of the combination included the benefits of a larger client base, future market development and revenue growth. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

(v) **Net cash outflow on acquisition of subsidiaries**

	$
Consideration paid in cash	**35,330,219**
Less: cash and bank balances acquired	**(16,190,562)**
	19,139,657

(vi) **Impact of acquisition on the results of the Group**

Included in the profit for the year is a loss of Baht 4,291,630 or $175,932 attributable to United Securities. Revenue for the period from United Securities amounted to Baht 80,302,693 or $3,291,945.

Had the business combination during the year been effected at 1 January, 2011, the revenue of the Group would have been $383,099,097, and the profit for the year would have been $93,286,417.

(vii) **Contingent liabilities**

In 2009, United Securities was sued by a securities trading customer seeking compensation of Baht 34,800,000 or $1,396,350. The Group acquired these contingent liabilities (including interest) amounting to Baht 41,363,637 or $1,659,716 at the date of acquisition of United Securities. These were recorded as provisions.

(b) On 15 February 2010, the Group acquired the brokerage business of Merchant Partners Securities Public Company Limited (Merchant Partners) by allotting 28,837,000 new ordinary shares with a par value of 1 Baht each of UOB Kay Hian Securities (Thailand) Public Company Limited as consideration paid to Merchant Partners. The fair value of these new shares as of date of acquisition were Baht 102,082,980, or $4,364,047, as resolved by the Board of Directors of UOB Kay Hian Securities (Thailand) Public Company Limited. This transaction has been accounted for by the acquisition method of accounting.

The Group acquired the brokerage business of Merchant Partners for various reasons, the primary reason being to gain access to a larger client base.

(i) **Consideration transferred at acquisition date**

Merchant Partners brokerage business	**$**
28,837,000 new ordinary shares of UOB Kay Hian Securities (Thailand) Public Company Limited (Note 13)	4,364,047
Total	4,364,047

(ii) **Assets acquired at the date of acquisition**

	$
Plant and equipment	341,392
Net assets acquired	341,392

(iii) **Goodwill arising on acquisition**

Merchant Partners brokerage business	**$**
Consideration transferred	4,364,047
Less: fair value of identifiable net assets acquired	(341,392)
Goodwill arising on acquisition	4,022,655

Goodwill arose in the acquisition of the Merchant Partners brokerage business because the cost of the combination included the benefits of a larger client base, future market development and revenue growth. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

(iv) **Impact of acquisition on the results of the Group**

Additional business was generated from the acquisition of the Merchant Partners brokerage business, which was not separately identified from the Group's results as the operations of the acquired business had been completely integrated into UOB Kay Hian Securities (Thailand) Public Company Limited.

Analysis Of Shareholdings

as at 12 March 2012

No. of shares held	:	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	383	3.37	132,224	0.02
1,000 – 10,000	8,913	78.46	38,192,866	5.27
10,001 – 1,000,000	2,039	17.95	81,533,746	11.25
1,000,001 & Above	25	0.22	604,850,173	83.46
Total	11,360	100.00	724,709,009	100.00

Top Twenty Shareholders As At 12 March 2012	No. Of Shares	%
United Overseas Bank Limited	285,537,809	39.40
U.I.P. Holdings Limited	119,596,976	16.50
DBS Nominees Pte Ltd	34,633,611	4.78
UOB Kay Hian Pte Ltd	33,775,000	4.66
Tang Wee Loke	29,893,381	4.12
United Overseas Bank Nominees Pte Ltd	19,374,400	2.67
Citibank Nominees Singapore Pte Ltd	12,262,667	1.69
HSBC (Singapore) Nominees Pte Ltd	11,211,348	1.55
Ho Yeow Koon & Sons Pte Ltd	10,101,000	1.39
HL Bank Nominees (S) Pte Ltd	10,011,000	1.38
DBSN Services Pte Ltd	9,114,509	1.26
OCBC Nominees Singapore Pte Ltd	7,086,650	0.98
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
Maybank Kim Eng Securities Pte Ltd	2,008,400	0.28
Hai Chua Fishery Pte Ltd	1,707,000	0.24
Chen Chun Nan	1,648,000	0.23
Ang Jwee Herng	1,513,000	0.21
Hai Sia Seafood Pte Ltd	1,373,000	0.19
	599,903,173	82.78

	Direct interest		Deemed interest	
Substantial shareholders	No. of shares	% of total issued shares	No. of shares	% of total issued shares
United Overseas Bank Limited	285,537,809	39.40	4,413,000 (1)	0.61
U.I.P. Holdings Limited	119,596,976	16.50	–	–
Wee Ee Chao	–	–	148,927,976 (2)	20.55

Notes: (1) United Overseas Bank Limited's deemed interest arises from the 4,413,000 shares held by Tye Hua Nominees (Private) Limited.

(2) Mr Wee Ee Chao's deemed interest arises from the 119,596,976 shares held by U.I.P. Holdings Limited and 29,331,000 shares held by UOB Kay Hian Private Limited.

Public Float

Based on available information as at 12 March 2012, approximately 34.42% of the issued shares of the company is held by the public (Rule 723 of 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 Thursday, 26 April 2012 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 2011 and the reports of the directors and auditors thereon.

2 To declare a one-tier tax exempt final dividend of 6 cents per ordinary share for the year ended 31 December 2011.

3 To approve the sum of S$255,000 as directors' fees for the year ended 31 December 2011. (2010: S$255,000)

4(a) To re-elect Dr Henry Tay Yun Chwan, a director who will retire by rotation pursuant to Article 91 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

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

4(b) 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.

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

Note: Mr Francis Lee Chin Yong, if re-elected as a director, will remain a member of the audit committee. Mr Lee is a non-independent director.

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

Special Business

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

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

7 To transact such other business as can be transacted at an annual general meeting of the Company.

By Order of the Board

Chung Boon Cheow
Secretary

Singapore
9 April 2012

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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