UOB-Kay Hian Holdings Limited

Annual Report 2010

going beyond boundaries, widening accessibility

UOBKayHian

your trusted broking partner

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Board of Directors

Wee Ee-chao
Chairman and Managing Director

Tang Wee Loke
Executive Director

Neo Chin Sang
Executive Director

Esmond Choo Liong Gee
Executive Director

Dr. Henry Tay Yun Chwan
Independent Director

Chelva Retnam Rajah
Independent Director

Roland Knecht
Independent Director

Walter Tung Tau Chyr
Independent Director

Francis Lee Chin Yong
Non-executive Director

Audit Committee

Dr. Henry Tay Yun Chwan
Chairman

Chelva Retnam Rajah

Francis Lee Chin Yong

Nominating Committee

Roland Knecht
Chairman

Chelva Retnam Rajah

Tang Wee Loke

Remuneration Committee

Chelva Retnam Rajah
Chairman

Dr. Henry Tay Yun Chwan

Walter Tung Tau Chyr

Company Secretary

Mdm Chung Boon Cheow

Company Registration No.

200004464C

Registered Office

8 Anthony Road
#01-01
Singapore 229957
Tel : 6535 6868
Fax : 6532 6919

Registrar and Share Transfer Office

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

Auditors

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

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

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

Principal Bankers

Citibank, N. A.

DBS Bank Ltd

Oversea-Chinese Banking
Corporation Limited

Standard Chartered Bank

The Hongkong and Shanghai
Banking Corporation Limited

United Overseas Bank Limited

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

Through a series of acquisitions since 2001, our regional distribution foot print now spans global 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 2161 professional and support staff globally. Our staff enrolment includes 1355 sales staff and agents, 73 research analysts and 733 management and back-office support staff.

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

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

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

Our Global Presence

Our Business Divisions

Corporate Advisory/Finance

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

Acquisition Finance

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

Retail and Institutional Sales

UOB Kay Hian is the largest stockbroker in Singapore, with 973 retail and institutional sales personnel. In addition, we have 382 sales executives covering Thailand, Hong Kong, China, the Philippines, Malaysia, Indonesia, UK, US and Canada. With our regional research coverage, we are hence able to provide a regional sales distribution that has both width and depth.

Internet Broking

Our online customer base and transactions are growing on the back of increased internet trading activity. Besides making improvements to our systems, our regional online trading hub avails our clients the ability to trade in key global markets, such as US, Hong Kong and Singapore.

Margin-based Finance

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

Group Financial Highlights

	Group For the Year Ended 31.12.2010 (S$'000)	Group For the Year Ended 31.12.2009 (S$'000)	Group For the Year Ended 31.12.2008 (S$'000)	Group For the Year Ended 31.12.2007 (S$'000)
Revenue & Foreign Exchange Gain	**446,477**	407,031	374,147	792,151
Profit from Operations	**166,442**	134,635	124,652	329,179
Share of Results of Associates				
After Tax	–	–	–	119
Profit Before Tax	**166,442**	134,635	124,652	329,298
Profit After Tax	**140,938**	115,263	109,516	275,031
Profit After Tax and Non-controlling Interests	**139,519**	114,385	108,745	273,392
Shareholders' Equity (excluding non-controlling interests)	**1,063,321**	1,013,741	956,888	961,239
Earnings Per Share	**19.25 cents**	15.78 cents	15.01 cents	37.72 cents
Gross Dividend Per Share *(Note a)*	**9.5 cents**	8.00 cents	7.50 cents	20.89 cents
Net Assets Per Share *(Note b)*	**146.72 cents**	139.88 cents	132.04 cents	132.64 cents
Percentage Return on Shareholders' Equity				
Profit Before Tax	**16.03%**	13.66%	13.00%	37.17%
Profit After Tax	**13.57%**	11.70%	11.42%	31.04%
Profit After Tax and Non-controlling Interests	**13.43%**	11.61%	11.34%	30.86%

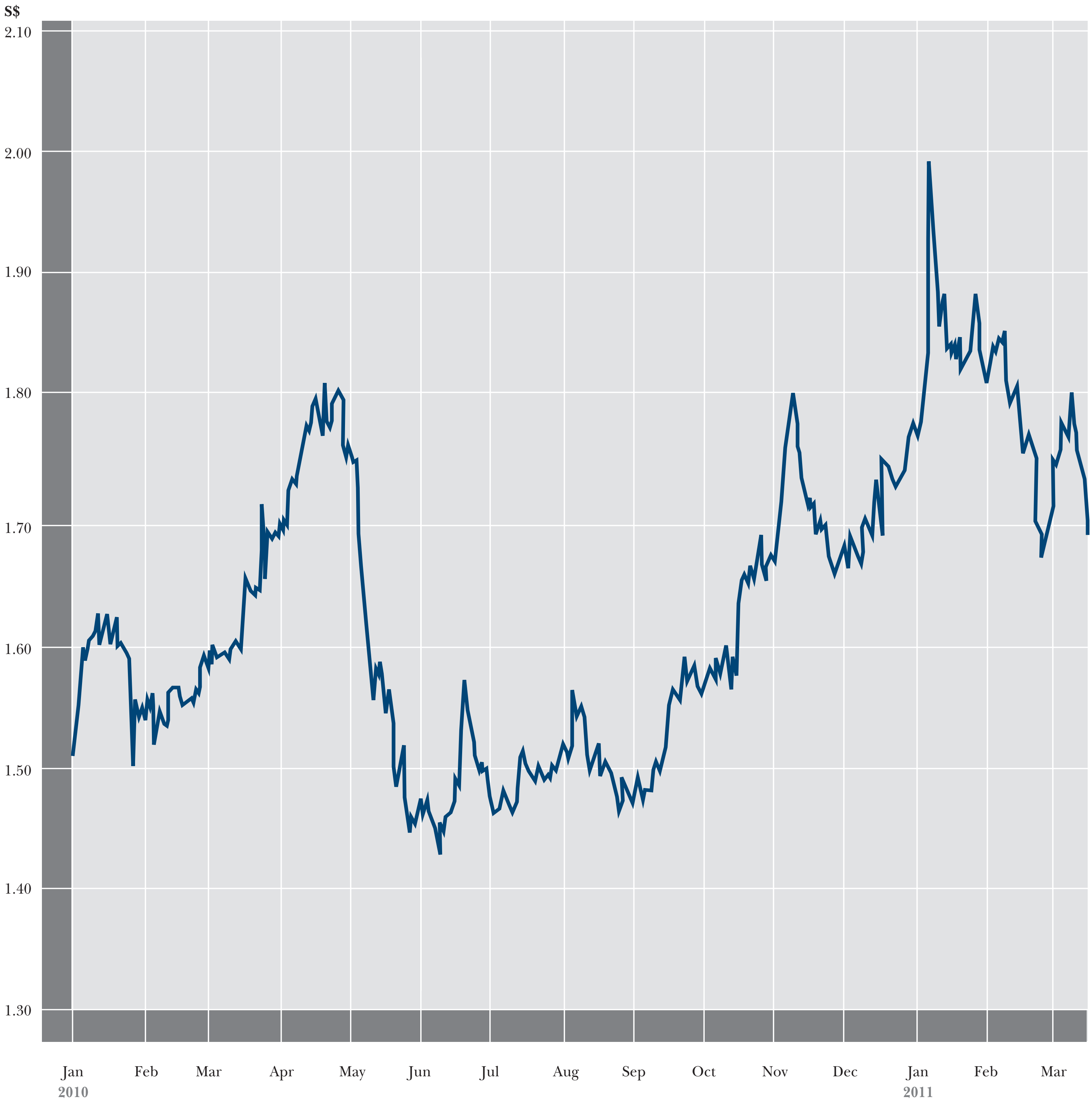
Note

(a) 2010 dividend of 9.5 cents (2009: dividend of 8.0 cents) is paid/payable on a one-tier tax exempt.

(b) Net asset value is derived after deducting 2.80 cents (2009: 1.81 cents) per share attributable to non-controlling interests.

UOB-Kay Hian Share Price

(From 2 January 2010 to 15 March 2011)



Last Close : S$1.69 **High : S$2.02** **Low : S$1.42**

Chairman's Statement

Operating Environment

Our operations in Singapore, Hong Kong, Indonesia and Thailand had in 2010 benefited significantly from the prevailing low interest rate environment and improved investment sentiment. Investor confidence was underpinned by strong regional GDP growth in 2010 brought about by robust domestic and external demand.

Singapore our main market, enjoyed significant growth in construction and services activities coupled with high tourist arrivals brought about by the opening of the two integrated resorts. Trading in blue chip counters rose especially in gaming, property and banking. 2010 SGX market turnover grew by 8.4% over 2009 to S$401.9Bn.

Hong Kong market turnover liquidity rose sharply which in turn fueled IPO and share placement activities. Indonesia benefited from the resource and commodities boom which has driven consumer demand and investment expansion. Whilst average trading volume increased sharply with the Thai SET index following the end of the political tensions in the first half of 2010, our income in Thailand came under pressure from the liberalization of commission rates in 2010.

Increased volatility led to higher trading activity in 2010. There was a massive sell down in the global markets in the second quarter of 2010 due to the sovereign debt concerns over Greece and some EU members. Those market actions were quickly followed by an equally robust recovery of global markets in the second half of 2010 due to low interest rates and improving economic fundamentals. These resulted in high trading volumes for our regional offices.

We were able to execute a number of secondary and IPO placements during that window of opportunity both in Singapore and Hong Kong. Our share financing activities also expanded very healthily as investors were encouraged by the stronger market fundamentals and were more prepared to leverage their investments over a more sustained period.

2010 Operating Performance

With these positive factors, we are very pleased to report our 2010 profit after tax attributable to shareholders of S$139.5m. This represents an improvement of 21.97% over the previous year.

Our total revenue expanded strongly to S$439.9m reflecting an improvement of 9.9% over 2009.

2010 saw a significant improvement in our operating efficiency as we enjoyed our first full year benefit of lower office rental expenses by operating from our new corporate headquarters. Our Group's return on equity for 2010 was 13.43%, up from 11.61% in 2009. Our operating margin expanded significantly from 32.1% in 2009 to 36.1% in 2010 reflecting an increase of 4% in normal terms or 12.5% in real terms.

Our decision to operate from our own corporate headquarters in Singapore will shield us till 2023 from rising office rental rates brought about by the tightening commercial property market conditions in Singapore.

Our net asset value per share increased by 4.9% from 139.88 cents to 146.72 cents.

Dividend

Our Board of Directors has recommended a final tax-exempt (one-tier) dividend of S$65.2m, amounting to 9 cents per share for the financial year ended 31 December 2010. The proposed dividend which represents an increase of 20% in real terms over 2009 will be presented to the shareholders for approval at the Annual General Meeting on 28 April 2011.

Current Year Prospects

Whilst 2011 began bearishly with substantial funds outflows from Emerging Markets to Developed Markets due to rising inflationary concerns in the former, we see value starting to manifest in Emerging Markets especially in Greater China and in particular in the property sector. Stock prices are trading at deep discount on their revalued net asset values and this may start to attract longer term investors seeking value.

These discounted markets and sectors should provide a firm foundation for a recovery in Emerging Markets in the later part of 2011.

The key risk factors include:-

(i) the further deterioration of the Middle East political situation and the attendant heightening of militancy which increases equity risk premium.

(ii) rising inflation which may hamper global economic recovery.

(iii) the recent devastating impact of the massive Japanese earthquake and tsunami event which could increase market uncertainty and volatility.

We believe that our sustained investment in talent, especially in the area of equity research and sales services will yield our clients profitable stock trading ideas and themes for the regional markets. These initiatives should improve our brand equity with our existing clients and potential clients.

2010 also marks the retirement of two of our illustrious executive directors Mr Lee It Hoe and Mr Wong Khai Wah. They have made valuable contributions to the development of the stockbroking industry since the 1970's. We congratulate both Messrs Lee & Wong on their achievements and we wish them well in their much deserved retirement. Their responsibilities will be taken over by our remaining executive directors and senior executives.

Acknowledgements

On behalf of our Board of directors, I wish to thank all staff, representatives and associates for their hard work and contribution to the Group in 2010.

We again thank our shareholders for their support which will inspire management to work earnestly to take advantage of opportunities in 2011.

Wee Ee-chao
Chairman and Managing Director

CHINA

Review of 2010

China's real GDP grew 10.3% yoy to Rmb39.8t in 2010, beating market estimate of 10.2% yoy growth. The Consumer Price Index (CPI) surged by 3.3% yoy and the Producers Price Index (PPI) soared by 5.5% yoy.

In 2010, new loans worth Rmb7.93t were made by Chinese banks. The monetary authority also raised interest rates twice for the first time since 2008. The currency appreciated by 5% against the US dollar from mid-Jun 10 to 6.60Rmb/US$ by end-10.

Urban fixed-asset investment (FAI) growth slowed down to 24.5% yoy in 2010, but retail sales growth accelerated to 18.4% yoy. In trade terms, export and import growth reached 31.3% yoy and 38.9% yoy in 2010. Total trade balance reached US$183.8b, lower than the previous year's reading of US$198.2b.

Outlook for 2011

Macro tightening will be the major stance adopted by the Chinese government for 2011, but the government will continue to use proactive fiscal policies to sustain economic growth. We expect to see four interest rate hikes for the entire year of 2011.

GDP growth may moderate further, as investment growth could slow down and the government may undertake a series of tightening measures. Consumption is likely to remain strong, but we see headwinds for exports. Trade surplus is likely to shrink to US$150b in 2011.

Stock Market Review for 2010

China's economy outperformed most countries, but its stock market performance did not match the growth. The Shanghai A-share stock index declined 13.4% in 2010, closing at 2,808.08 after dipping to 2,319.74 in early July. Tightened monetary policies and austerity measures for the property sector have largely hurt China's stocks. Ironically, China topped global rankings for initial public offering (IPO) volume last year. In 2010, total A-shares posted a new historical high of more than Rmb1t in IPO proceeds, Rmb203.1b higher than the previous peak in 2007.

Stock index futures were introduced to the market in mid-Apr 10. The derivative product amplified people's fear of the fact that funds could be withdrawn from the main board, and the introduction resulted in a 26.7% correction of the index till July.

In Hong Kong, the China H-share Index (HSCEI) fell 0.8% for the entire year, finishing at 12,692.43. The index reached 14,219.48 in early November after hitting the bottom of 10,726.47 in late-May.

Stock Market Outlook for 2011

We remain optimistic for 2011, given China's economic fundamentals and healthy corporate earnings outlook. The 12th Five-year Plan, starting from 2011, may bring investment opportunities for investors, like emerging industries such as energy saving and environmental protection, new-generation information technology, biology, high-end equipment manufacturing, new energy, new materials and new-energy vehicle industries. Externally, a better-than-expected economic recovery, especially in the US and some European countries, may help China carry on with its economic restructuring.

For the HSCEI, we are forecasting an aggregate earnings growth of 19% for 2011 and 15% for 2012 following a strong expected growth of 29% for 2010. In terms of segmental growth, we see good earnings growth in both cyclical sectors (such as banking, property, cement and materials) and growth sectors (such as consumer, healthcare and technology equipment). Therefore, we set our HSCEI end-11 target at 16,400 (27% upside).

HONG KONG

Review of 2010

Hong Kong's economic growth remained strong in 3Q10, surging by 6.8% yoy. External trade maintained strong growth momentum. In 2010, total exports of goods increased 18.1% yoy.

Last year, nominal retail sales soared by 18.3% yoy. Improved employment conditions were the major reason. Unemployment rate was lowered to 4.0% in Dec 10. The Consumer Price Index (CPI) reading reached 2.4% for the entire year.

In the property sector, the physical market was robust in 2010. Home prices in Hong Kong went up by 16% and transaction volume could reach 137,000, the second-highest in history, and some 18% behind that in 1997.

Outlook for 2011

Although demand from western countries may remain weak, emerging economies, particularly mainland China, will largely support Hong Kong's economic recovery in 2011. GDP growth may reach 5% yoy in the year.

Domestically, improvement in employment conditions could boost private consumption. However, inflationary pressure is likely to grow again this year. CPI could further trend up to over 3.7% yoy in 2011.

In trade terms, export growth could experience some difficulties, but we believe the economic recovery in the West could be sustainable although slow.

Stock Market Review for 2010

Thanks to the buoyant economic conditions and the quantitative easing in the US, the Hong Kong stock market remained strong in 2010. The benchmark Hang Seng Index (HSI) rose 7% with average daily turnover improving 10% yoy to HK$68.6b. Outstanding performers were local property stocks and tourism-related sectors such as retail and Macau gaming as these groups benefitted from an influx of tourists from mainland China with a strong appetite for gaming, luxury consumer goods and even residential units in Hong Kong. In contrast, mainland-based companies were weak compared with pure Hong Kong plays as the policy tightening in China dampened sentiment towards property, banking and many other economically sensitive sectors. Meanwhile, the initial public offering (IPO) market was robust. The number of newly-listed companies was 94 (vs 64 in 2009). Total funds raised stood at HK$448b, representing an 81% yoy increase. Mega IPOs included China Agriculture Bank and AIA. Besides mainland-based companies, there were also more overseas companies seeking listing in Hong Kong in 2010.

Stock Market Outlook for 2011

Several factors will support the Hong Kong market in 2011. First, the US economy is showing more signs of a recovery in recent months, which bodes well for many Asian countries. Second, the US Federal Reserve will keep a loose monetary policy for 2011 given the stubbornly high unemployment rate. This will provide ample liquidity for the Hong Kong market whose currency is pegged to the US dollar. Lastly, the Chinese economy is expected to stay strong in 2011 as China rolls out the 12th Five-year Plan. At the same time, we believe concerns over inflationary pressure will start to subside by the middle of the year as tightening measures take effect. As such, we believe the stock market will perform well in 2011 and expect the HSI to have an upside potential of about 25% for the year.

INDONESIA

Review of 2010

Indonesia achieved high economic growth in 2010 on the back of high consumer spending and strong investment. GDP growth in 3Q10 was 5.8% yoy, domestic consumption was strong with 5.2% yoy growth, government consumption growth recovered to 3.0% yoy, and fixed capital formation growth improved further to 8.9% yoy. This clearly shows that Indonesia is entering a cycle of investment expansion.

Aside from the strong economic growth, Indonesia faces high inflation towards the end of the year. Bad weather in 2010 caused food inflation to increase 15.6% yoy in Dec 10. At the same time, Indonesia has had to deal with increasing commodity prices – especially energy prices due to the extreme winter in Europe and the floods in Australia – as it is a net importer of oil and does not benefit from high oil prices.

Outlook for 2011

Rising Inflation and higher interest rates will become the central theme for the economy. We expect Bank Indonesia (BI) to raise its reference rate by 50-100bp in 2011 on the back of higher inflation due to rising commodity prices and the planned fuel subsidy phase-out for private cars. However, we believe inflation will not get out of control. The current situation is different from that in 2008 as there is still government liquidity. Therefore, we believe economic growth will still accelerate on stronger purchasing power and investment expansion.

A rising GDP per capita as well as the growing number of middle-income earners indicate a bright outlook for the sales of many consumer products – both durable and discretionary such as food, clothing, cars and motorcycles. At the same time, with a current aggregate capacity utilisation of 70.8%, Indonesian companies have to expand their production capacity to catch up with fast-growing demand.

Stock Market Review for 2010

The JCI had a stellar year in the early part of 2010. The index gained 46.13% to end at 3,703.5 in Dec 10, mainly driven by solid economic fundamentals and strong fund inflow to Indonesia and other emerging economies. However, in Nov 10, the JCI saw a net outflow of foreign investors as a result of rising inflation and investors locking up 46% returns in 2010. Meanwhile, foreign trading activity in 4Q10 was around 32% of the total trading activity on the JCI.

Stock Market Outlook for 2011

After a dazzling 2010, the Indonesian market has hit a rough patch, especially in 1Q11 amid rising inflation risk. Nevertheless, we believe the economy's fundamentals are still intact and are optimistic on the performance of the JCI in 2011. Thus, we think the market will be driven by commodity and energy stocks or any inflation-proof sectors in 1H11, while non-commodity sectors should make a comeback in 2H11 as the economy should have recovered from the impact of inflation by then.

MALAYSIA

Review of 2010

The Malaysian economy rebounded in 1H10 with strong quarterly growth of 10.1% yoy and 8.9% yoy in 1Q10 and 2Q10 respectively. The surge in GDP growth stemmed from strong expansion in both domestic and external demand, government consumption and expenditure. However, the growth momentum moderated in 2H10 amid a contraction in public spending and weaker export growth. 3Q10 GDP growth moderated to 5.3% yoy while 4Q10 growth is expected to have eased further. Overall, 2010 GDP growth will be about 6.8% (2009: -1.7%).

Outlook for 2011

UOB Economic-Treasury Research maintains its 2011 GDP forecast for Malaysia at 5.1%, with an expected frontloading of investment spending under the 10th Malaysia Plan (10MP) being one of the key growth drivers for the year. The team expects the US$/RM rate to reach 3.00 by end-11, driven by flushed liquidity conditions. Although Malaysia's monthly inflation rate could rise above 3.0% yoy in 2Q11, our house view is for a modest 25-bp rate hike only in 2H11, bringing the Overnight Policy Rate (OPR) to 3.0% by end-11. The OPR is currently around its "neutral" level after Bank Negara raised the rate by 75bp in 2010, which offset half of the cuts during the global financial crisis.

Stock Market Review for 2010

While the FBMKLCI was somewhat range-bound in early-10 amid external concerns such as proposed bank regulations in the US, and China's action on interest rates, appetite for Malaysian equities picked up by mid-year alongside a recovery in global equities. The FBMKLCI then outperformed its regional peers, buoyed by a multitude of domestic catalysts, which included an appreciating ringgit vs the US dollar, recovering economic growth, major M&A and corporate exercises, and the government's Economic Transformation Programme (ETP) and 10MP. The ETP and 10MP fuelled an acceleration in foreign direct investments (FDI) and re-energised the construction and property sector with mega projects such as the RM36b MRT project and plans to develop federal government land in Sungai Buloh, Sungai Besi and the KL International Financial District. In 2H10, speculation of an early general election also emerged, further shoring up sentiment. The FBMKLCI rose steadily to close 2010 at 1,518.91, up 19.3% yoy.

Stock Market Outlook for 2011

Despite the sluggish start to 2011, we still expect the market to set new highs in 1H11 as rising expectations of an early general election this year raises the appeal of the FBMKLCI, which has already benefitted from a host of other bullish factors, such as the continued appreciation of the ringgit vs the US dollar, firm commodity prices, and relatively low foreign ownership. Favourable domestic macroeconomic conditions in 1H11 include benign inflation and a firm economic outlook, boosted by the unfolding of the New Economic Model (NEM).

We peg our end-11 FBMKLCI target at 1,654, based on 14.5x 2012 PE, noting that the index could temporarily breach our year-end target in 1H11 amid a potential election-driven rally.

We expect high-beta and small-mid cap stocks to outperform with rising trading liquidity. We like sectors that are supported under the NEM such as construction (and consequently building materials), property and oil & gas, alongside banking and gaming. Banks remain the best liquid proxy for the country's rising FDI momentum.

Impactful thematic plays include: a) general election and Sarawak election plays, b) property plays in Iskandar Malaysia, c) improving Malaysia-Singapore ties, d) mega project awards and rollout, e) development of prized federal government land, and f) lingering M&A plays.

SINGAPORE

Review of 2010

Singapore's 2010 GDP rebounded 14.5% yoy, which was slightly below the government forecast of 15.0%. A key driver was manufacturing, which grew 29.7% yoy on the back of strong contributions from the biomedical industry. Other sectors such as services and construction also registered healthy growth, with the former's growth underpinned by the opening of the two integrated resorts (IR). The IRs and other major tourist attractions helped 2010 tourist arrivals grow 20% yoy to 11.6m.

Given rising inflationary pressure, the Monetary Authority of Singapore (MAS) took several measures to tighten its monetary policy, including widening the policy band and steepening the currency slope. CPI rose 4.6% yoy in Dec 10 with higher costs of food, housing and transport accounting for the increase.

Outlook for 2011

UOB Economic Treasury Research (UOB ETR) forecasts 2011 GDP growth at 5.0%, in line with the Ministry of Trade and

Industry's (MTI) forecast of 4.0-6.0% yoy GDP growth in 2011. MAS expects inflation to hit 3.0-4.0% in 2011.

We expect 2011 GDP growth to moderate to 5.0% yoy owing to the high base effect in 2010. The services sector is expected to contribute favourably to the economy from tourist-related segments and financial services. On the currency front, UOB-ETR believes the Singapore dollar is likely to continue to move up against the US dollar, but at a slower pace. UOB-ETR expects the US$/S$ pair to trend down to around 1.25 at end-11.

Stock Market Review for 2010

The Singapore market continued its steady march in 2010, rising 10.1% yoy after a 64.5% surge in 2009. The FSSTI's uptrend in 2010 was in tandem with the regional markets' 17% rise on average.

Sectors that outperformed in 2010 include offshore & marine and healthcare. In contrast, banking stocks underperformed the FSSTI on fears over downward pressure on net interest margins. Property developers also lagged the broader market on concerns over government measures to cool residential property prices.

Stock Market Outlook for 2011

We believe the Singapore market will continue to enjoy a constructive outlook in 2011, buoyed by an expected 5.0% GDP growth, a stronger Singapore currency and solid domestic fundamentals. However, we think external uncertainties and fund flows from emerging to developed markets could result in near-term market volatility.

Against this background, we think investors should adopt a measured approach, with a combination of large-capitalisation stocks that have lagged the market, stocks with high and sustainable dividend yields and companies with stock-specific catalysts. Themes that could drive the market in 2011 include reflation, capital expenditure recovery cycle, M&As and stocks with high dividend yields.

THAILAND

Review of 2010

With the end of the subprime crisis, the Thai economy rebounded with low core inflation of only 1%, ultra-low unemployment rate of 1% and, most importantly, 8% real GDP growth. Many factors supported these positive economic developments. Anecdotally, key sectors felt the impact of pent-up demand and low-base effect. Passenger car sales soared 60% while TV ad spend grew 15%. One area where Thailand stood out from its neighbours was the soft commodities boom, particularly in food. Agricultural prices rose over 20% in 2010, resulting in 9% farm income growth. Thailand is the world's biggest producer of rice and rubber and ranks among the top three producers of palm and tapioca.

Outlook for 2011

For 2011, core inflation is likely to rise to 3%, but this remains muted compared with that of other countries. Food inflation of 6% remains low relative to neighbours', and this belies Thailand's status as one of the world's top food producers. Tourist arrivals are expected to peak at 1.5m-1.7m as a result of political stability with continued Democrat dominance bolstered by an early election in 1H11. However, due to the higher base in 2010, we believe ad spend will only post single-digit growth this year. Industrial estates will continue to benefit from Toyota's large hybrid plant investment and the removal of the Map Ta Phut injunction, though passenger car sales growth may fall short of earlier forecasts of 10-20%. Toyota now forecasts passenger car sales growth of only 7-8%.

Stock Market Review for 2010

In 2010, the Thai SET index level rose 40.5% from 734.54 to 13,032.76 with average daily trading value of Bt29,066m, up 59% yoy. Capital inflows into the Thai market proved exceptionally strong in 2010 due to three developments: a) quantitative easing in the US, leading to an increase in money supply, b) a 10% appreciation in the baht against the US dollar, and c) high unemployment levels in the West (9.6% in the US and 20% in some European countries) which contrasted sharply with the ultra-low 1% unemployment rates in Thailand. Demonstrating the market's resilience, the market recovered almost instantly, as seen from the 22% rise in 3Q10, from the political violence in May when over 40 buildings were burnt down and tourist arrivals fell below 1m for the first time in the year. The failure of the 3G licence bidding in September was the biggest disappointment.

Stock Market Outlook for 2011

We believe the stock market may re-rate to over 1,200 points this year on the back of continued political improvement (early elections with a Democrat victory) and further money supply increments from QE2, if not QE3. Although there were big sell-downs in early January as some investors repatriated money to the West, we believe this will be short-lived. US unemployment is still expected to be over 8%, while Thai economic numbers seem healthy. The biggest beneficiaries include banks on rising interest rates and energy companies on rising fuel costs. These two sectors account for half of the country's market capitalisation.

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 2010:- 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	–	–	–	–	–	–
Tang Wee Loke	4	4	–	–	–	–	1	–
Neo Chin Sang	4	4	–	–	–	–	–	–
Esmond Choo Liong Gee*	4	4	4	4	–	–	–	–
Walter Tung Tau Chyr	4	4	–	–	2	2	–	–
Henry Tay	4	4	4	4	2	2	–	–
Chelva R Rajah	4	4	4	4	2	2	1	1
Roland Knecht	4	4	–	–	–	–	1	1
Francis Lee	4	4	4	4	–	–	–	–

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

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

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

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

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

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

Audit Committee ('AC')

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

The main terms of reference of the AC are:-

- 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 $72,642 was paid to the external auditors for non-audit services versus $397,395 for audit fees rendered during the year. 11.4, 11.6

The AC annually reviews the independence of the external auditors.

Internal Controls

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

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

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

Internal Audit

Internal audit performs continuous monitoring to ensure compliance with Group policies, internal controls and procedures designed to manage and safeguard the business and assets of the Group. The work of internal audit is focused on areas of greatest risk to the Group as determined through the audit planning process. The formal reports resulting from such reviews are provided to the AC and the chairman of the Board. The Company's external auditors, Deloitte & Touche LLP, contribute a further independent perspective on certain aspects of the internal financial control system arising from their work and annually report their findings to the AC. 13.1

The internal audit director's line of functional reporting is to the chairman of the AC. Administratively, the internal auditor reports to the chairman and managing director of the Company.

The AC is satisfied that the internal audit function is adequately resourced to carry out its duties effectively and has appropriate standing within the Company. 13.3

The AC reviews, on a regular basis, the adequacy of the internal audit function and whether the internal audit function meets the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. 13.2, 13.4

Remuneration Committee ('RC')

The RC has three members and comprises independent directors, Mr. Chelva Retnam Rajah (chairman), Dr. Henry Tay Yun Chwan and Mr. Walter Tung. The RC has access to external consultants for expert advice on executive compensation, if necessary. 7.1, 7.2

The main terms of reference of the RC are:- 7.2

- to make recommendations to the Board with regard to the remuneration of directors and key executives and to ascertain that they are fairly remunerated; and
- to formulate the framework of remuneration for the directors and key executives.

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate directors and managers. 8.1, 8.2, 8.3

The RC reviews the remuneration packages of the Company's executive directors and senior management, which are based on the performance of the Group and the individual. All directors' fees are subject to the approval of shareholders at the annual general meeting.

The remuneration of the directors of the Company for the financial year ended 31 December 2010 is as follows:- 9.1, 9.2

Name	Fees (%)	Fixed Salary (%)	Variable Income (%)	Total (%)
$5,750,000 to S$6,000,000				
Wee Ee-chao	–	8.15	91.85	100
S$3,000,000 to S$3,250,000				
Esmond Choo	–	12.74	87.26	100
S$500,000 to S$750,000				
Neo Chin Sang	–	48.62	51.38	100
S$250,000 to S$500,000				
Tang Wee Loke	–	100	–	100
Below S$250,000				
Walter Tung	100	–	–	100
Francis Lee	100	–	–	100
Henry Tay	100	–	–	100
Chelva Retnam Rajah	100	–	–	100
Roland Knecht	100	–	–	100

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

Remuneration Bands	No. of Executives
S$3,000,000 to S$3,250,000	1
S$2,250,000 to S$2,500,000	1
S$500,000 to S$750,000	1
S$250,000 to S$500,000	2
Total	5

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

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

Nominating Committee ('NC')

The NC has three members and comprises independent directors, Mr. Roland Knecht (chairman), 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.

During the financial year 2010 there was no new interested person transaction entered into by the Group as defined under the listing manual.

Material Contracts

Except as disclosed in the directors' report and financial statements, no material contracts (including loans) of the Company or its subsidiaries involving the interests of the chief executive officer or any director or controlling shareholders subsisted at the end of the financial year or have been entered into since the end of the financial year or have been entered into since the end of the previous financial year.

Directors of UOB-Kay Hian Holdings Limited

Mr. Wee Ee-chao – holds a Bachelor of Business Administration degree. He joined Kay Hian Pte Ltd in 1981 as Managing Director and became Chairman of Kay Hian Holdings Limited in 1996. He has been closely involved in the management and growth of UOB Kay Hian over the last 29 years. In August 2000 when UOB-Kay Hian Holdings Limited was incorporated with the merger of Kay Hian Holdings Limited and UOB Securities Pte Ltd (UOBS), Mr. Wee was appointed Chairman of UOB-Kay Hian Holdings Limited.

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

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

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

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

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

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

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

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

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

Mr. Esmond Choo Liong Gee – was first appointed an Executive Director of UOB Kay Hian Pte Ltd on 1 October 2001 and then as Executive Director of UOB-Kay Hian Holdings Limited on 31 May 2006. In addition to his role in the Group Executive Committee, he is involved in the strategic planning and development of the Group's Equity Capital Market business.

Prior to joining our Group, he was the Executive Director of RHB-Cathay Securities Pte Ltd since 1994 and had overall responsibility for RHB-Cathay's institutional dealing and equity research operations. He has held senior appointments with regional responsibilities with a major international insurance and risk management group prior to joining the stockbroking industry

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

Dr. Henry Tay Yun Chwan – graduated with a MBBS (Honours) from Monash University in 1969. He was appointed Director and Audit Committee Member of Kay Hian Holdings Limited on 1 August 1997 and became Chairman of the Audit Committee on 20 March 2000. When UOB-Kay Hian Holdings Limited was incorporated in August 2000, he was appointed

Director and Chairman of the Audit Committee. Dr. Tay is an Independent Director of the Company.

He is the Executive Chairman of The Hour Glass Limited and the Honorary President of The Hongkong–Singapore Business Association. He also holds directorships in several private companies with diverse interests including real estate, F&B and entertainment. His previous appointments included being Vice-Chairman of the Community Chest, a Board Member of Singapore Tourism Board and Patron of the Singapore Kennel Club. He is an active fund raiser for various charitable organizations.

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

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

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

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

Mr. Walter Tung Tau Chyr (BBA, MBA) - joined Kay Hian in 1982 as Research Analyst, and was appointed Head of Research in 1983. He became a Director of Kay Hian Pte Ltd in 1985, Director of Kay Hian Holdings Limited in 1990 and Director of UOB-Kay Hian Holdings Limited in 2000. Prior to joining Kay Hian, Mr. Tung worked for Shulton Far East Pte Ltd and the Inchcape Group.

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

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

He is currently:

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

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

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

He holds a Malaysia Certificate of Education and has 32 years of experience in the financial industry.

Key management personnel of the Group

SINGAPORE

Mr. Wong Khai Wah - joined UOB Kay Hian Pte Ltd as an Executive Director in October 2001. He is responsible for the management and supervision of the trading representatives. Prior to this, he was the Managing Director of the former RHB-Cathay Securities Pte Ltd for 28 years.

Mr. Wong has retired as director of UOB Kay Hian Pte Ltd with effect from 1st January 2011.

Mr. Lee It Hoe - joined UOB Kay Hian Pte Ltd as an Executive Director in 2002. Mr. Lee holds a Diploma from the Singapore Polytechnic. He has a total of 29 years experience in the securities industry having previously been an Executive Director of the former Grand Orient Securities Pte Ltd. He is responsible for the management and supervision of the trading representatives.

Mr. Lee has retired as director of UOB Kay Hian Pte Ltd with effect from 1st January 2011.

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

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

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

The directors present their report together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2010.

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	143,289,976
Tang Wee Loke	29,893,381	29,893,381	2,100,000	2,100,000
Walter Tung Tau Chyr	2,542,422	2,542,422	–	–

The directors' interest in the ordinary shares of the Company as at 21 January 2011 were the same as at 31 December 2010.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

During the financial year, the Company and certain subsidiaries have engaged in transactions in the normal course of business with the directors, related corporations and companies in which certain directors have substantial financial interests. However, the directors have not received nor will they become entitled to receive any benefits arising out of these transactions other than those which they may be entitled to as customers, employees or shareholders of these companies.

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest except for salaries, bonuses, fees and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.

5 SHARE OPTIONS

(a) Options to take up unissued shares

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

(b) Options exercised

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

(c) Unissued shares under option

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

6 AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Wee Ee-chao

Esmond Choo Liong Gee

Singapore
31 March 2011

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 75 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 2010, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Wee Ee-chao

Esmond Choo Liong Gee

Singapore
31 March 2011

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 2010, 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 75.

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 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 2010 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
31 March 2011

Statements Of Financial Position

31 December 2010

	Note	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
ASSETS					
Current assets					
Cash and bank balances	6	**285,834,628**	180,778,030	**113,478**	119,955
Outstanding contracts receivable	7(a)	**876,078,828**	1,063,051,910	**–**	–
Trade receivables	8	**1,701,931,102**	1,155,395,634	**–**	–
Other financial assets, at fair value through profit or loss	9(a)	**28,189,483**	26,234,003	**–**	–
Other current assets	10	**21,646,599**	17,190,610	**115,062,130**	83,350,196
Derivative financial instruments	11	**186,689**	7,791	**–**	–
Total current assets		**2,913,867,329**	2,442,657,978	**115,175,608**	83,470,151
Non-current assets					
Trade receivables	8	**29,221,129**	–	**–**	–
Goodwill	12	**4,022,655**	–	**–**	–
Subsidiaries	13	**–**	–	**235,845,121**	235,845,121
Associates	14	**–**	96,958	**–**	–
Financial assets, available-for-sale	15	**9,083,619**	17,967,035	**–**	–
Trading rights in Exchanges	16	**96,413**	102,941	**–**	–
Memberships in Exchanges		**235,915**	233,926	**–**	–
Property, plant and equipment	17	**71,442,613**	76,738,023	**–**	–
Deferred tax assets	18	**367,319**	225,730	**–**	–
Total non-current assets		**114,469,663**	95,364,613	**235,845,121**	235,845,121
Total assets		**3,028,336,992**	2,538,022,591	**351,020,729**	319,315,272
LIABILITIES					
Current liabilities					
Outstanding contracts payable	7(b)	**791,716,378**	944,002,666	**–**	–
Trade and other payables	19	**154,679,460**	121,464,828	**100,445,351**	89,314,297
Other financial liabilities, at fair value through profit or loss	9(b)	**1,140**	5,600	**–**	–
Borrowings	20	**645,824,983**	424,808,576	**–**	–
Debts issued	21	**325,387,000**	–	**–**	–
Income tax payable		**25,392,102**	19,821,679	**–**	–
Derivative financial instruments	11	**9,169**	8,363	**–**	–
Total current liabilities		**1,943,010,232**	1,510,111,712	**100,445,351**	89,314,297
Non-current liability					
Deferred tax liabilities	18	**1,685,770**	1,075,519	**–**	–
Total liabilities		**1,944,696,002**	1,511,187,231	**100,445,351**	89,314,297
EQUITY					
Capital, reserves and non-controlling interests					
Share capital	22	**72,470,901**	72,470,901	**72,470,901**	72,470,901
Reserves	23	**(43,815,582)**	(11,853,393)	**–**	–
Retained earnings		**1,034,665,787**	953,123,080	**178,104,477**	157,530,074
Equity attributable to owners of the Company		**1,063,321,106**	1,013,740,588	**250,575,378**	230,000,975
Non-controlling interests		**20,319,884**	13,094,772	**–**	–
Total equity		**1,083,640,990**	1,026,835,360	**250,575,378**	230,000,975
Total liabilities and equity		**3,028,336,992**	2,538,022,591	**351,020,729**	319,315,272
Clients' trust/segregated accounts					
Bank balances					
– with related parties		**364,008,159**	179,660,179	**–**	–
– with non-related banks		**530,140,374**	555,113,321	**–**	–
Margin with clearing house		**11,778,239**	6,141,108	**–**	–
Less: Amounts held in trust		**(905,926,772)**	(740,914,608)	**–**	–
		–	–	**–**	–

See accompanying notes to financial statements.

Consolidated Statement Of Comprehensive Income

Year ended 31 December 2010

	Note	Group 2010 $	Group 2009 $
Revenue	24	**439,945,231**	400,238,151
Foreign exchange gain		**6,531,518**	6,793,027
Realised gain on financial assets, available-for-sale		**7,673,049**	6,251,349
Commission expense		**(95,434,268)**	(99,968,181)
Staff costs	25	**(122,166,199)**	(99,418,069)
Finance expense	26	**(9,667,842)**	(5,385,697)
Other operating expenses	27	**(60,439,641)**	(73,875,508)
Profit before income tax		**166,441,848**	134,635,072
Income tax expense	28	**(25,503,785)**	(19,371,895)
Profit for the year		**140,938,063**	115,263,177
Other comprehensive (expense) income:			
Exchange differences on translation of foreign operations	29	**(22,434,528)**	(4,034,564)
Available-for-sale investments	29	**(7,776,091)**	985,889
Income tax relating to components of other comprehensive income	29	**200,507**	(444,987)
Other comprehensive expense for the year, net of tax	29	**(30,010,112)**	(3,493,662)
Total comprehensive income for the year		**110,927,951**	111,769,515
Profit attributable to:			
Owners of the Company		**139,519,427**	114,385,469
Non-controlling interests		**1,418,636**	877,708
		140,938,063	115,263,177
Total comprehensive income attributable to:			
Owners of the Company		**109,386,391**	111,158,483
Non-controlling interests		**1,541,560**	611,032
		110,927,951	111,769,515
Earnings per share – Basic and diluted	30	**19.25 cents**	15.78 cents

See accompanying notes to financial statements.

Statements Of Changes In Equity

Year ended 31 December 2010

	Note	Share capital $	Equity reserve $
Group			
Balance at 1 January 2009		72,470,901	–
Total comprehensive income for the year		–	–
Final dividend for 2008 paid	31	–	–
Interim dividend for 2009 paid	31	–	–
Acquisition of additional interest in a subsidiary		–	–
Payment of dividend by a subsidiary		–	–
Balance at 31 December 2009		72,470,901	–
Total comprehensive income for the year		–	–
Non-controlling interest arising from acquisition of assets and related business	36	–	**(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)**

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 $
7,989,872	(18,015,316)	1,351,767	893,090,787	956,888,011	13,434,963	970,322,974
541,598	(3,791,900)	23,316	114,385,469	111,158,483	611,032	111,769,515
–	–	–	(50,729,632)	(50,729,632)	–	(50,729,632)
–	–	–	(3,623,544)	(3,623,544)	–	(3,623,544)
–	18,421	28,849	–	47,270	(812,541)	(765,271)
–	–	–	–	–	(138,682)	(138,682)
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**

Statements Of Changes In Equity *(continued)*

Year ended 31 December 2010

	Note	Share capital $	Retained earnings $	Total $
Company				
Balance at 1 January 2009		72,470,901	147,057,234	219,528,135
Total comprehensive income for the year		–	64,826,016	64,826,016
Final dividend for 2008 paid	31	–	(50,729,632)	(50,729,632)
Interim dividend for 2009 paid	31	–	(3,623,544)	(3,623,544)
Balance at 31 December 2009		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**

See accompanying notes to financial statements.

Consolidated Statement Of Cash Flows

Year ended 31 December 2010

	Note	2010 $	2009 $
Operating activities			
Profit before income tax		**166,441,848**	134,635,072
Adjustments for:			
Depreciation expense	27	**9,457,757**	3,286,062
Net loss on disposal of property, plant and equipment		**78,140**	90,243
Property, plant and equipment written off		**15,246**	–
Realised gain on financial assets, available-for-sale		**(7,673,049)**	(6,251,349)
Dividend income	24	**(1,001,671)**	(793,296)
(Write back of allowance) Allowance for trade receivables		**(161,827)**	2,938,292
Allowance for impairment in financial assets, available-for-sale	15	**131,157**	1,426,318
Interest expense	26	**9,667,842**	5,385,697
Exchange differences		**(16,850,690)**	(5,293,810)
Operating cash flows before movements in working capital		**160,104,753**	135,423,229
Changes in operating assets and liabilities:			
Other financial assets/liabilities, at fair value through profit or loss		**(1,959,940)**	(24,384,668)
Trade, outstanding contracts and other receivables [Note A]		**(216,047,075)**	(1,135,387,101)
Trade, outstanding contracts and other payables		**(119,070,850)**	474,859,123
Debts issued [Note A]		**148,177,500**	–
Cash used in operations		**(28,795,612)**	(549,489,417)
Interest paid	26	**(9,667,842)**	(5,385,697)
Income tax paid		**(19,257,997)**	(13,703,801)
Net cash used in operating activities		**(57,721,451)**	(568,578,915)
Investing activities			
Payments for property, plant and equipment [Note B]	17	**(3,933,233)**	(33,039,038)
Refund of stamp duty		**–**	1,014,600
Proceeds from disposal of financial assets, available-for-sale		**8,598,874**	6,471,349
Proceeds from disposal of property, plant and equipment		**22,622**	50,222
Proceeds from liquidation of associates		**78,729**	–
Payment to non-controlling interests for dividend		**(246,121)**	(138,682)
Payment for financial assets, available-for-sale		**–**	(220,893)
Dividends received from quoted/unquoted securities	24	**1,001,671**	793,296
Net cash from (used in) investing activities		**5,522,542**	(25,069,146)

Year ended 31 December 2010

	Note	2010 $	2009 $
Financing activities			
Payment to non-controlling interests for additional interest in a subsidiary		**(263,527)**	(812,541)
Net drawdown of short-term bank loans		**222,860,208**	106,246,478
Dividends paid		**(57,976,720)**	(54,353,176)
Net cash from financing activities		**164,619,961**	51,080,761
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		**(5,520,653)**	1,273,136
Net increase (decrease) in cash and bank balances		**106,900,399**	(541,294,164)
Cash and cash equivalents at beginning of the year		**167,429,603**	708,723,767
Cash and cash equivalents at end of the year	6	**274,330,002**	167,429,603

Notes: Non-cash transactions

Note A

In 2010, the Group issued debts amounting to $325,387,000 of which $177,209,500 has 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 (Note 36.2). In 2009, the Group acquired property, plant and equipment of $36,724,438 of which $4,700,000 remains unpaid and recorded in accrued operating expenses as part of trade and other payables in that year.

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 200004464C) is incorporated in Singapore with its principal place of business and address of its registered office at 8 Anthony Road, #01-01, Singapore 229957. 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 2010 were authorised for issue by the Board of Directors on 31 March 2011.

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 2010. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

FRS 103 (2009) ***Business Combinations***

FRS 103 (2009) has been adopted in the current year and is applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The main impact of the adoption of FRS 103 (2009) *Business Combinations* on the Group has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;
- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;
- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and
- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in consolidated profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

FRS 103 (2009) has also required additional disclosures in respect of business combinations during the period. See Note 36 below.

Results in future periods may be affected by future impairment losses relating to the increased goodwill, and by changes in the fair value of contingent consideration recognised as a liability.

The change in accounting policy has no impact on the earnings per share as reported in the consolidated statement of comprehensive income.

FRS 27 (2009) ***Consolidated and Separate Financial Statements***

FRS 27 (2009) has been adopted for periods beginning on or after 1 January 2010 and has been applied retrospectively (subject to specified exceptions) in accordance with the relevant transitional provisions. The revised standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. Specifically, the adoption of the revised standard has affected the accounting for the Group's acquisition of part of non-controlling interests in UOB Kay Hian Securities (Thailand) Public Company Limited in the year (see below).

In prior years, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under FRS 27 (2009), all such increases or decreases are dealt within equity reserve (see Note 23), with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

In respect of the acquisition of part of non-controlling interests in UOB Kay Hian Securities (Thailand) Public Company Limited during the year, the change in policy has resulted in the difference of $177,185 between the consideration paid and the non-controlling interests derecognised being included in equity reserve (see Note 13), instead of goodwill. In addition, the cash consideration paid in the current year of $263,527 has been included in cash flows from financing activities.

The change in accounting policy has no impact on the earnings per share as reported in the consolidated statement of comprehensive income.

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

- Improvements to Financial Reporting Standards (issued in October 2010)
- FRS 24 (Revised) *Related Party Disclosures*
- Amendments to FRS 107 *Financial Instruments : Disclosures*

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

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

FRS 24 (Revised) *Related Party Disclosures*

FRS 24 (Revised) *Related Party Disclosures* is effective for annual periods beginning on or after 1 January, 2011. The revised standard clarifies the definition of a related party and consequently additional parties may be identified as related to the reporting entity.

In addition, the revised standard provides partial exemption for government-related entities, in relation to the disclosure of transactions, outstanding balances and commitments. Where such exemptions apply, the reporting entity has to make additional disclosures, including the nature of the government's relationship with the reporting entity and information on significant transactions or company of transactions involved.

In the period of initial adoption, the changes to related party disclosures, if any, will be applied retrospectively with restatement of the comparative information.

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition 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 INSTRUMENT – 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.

Effective interest method

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

Financial assets

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.

Loans, receivables, and other current assets

Outstanding contracts receivable, loans, 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 rate 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.

The Group as lessee

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.

The Group as lessor

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 at 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 reserves.

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 reserves.

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 2010 is $25,503,785 (2009 : $19,371,895). Deferred tax assets and deferred tax liabilities as at 31 December 2010 amounted to $367,319 (2009 : $225,730) and $1,685,770 (2009 : $1,075,519) respectively. Income tax payable as at 31 December 2010 is $25,392,102 (2009 : $19,821,679).

(b) Impairment of loans and receivables

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

As at 31 December 2010, the carrying amount of trade receivables is $1,731,152,231 (2009 : $1,155,395,634) net of allowance for doubtful debts of $5,516,632 (2009 : $5,780,659).

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 $4,022,655 (2009 : $Nil).

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	
	2010	2009	2010	2009
	$	$	$	$
Financial assets				
Fair value through profit or loss (FVTPL):				
Held for trading	**28,189,483**	26,234,003	–	–
Designated as at FVTPL (see below)	**101,791,500**	–	–	–
Derivative financial instruments	**186,689**	7,791	–	–
Loan and receivables (including cash and bank balances)	**2,801,192,667**	2,408,065,638	**115,175,608**	83,470,151
Available-for-sale financial assets	**9,083,619**	17,967,035	–	–
Financial liabilities				
Fair value through profit or loss (FVTPL):				
Held for trading	**1,140**	5,600	–	–
Designated as at FVTPL (see below)	**101,791,500**	–	–	–
Derivative financial instruments	**9,169**	8,363	–	–
Amortised cost (including loans, finance leases and debts issued)	**1,815,816,321**	1,490,276,070	**100,445,351**	89,314,297

(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 fair value through profit or loss. 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.

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

	Singapore dollar $	United States dollar $	Hong Kong dollar $	Malaysia ringgit $	Others $
At 31 December 2010					
Financial assets					
Cash and bank balances	**1,591,145**	**19,510,814**	**15,071,054**	**21,253,579**	**207,440,473**
Outstanding contracts receivable	**161,179**	**49,249,061**	**129,619,165**	**19,440,717**	**122,617,313**
Trade receivables	**6,195,236**	**513,310,012**	**355,811,660**	**1,938,100**	**87,879,744**
Other financial assets, at fair value through profit or loss	**21,051,238**	**1,372,989**	**155**	**95**	**3,413,494**
Other current assets	**30,784**	**481,140**	**3,362,226**	**69,758**	**4,418,417**
Financial assets, available-for-sale	**–**	**7,860,827**	**–**	**–**	**1,222,792**
	29,029,582	**591,784,843**	**503,864,260**	**42,702,249**	**426,992,233**
Financial liabilities					
Outstanding contracts payable	**2,864,341**	**34,969,314**	**103,811,668**	**18,321,592**	**146,330,989**
Trade and other payables	**248,114**	**5,887,593**	**15,033,415**	**12,218,134**	**35,302,963**
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**	**208,645,019**
Net financial assets	**22,162,821**	**57,333,082**	**255,707,889**	**12,058,233**	**218,347,214**
Less: Net financial (assets) liabilities denominated in the respective entities' functional currencies	**–**	**(1,040,453)**	**(255,293,945)**	**(4,266,494)**	**(108,256,925)**
Intercompany balances	**(24,437,702)**	**1,426,117**	**2,653,190**	**612**	**8,616,957**
Currency forwards	**–**	**(8,850,169)**	**(1,073,913)**	**(5,014,800)**	**10,503,367**
Foreign currencies trust balances	**–**	**151,286**	**932,347**	**857,187**	**(115,261,892)**
Currency exposures	**(2,274,881)**	**49,019,863**	**2,925,568**	**3,634,738**	**13,948,721**
At 31 December 2009					
Financial assets					
Cash and bank balances	456,524	9,728,833	7,921,500	10,008,568	116,262,879
Outstanding contracts receivable	4,118,788	30,953,539	227,422,377	3,104,861	46,014,261
Trade receivables	6,884,527	125,538,601	359,956,346	1,220,561	32,042,788
Other financial assets, at fair value through profit or loss	24,257,140	–	147	73	2,940
Other current assets	19,037	437,101	2,988,083	45,789	2,376,439
Financial assets, available-for-sale	–	10,167,998	–	–	950,625
	35,736,016	176,826,072	598,288,453	14,379,852	197,649,932
Financial liabilities					
Outstanding contracts payable	7,163,789	26,530,638	232,094,250	3,484,403	45,257,323
Trade and other payables	21,232	3,075,648	17,480,732	2,813,412	13,740,909
Borrowings	4,331,112	113,019,048	101,765,998	16,480	5,718,576
	11,516,133	142,625,334	351,340,980	6,314,295	64,716,808
Net financial assets	24,219,883	34,200,738	246,947,473	8,065,557	132,933,124
Less: Net financial (assets)liabilities denominated in the respective entities' functional currencies	–	(1,942,099)	(248,103,029)	(4,042,168)	(92,667,912)
Intercompany balances	(25,083,994)	577,822	246,726	(10,721)	16,796,517
Currency forwards	2,394,194	132,581	(2,296,431)	(573,710)	(1,130,149)
Foreign currencies trust balances	–	83,705	(30,440)	(1,353,869)	(48,776,365)
Currency exposures	1,530,083	33,052,747	(3,235,701)	2,085,089	7,155,215

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 2010	
Financial assets	
Cash and bank balances representing net financial assets/currency exposure	**941**
At 31 December 2009	
Financial assets	
Cash and bank balances representing net financial assets/currency exposure	1,079

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

	2010		2009	
	Increase (Decrease)			
	Profit after tax	Equity	Profit after tax	Equity
	$	$	$	$
The Group				
United States Dollar	**(1,743,085)**	**(393,041)**	(1,414,849)	(508,400)
Hong Kong Dollar	**(123,898)**	–	138,507	–
Malaysia Ringgit	**(153,931)**	–	(89,254)	–
Company				
United States Dollar	**(47)**	–	(54)	–

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

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

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

(ii) Price risk

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

- any equity positions that its subsidiaries may have taken;
- falling value of collateral to support financing its subsidiaries provide to their clients; and
- inability of its subsidiaries' clients to pay for the losses which may arise from the force-selling of clients' positions.

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

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

	2010		2009	
	Increase			
	Profit after tax	Equity	Profit after tax	Equity
	$	$	$	$
The Group				
Listed in Singapore	**1,218,752**	**–**	1,294,533	335,068
Listed on other exchanges	**170,672**	**66,132**	139	76,533

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

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

(iii) Cash flow and fair value interest rate risk

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

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

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would increase/(decrease) by $10,271,131 (2009 : $8,764,126).

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 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**	**901,032,872**	**923,457,099**
Non-financial assets	**–**	**–**	**–**	**87,893,034**	**87,893,034**
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**

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

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

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

(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 $334,590,093 (2009 : $105,859,253). 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.

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

	2010	2009
	$	$
Quoted securities	**4,575,154,268**	3,818,120,012
Cash	**363,746**	3,804,991
Bankers' guarantees	**300,000**	430,000
	4,575,818,014	3,822,355,003

The amount of collateral held as security for trade receivables impaired as at 31 December 2010 is $111,688 (2009 : $110,120).

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:

	2010	2009
	$	$
Outstanding contracts receivable	**187,606,857**	241,374,488
Trade receivables	**466,548,023**	444,566,876
Trade payables	**2,949,934**	5,069,496

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	
	2010	**2009**
	$	**$**
1 to 30 days past due	**135,652,250**	169,744,167
31 days to 60 days past due	**2,661,223**	937,865
More than 60 days past due	**6,386,082**	8,091,705
	144,699,555	178,773,737

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

	2010	**2009**
	$	**$**
At beginning of year	**5,780,659**	2,663,972
Currency translation difference	**15,319**	178,395
Allowance (written back) made	**(161,827)**	2,938,292
Allowance utilised	**(117,519)**	–
At end of year	**5,516,632**	5,780,659

(v) Liquidity risk

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

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

(c) <u>Capital risk management policies and objectives</u>

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 2010 and 2009.

(d) <u>Fair value of financial assets and financial liabilities</u>

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

	Total $	Level 1 $	Level 2 $	Level 3 $
Group				
At 31 December 2009				
Financial Assets				
Financial assets at fair value through profit or loss:				
– Held for trading investments	26,234,003	26,234,003	–	–
– Derivative financial instruments	7,791	–	7,791	–
Financial assets, available-for-sale:				
– Fund investments	4,642,076	–	4,642,076	–
– Quoted equities	8,232,024	8,232,024	–	–
– Unquoted equities	80,918	–	–	80,918
Total	39,196,812	34,466,027	4,649,867	80,918
Financial Liabilities				
Financial liabilities at fair value through profit or loss	5,600	5,600	–	–
Derivative financial instruments	8,363	–	8,363	–
Total	13,963	5,600	8,363	–

Company

The Company had no financial assets or liabilities carried at fair value in 2010 and 2009.

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 $
2010			
Opening balance	**80,918**	–	–
Additions	–	**101,791,500**	**101,791,500**
Fair value increase recognised in other comprehensive income	**27,023**	–	–
Ending balance	**107,941**	**101,791,500**	**101,791,500**
2009			
Opening balance	71,786	–	–
Fair value increase recognised in other comprehensive income	9,132	–	–
Ending balance	80,918	–	–

Significant assumptions in determining fair value of financial assets and liabilities

Fund investments – available-for-sale

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

Unquoted equity shares – available-for-sale

Fair value is estimated using a net asset methodology to appropriately measure its assets and liabilities which includes some assumptions that are not supportable by observable market prices or rates. If these inputs to the valuation model were 10% higher/lower with all the other variables held constant, the carrying amount of the shares would decrease/increase by $10,794 (2009 : $8,092).

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.

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	
	2010	**2009**
	$	**$**
Rental of premises paid/payable to a related party	**162,459**	16,747,268

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

	The Group	
	2010	**2009**
	$	**$**
(b) Key management personnel compensation is as follows:		
Salaries and other short-term employee benefits	**17,792,047**	14,736,053
Employer's contribution to defined contribution plans, including Central Provident Fund	**58,696**	57,494
	17,850,743	14,793,547

(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 2010 are disclosed in Note 20 as borrowings from a related party.

6 CASH AND BANK BALANCES

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Bank balances with:				
– Related party (Note 5)	**30,915,296**	22,575,641	**113,478**	119,955
– Non-related banks	**214,924,832**	119,499,780	**–**	–
Cash on hand	**16,731**	12,106	**–**	–
	245,856,859	142,087,527	**113,478**	119,955
Fixed deposits with:				
– Related party (Note 5)	**13,648,313**	3,575,284	**–**	–
– Non-related banks	**26,329,456**	35,115,219	**–**	–
	39,977,769	38,690,503	**–**	–
	285,834,628	180,778,030	**113,478**	119,955

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 4.13% (2009 : 6.24%) per annum and are for a tenure of approximately 27 days (2009 : 29 days).

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

	The Group	
	2010	**2009**
	$	**$**
Cash and bank balances (as above)	**285,834,628**	180,778,030
Less: Bank overdrafts (Note 20)	**(11,504,626)**	(13,348,427)
Cash and cash equivalents per consolidated statement of cash flows	**274,330,002**	167,429,603

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	
	2010	**2009**
	$	**$**
Due from third parties	**876,078,828**	1,063,051,910

(b) Outstanding contracts payable comprises the following:

Due to third parties	**791,716,378**	944,002,666

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	
	2010	**2009**
	$	**$**
Trade receivables from third parties:		
At amortised cost [Note 8(a)]	**1,634,877,363**	1,161,176,293
Designated as at fair value through profit or loss [Note 8(b)]	**101,791,500**	–
Less: Allowance for impairment of doubtful trade receivables	**(5,516,632)**	(5,780,659)
	1,731,152,231	1,155,395,634
Current trade receivables (recoverable within 12 months)	**1,701,931,102**	1,155,395,634
Non-current trade receivables (recoverable after 12 months)	**29,221,129**	–
	1,731,152,231	1,155,395,634

(a) In 2010, included in trade receivables at amortised cost are medium term notes and loans issued amounting to $223,595,500, with maturity dates ranging from 10 June 2012 to 2 June 2015. These trade receivables bear effective interest rates ranging from 4.41% to 12% per annum. Of the $223,595,500, $75,418,000 have been designated as the referenced assets in respect of certain derivatives embedded with certain debts issued by the Group [Note 21(a)] whereas the remaining $148,177,500 have been designated as the referenced assets in respect of put options packaged with certain debts issued by the Group [Note 11 and 21(b)].

(b) In 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 rate of 5.32% per annum and have been designated as the referenced assets for certain debts issued by the Group [Note 21(a)].

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 $22,424,227 (2009 : $24,257,140) with an average effective interest rate of 1.7% (2009 : 0.5%) per annum and maturity dates ranging from 2 July 2013 to 4 May 2017 (2009 : 6 February 2012 to 2 July 2013).

(a) Current assets

Financial assets, at fair value through profit or loss

	The Group	
	2010	2009
	$	$
Trading securities		
Listed securities:		
– Equity securities – Malaysia	**95**	73
– Equity securities – Singapore	**2,351,512**	1,973,703
– Debt securities – Singapore	**22,424,227**	24,257,140
– Equity securities – Others	**3,413,649**	3,087
	28,189,483	26,234,003

(b) Current liabilities

Financial liabilities, at fair value through profit or loss

	The Group	
	2010	2009
	$	$
Trading securities		
Listed securities:		
– Equity securities – Singapore	**1,140**	5,600

10 OTHER CURRENT ASSETS

	The Group		The Company	
	2010	2009	2010	2009
	$	$	$	$
Amounts due from subsidiaries [Note 10(a)]	–	–	**115,003,134**	83,286,965
Deposits [Note 10(b)]	**9,844,278**	6,898,154	–	–
Prepayments	**1,883,841**	1,452,392	–	–
Amounts deposited with lenders of securities [Note 10(c)]	**4,407,192**	4,323,239	–	–
Other receivables	**5,511,288**	4,516,825	**58,996**	63,231
	21,646,599	17,190,610	**115,062,130**	83,350,196

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

(b) Included in deposits is an amount of $3,093,314 (2009 : $1,635,394) 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	
	2010	2009
	$	$
Securities borrowed		
Securities borrowed from lenders, at fair value:		
– Lent to clients	**1,707,240**	3,042,145
Securities lent		
Securities lent to clients, at fair value:		
– Borrowed from lenders	**1,707,240**	3,042,145

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

11 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2010		2009	
	Assets	Liabilities	Assets	Liabilities
	$	$	$	$
Forward foreign exchange contracts	**59,947**	**9,169**	7,791	8,363
Interest rate swaps	**126,742**	**–**	–	–
Put options	**–**	**–**	–	–
	186,689	**9,169**	7,791	8,363

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 3 to 7 days (2009 : 4 to 8 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	
	2010	2009	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$	$	$
The Group								
Forward foreign exchange contracts	**25,060,055**	4,374,846	**59,947**	7,791	**9,169**	8,363	**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.

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

The fair value of outstanding interest rate swaps as at 31 December 2010 is estimated at $126,742, 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	
	2010	2009	2010	2009	2010	2009
	%	%	$	$	$	$
Group						
Less than 1 year	**1.54%**	–	**43,000,000**	–	**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 fixed rate noteholder [Note 21(b)] as full and final settlement upon the occurrence of a credit event.

The following tables detail the notional principal amount and remaining term of the put option outstanding as at the end of the reporting period:

	Maturity Date	Notional principal amount		Fair value	
		2010	2009	2010	2009
		$	$	$	$
Group					
Put option	10 June 2012	**148,177,500**	–	–	–

12 GOODWILL

	The Group
	$
Cost:	
At 1 January 2010	–
Arising on acquisition of assets and related business (Note 36)	**4,022,655**
At 31 December 2010	**4,022,655**
Impairment:	
Impairment loss recognised in the year ended 31 December 2010 and balance at 31 December 2010	–
Carrying amount:	
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	
	2010	2009
	$	$
UOB Kay Hian Securities (Thailand) Public Company Limited (single CGU)	**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 0.17% for the next year and an operating margin of 0.15% for the following four years. The rate used to discount the forecasts cash flows is 6.6% per annum.

As at 31 December 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	
	2010	2009
	$	$
Equity investments at cost		
At beginning and end of the year	**235,845,121**	235,845,121

Details of subsidiaries are included in Note 35.

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.

	2010	2009
	$	$
(a) Acquisition of assets and related business		
Shares issued as consideration for acquisition (Note 36)	**(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	**263,527**	–
NCI acquired	**(440,709)**	–
Effects of foreign currency translation	**(9,293)**	–
Statutory reserve transferred from NCI	**9,290**	–
Difference recognised in equity reserve	**(177,185)**	–
Total movement in equity reserve (Note 23)	**1,818,941**	–

14 ASSOCIATES

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

	The Group	
	2010	2009
	$	$
At beginning of year	**96,958**	108,793
Currency translation differences	**(18,229)**	(11,835)
Liquidation	**(78,729)**	–
At end of year	**–**	96,958

The summarised financial information of associates is as follows:

Assets	–	324,299
Liabilities	–	1,014
Revenue	–	–
Net loss	–	–

Details of the associates are included in Note 35.

15 FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	The Group	
	2010	2009
	$	$
Financial assets, available-for-sale include the following:		
(a) Listed securities, at fair value:		
– Equity – Singapore	–	6,701,361
– Equity – Philippines	**1,073,648**	950,625
– Equity – Others	**249,000**	580,038
(b) Unquoted investments, at fair value:		
– Fund in Vietnam	**3,364,274**	4,642,076
– Equity – Vietnam	**107,940**	80,918
(c) Fund investments/unquoted equity shares, at cost:		
– Fund in Cayman Islands	**4,004,383**	4,729,736
– Equity – Thailand	**149,144**	147,051
– Equity – Others	**135,230**	135,230
	9,083,619	17,967,035

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

	The Group	
	2010	2009
	$	$
At beginning of year	**2,435,483**	2,671,040
Reversal of impairment loss through other comprehensive income	–	(1,661,875)
Charge to profit or loss	**131,157**	1,426,318
At end of year	**2,566,640**	2,435,483

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.

In 2009, fund investment at cost includes impairment losses amounting to $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.

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	
	2010	2009
	$	$
Trading rights in The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited and Philippine Stock Exchange, Inc, at amortised cost	**96,413**	102,941

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings $	Leasehold land $	Construction-in-progress $
Group			
Cost:			
At 1 January 2009	–	36,043,855	3,088,606
Additions/Adjustments	–	(1,014,600)	29,515,641
Disposals	–	–	–
Transfer	32,604,247	–	(32,604,247)
Currency translation differences	–	–	–
At 31 December 2009	32,604,247	35,029,255	–
Additions/Adjustments	**(231,499)**	–	–
Disposals	–	–	–
Write off	–	–	–
Currency translation differences	–	–	–
At 31 December 2010	**32,372,748**	**35,029,255**	–
Accumulated depreciation:			
At 1 January 2009	–	–	–
Depreciation charge	395,203	424,597	–
Disposals	–	–	–
Currency translation differences	–	–	–
At 31 December 2009	395,203	424,597	–
Depreciation charge	**2,351,434**	**2,547,582**	–
Disposals	–	–	–
Write off	–	–	–
Currency translation differences	–	–	–
At 31 December 2010	**2,746,637**	**2,972,179**	–
Net book value:			
At 31 December 2010	**29,626,111**	**32,057,076**	–
At 31 December 2009	32,209,044	34,604,658	–

	Leasehold improvements $	Furniture, fittings and office equipment $	Computer equipment and software $	Communication equipment $	Motor vehicles $	Total $
	8,320,056	6,333,654	17,872,767	2,046,890	1,000,351	74,706,179
	2,077,621	2,670,256	3,155,654	82,541	237,325	36,724,438
	(5,188,822)	(2,030,605)	(1,536,395)	(152,972)	(72,361)	(8,981,155)
	–	–	–	–	–	–
	(7,191)	72,203	31,831	(4,966)	20,747	112,624
	5,201,664	7,045,508	19,523,857	1,971,493	1,186,062	102,562,086
	1,797,977	**838,018**	**1,526,248**	**217,047**	**126,834**	**4,274,625**
	(1,856)	**(136,752)**	**(443,070)**	**(15,091)**	**(33,302)**	**(630,071)**
	–	**(1,665,224)**	**(308,619)**	**–**	**–**	**(1,973,843)**
	(110,226)	**(80,531)**	**(238,104)**	**(78,424)**	**6,072**	**(501,213)**
	6,887,559	**6,001,019**	**20,060,312**	**2,095,025**	**1,285,666**	**103,731,584**
	7,657,555	5,825,875	15,458,633	1,903,685	501,314	31,347,062
	430,293	309,488	1,478,353	81,360	166,768	3,286,062
	(5,072,645)	(2,030,605)	(1,529,705)	(152,612)	(55,123)	(8,840,690)
	(8,803)	41,023	2,769	(13,166)	9,806	31,629
	3,006,400	4,145,781	15,410,050	1,819,267	622,765	25,824,063
	1,224,524	**1,166,783**	**1,878,480**	**76,641**	**212,313**	**9,457,757**
	(1,211)	**(117,988)**	**(361,858)**	**(14,950)**	**(33,302)**	**(529,309)**
	–	**(1,652,076)**	**(306,521)**	**–**	**–**	**(1,958,597)**
	(109,560)	**(69,751)**	**(254,097)**	**(72,322)**	**787**	**(504,943)**
	4,120,153	**3,472,749**	**16,366,054**	**1,808,636**	**802,563**	**32,288,971**
	2,767,406	**2,528,270**	**3,694,258**	**286,389**	**483,103**	**71,442,613**
	2,195,264	2,899,727	4,113,807	152,226	563,297	76,738,023

Details of the leasehold land and buildings as at 31 December 2010 and 2009 are set out below:

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

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	
	2010	2009
	$	$
Deferred tax assets	**367,319**	225,730
Deferred tax liabilities	**(1,685,770)**	(1,075,519)

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

	Fair value (gains) losses	Tax loss	Total
	$	$	$
The Group			
Deferred tax assets			
At 1 January 2009	239,000	64,920	303,920
Credited to profit or loss (Note 28)	–	149,866	149,866
Currency translation differences	–	10,944	10,944
Financial assets, available-for-sale [Note 23(b)]	(239,000)	–	(239,000)
At 31 December 2009	–	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**

	Fair value (gains) losses	Accelerated tax depreciation	Total
	$	$	$
Deferred tax liabilities			
At 1 January 2009	332,269	(769,647)	(437,378)
Charged to profit or loss (Note 28)	–	(431,810)	(431,810)
Currency translation differences	–	(344)	(344)
Financial assets, available-for-sale [Note 23(b)]	(205,987)	–	(205,987)
At 31 December 2009	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)**

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately $3,148,198 (2009 : $2,623,252) 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	
	2010	2009	2010	2009
	$	$	$	$
Trade payables to:				
– Third parties	**69,806,237**	47,813,396	–	–
Accrued operating expenses	**72,445,718**	64,178,294	**6,007,590**	4,910,854
Cash collaterals held for securities lent to clients	**1,439,250**	2,574,551	–	–
Amount due to subsidiaries	–	–	**94,425,004**	84,392,993
Other payables	**10,988,255**	6,898,587	**12,757**	10,450
	154,679,460	121,464,828	**100,445,351**	89,314,297

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

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

In 2009, included in trade and other payables was an amount of $3,430,145 representing cash deposits pledged by a margin client to the Group for the revolving credit limit granted. In 2010, the Group has returned the pledged deposits with the termination of the credit facility.

20 BORROWINGS

	The Group		The Company	
	2010	2009	2010	2009
	$	$	$	$
Current				
Bank overdrafts:				
– with related parties	**10,230,311**	11,863,227	–	–
– with non-related banks	**1,274,315**	1,485,200	–	–
	11,504,626	13,348,427	–	–
Short-term bank loans:				
– with related parties	**474,110,103**	305,693,752	–	–
– with non-related banks	**160,210,254**	105,766,397	–	–
	634,320,357	411,460,149		–
Total borrowings	**645,824,983**	424,808,576	–	–

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 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			

Short-term bank loans

$	Weighted average effective interest rates	Security, if any	Maturity
Balance 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**
Balance with non-related banks			
160,210,254	**0.85% per annum**	**A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary**	**Due within 6 months from the end of the reporting period**

Year ended 31 December 2009

Bank overdrafts

Balances with related parties			
11,863,227	5.00% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Upon demand
Balances with non-related banks			
1,139,763	7.75% per annum	Unsecured	Upon demand
345,437	3.82% per annum	Unsecured	Upon demand
1,485,200			

Year ended 31 December 2009 *(continue)*

Short-term bank loans

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

21 DEBTS ISSUED

	The Group 2010 $	2009 $
Credit-linked notes [Note 21(a)]		
At amortised cost	**75,418,000**	–
Designated as at fair value through profit or loss	**101,791,500**	–
Fixed rate note [Note 21(b)]	**148,177,500**	–
	325,387,000	–

During the current financial year, 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.

(a) The credit-linked notes, with embedded credit default swaps, were issued at par with maturity dates ranging from 28 October 2014 to 9 December 2025. The embedded credit default swaps allow the Group to deliver the underlying referenced assets [Notes 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.

(b) The fixed rate note was issued at par with a maturity date of 10 June 2012. The Group has entered into a put option that allows the Group to deliver the underlying referenced assets [Note 8(a)] to the noteholder as full and final settlement upon the occurrence of a credit event. As at 31 December 2010, the fair value of the option was $Nil (Note 11).

The carrying amounts of debts issued approximate their fair values.

22 SHARE CAPITAL

	The Group & The Company			
	2010	2009	2010	2009
	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 2010 $	The Group 2009 $
Fair value reserve	**935,162**	8,531,470
Foreign currency translation reserves	**(44,249,016)**	(21,788,795)
Statutory reserve	**1,317,213**	1,403,932
Equity reserve (Note 13)	**(1,818,941)**	–
	(43,815,582)	(11,853,393)

(b) Fair value reserve

	The Group 2010 $	The Group 2009 $
At beginning of year	**8,531,470**	7,989,872
Fair value (losses) gains on financial assets, available-for-sale (Note 15)	**(565,562)**	7,237,238
Deferred tax on fair value losses (gains) on financial assets, available-for-sale (Note 18)	**200,507**	(444,987)
	8,166,415	14,782,123
Currency translation differences	**(20,724)**	696
Fair value gains transferred to profit or loss on realisation	**(7,210,529)**	(6,251,349)
At end of year	**935,162**	8,531,470

(c) Statutory reserve

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

(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 2010 $	The Group 2009 $
Commission income	**351,595,550**	338,274,503
Trading income	**3,113,492**	7,734,364
Interest income		
– fixed deposits with a related party (Note 5)	**181,004**	480,771
– fixed deposits with non-related banks	**3,153,834**	3,530,253
– clients	**55,823,734**	36,031,940
– others	**1,519,484**	1,034,826
	60,678,056	41,077,790
Dividend income from quoted/unquoted securities	**1,001,671**	793,296
Facility, shares withdrawal and arrangement fees	**17,288,248**	5,561,159
Other operating revenue	**6,268,214**	6,797,039
	439,945,231	400,238,151

25 STAFF COSTS

	The Group 2010 $	2009 $
Wages, salaries and other staff costs	**118,319,743**	97,536,307
Employers' contribution to defined contribution plans including Central Provident Fund	**3,846,456**	1,881,762
	122,166,199	99,418,069

26 FINANCE EXPENSE

	The Group 2010 $	2009 $
Interest expense:		
– bank borrowings from related parties (Note 5)	**3,659,472**	451,143
– borrowings from non-related banks	**1,757,288**	1,533,471
– others	**4,251,082**	3,401,083
	9,667,842	5,385,697

27 OTHER OPERATING EXPENSES

	The Group 2010 $	2009 $
Net fair value gain on financial assets at fair value through profit or loss	**(1,257,087)**	(4,182,511)
Operating lease expenses	**4,386,328**	25,283,417
Marketing and business promotions	**6,184,579**	4,805,428
Communication expenses	**14,884,645**	14,580,119
Contract processing charges	**3,838,658**	4,404,833
Information services	**7,155,766**	6,856,438
Depreciation expenses	**9,457,757**	3,286,062
Net loss on disposal of property, plant and equipment	**78,140**	90,243
Property, plant and equipment written off	**15,246**	–
Non-audit fees:		
– paid to auditors of the Company	**81,957**	58,045
– paid to other auditors	**42,489**	49,905
Maintenance and rental of office equipment	**1,061,730**	2,649,913
Printing and stationery	**1,444,506**	1,406,603
Allowance for impairment in financial assets, available-for-sale	**131,157**	1,426,318
General administrative expenses	**12,933,770**	13,160,695
	60,439,641	73,875,508

28 INCOME TAX EXPENSE

Income tax recognised in profit or loss

	The Group 2010 $	The Group 2009 $
Tax expense attributable to profit is made up of:		
Current income tax:		
– Singapore	**18,358,647**	15,195,690
– Foreign	**6,301,350**	4,076,452
	24,659,997	19,272,142
Deferred income tax (Note 18)	**683,870**	300,150
	25,343,867	19,572,292
Under/(Over) provision in prior years:		
– current income tax	**180,050**	(182,191)
– deferred tax (Note 18)	**(20,132)**	(18,206)
	25,503,785	19,371,895

Domestic income tax is calculated at 17% (2009 : 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 2010 $	The Group 2009 $
Profit before tax	**166,441,848**	134,635,072
Tax calculated at tax rate of 17% (2009 : 17%)	**28,295,114**	22,887,962
Effects of:		
– Singapore statutory stepped income exemption and tax rebate	**(110,023)**	(105,148)
– Concessionary tax	**(277,429)**	(609,218)
– Income not subject to tax	**(6,339,092)**	(5,190,399)
– Expenses not deductible for tax purposes	**2,961,972**	1,522,711
– Tax benefits on tax losses and other temporary differences not recognised	**39,670**	156,062
– Effects of different tax rates in other countries	**773,655**	668,687
– Deferred tax assets not recognised	–	241,635
– Over (under) provision in prior years	**159,918**	(200,397)
	25,503,785	19,371,895

Income tax relating to each component of other comprehensive income

	The Group 2010 $	The Group 2009 $
Deferred tax		
Losses (Gains) of financial assets, available-for-sale	**200,507**	(444,987)

29 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	The Group	
	2010	2009
	$	$
Other comprehensive income:		
Available-for-sale investments:		
(Losses) Gains arising during the year	**(565,562)**	7,237,238
Reclassification to profit or loss from equity on disposal of available-for-sale investments	**(7,210,529)**	(6,251,349)
Deferred tax liability	**200,507**	(444,987)
Exchange differences on translation of foreign operations	**(22,434,528)**	(4,034,564)
Other comprehensive income for the year, net of tax	**(30,010,112)**	(3,493,662)

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:

	2010	2009
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**$139,519,427**	$114,385,469
Weighted average number of ordinary shares for the purposes of basic earnings per share	**724,709,009**	724,709,009
Basic earnings per share	**19.25 cents**	15.78 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	
	2010	2009
	$	$
One-tier tax-exempt interim dividend in respect of the year ended 31 December 2010 of 0.5 cents per ordinary share paid (31 December 2009 : 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 2009 of 7.5 cents per ordinary share paid (31 December 2008 : 7.0 cents per ordinary share paid)	**54,353,176**	50,729,632
	57,976,720	54,353,176

At the Annual General Meeting on 28 April 2011, a one-tier tax-exempt final dividend of 9.0 cents per ordinary share amounting to a total of $65,223,811 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 2011.

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 $2,900,490 (2009 : $3,273,539) 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 $3,093,314 (2009 : $1,635,394) 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	
	2010 $	2009 $
Within one year	**3,900,126**	3,273,602
In the second to fifth years inclusive	**7,018,736**	640,246
	10,918,862	3,913,848

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 (2009 : 3 years) and rentals are fixed for an average of 3 years (2009 : 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 $538,196 (2009: $Nil). The property is managed and maintained by a property manager at an annual cost of $70,275 (2009 : $143,723).

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

	2010 $	2009 $
Within one year	**535,536**	535,536
In the second to fifth years inclusive	**2,142,144**	2,142,144
After five years	**4,061,148**	4,596,684
	6,738,828	7,274,364

(b) Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries.

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

As at 31 December 2010, the commitment drawn under corporate guarantees is $334,590,093 (2009 : $105,859,253).

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					
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**

34 SEGMENT INFORMATION *(continued)*

The Group

2010

	Singapore $	Hong Kong $	Others $	Elimination $	Total $
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**

The Group

2009

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

Note A

In 2010, for 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 2010 %	Company 2009 %	Subsidiaries 2010 %	Subsidiaries 2009 %
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	76.9	6.3	6.4
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
Associates						
Held by UOB Kay Hian (Malaysia) Holdings Sdn. Bhd.						
Thong & Kay Hian Corporation Sdn. Bhd. [e]	Liquidated	Malaysia	–	–	–	30
Thong & Kay Hian Options Sdn. Bhd. [e]	Liquidated	Malaysia	–	–	–	30

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

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

(c) Audited by other auditors.

(d) Audit not required under the laws of the country of incorporation.

(e) In 2009, audit not required as company was under members' voluntary liquidation.

36 ACQUISITION OF ASSETS AND RELATED BUSINESS

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 102,082,980 Baht, 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.

36.1 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**

36.2 Assets acquired at the date of acquisition

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

36.3 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.

36.4 Impact of acquisition on the results of the Group

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

Analysis Of Shareholdings

as at 14 March 2011

No. of shares issued	:	724,709,009 ordinary shares		
Voting rights	:	On a show of hands :	:	One vote for each member
		On a poll	:	One vote for each ordinary share
No of treasury shares	:	Nil		

Distribution Of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	379	3.35	132,136	0.02
1,000 – 10,000	8,894	78.65	37,886,302	5.23
10,000 – 1,000,000	2,008	17.76	77,829,991	10.74
1,000,001 & Above	27	0.24	608,860,580	84.01
Total	11,308	100.00	724,709,009	100.00

Top twenty shareholders as at 14 March 2011	No. of shares	%
United Overseas Bank Limited	285,537,809	39.40
U.I.P. Holdings Limited	115,238,976	15.90
DBS Nominees Pte Ltd	32,636,514	4.50
UOB Kay Hian Pte Ltd	32,525,000	4.49
Tang Wee Loke	29,893,381	4.12
United Overseas Bank Nominees Pte Ltd	18,688,700	2.58
Citibank Nominees Singapore Pte Ltd	15,165,238	2.09
HSBC (Singapore) Nominees Pte Ltd	15,036,348	2.07
Ho Yeow Koon & Sons Pte Ltd	10,101,000	1.39
HL Bank Nominees (S) Pte Ltd	10,011,000	1.38
OCBC Nominees Singapore Pte Ltd	7,477,650	1.03
DBSN Services Pte Ltd	7,021,632	0.97
Tye Hua Nominees (Pte) Ltd	4,413,000	0.61
Capital Intelligence Limited	4,000,000	0.55
Kim Eng Securities Pte. Ltd.	2,600,400	0.36
Tung Tau Chyr Walter	2,542,422	0.35
OCBC Securities Private Ltd	2,186,010	0.30
Lau Mei Lea	2,100,000	0.29
Hai Chua Fishery Pte Ltd	1,707,000	0.24
Chen Chun Nan	1,556,000	0.21
	600,438,080	82.83

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

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

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

Public Float

Based on available information as at 14 March 2011, approximately 35.21% of the issued shares of the company is held by the public (Rule 723 of the SGX-ST Listing Manual).

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at the Auditorium, 8 Anthony Road, Singapore 229957 on Thursday, 28 April 2011 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 2010 and the reports of the directors and auditors thereon.

2 To declare a one-tier tax exempt final dividend of 9 cents per ordinary share for the year ended 31 December 2010.

3 To approve the sum of S$255,000 as directors' fees for the year ended 31 December 2010. (2009: S$205,000)

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

Note: Mr Tang Wee Loke, if re-elected as a director, will remain a member of the nominating committee. Mr Tang is a non-independent director.

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

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

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

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
11 April 2011

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.

Proxy Form

UOB-Kay Hian Holdings Limited

(Incorporated In The Republic Of Singapore)

Company Registration No. 200004464C

IMPORTANT

1 For investors who have used their CPF monies to buy UOB-Kay Hian Holdings Limited's shares, this annual report is forwarded to them at the request of their CPF approved nominees and is sent solely FOR INFORMATION ONLY.

2 This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ______________________________ NRIC/Passport No. ______________

of ______________________________

being a member/members of UOB-Kay Hian Holdings Limited hereby appoint:-

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or *(delete as appropriate)*

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the annual general meeting of the Company to be held at the Auditorium, 8 Anthony Road, Singapore 229957 on Thursday, 28 April 2011 at 5.30 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of annual general meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the annual general meeting.)

No.	Resolutions	For	Against
Ordinary Business			
1	To receive and adopt the audited financial statements and reports		
2	To declare a one-tier tax exempt final dividend		
3	To approve directors' fees		
4(a)	To re-elect Mr Tang Wee Loke as director		
4(b)	To re-elect Mr Walter Tung Tau Chyr as director		
4(c)	To re-elect Mr Neo Chin Sang as director		
5	To re-appoint Deloitte & Touche LLP as auditors and to authorise the directors to fix their remuneration		
Special Business			
6	To authorise the directors to allot and issue shares and convertible securities		

Dated this ______________ day of ______________ 2011.

Total Number of Shares Held

____

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

IMPORTANT – PLEASE READ NOTES OVER LEAF

Cut along dotted lines

Notes

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

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

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

4 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Anthony Road #01-01, Singapore 229957 not less than 48 hours before the time appointed for holding the meeting.

5 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer of the corporation.

6 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.

7 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8 The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

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