UOBKayHian

your trusted broking partner

focus

Driving growth with a sharpened foresight

UOB-Kay Hian Holdings Limited

Annual Report 2012

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Wee Ee-chao
Chairman and Managing Director

Neo Chin Sang
Executive Director

Esmond Choo Liong Gee
Executive Director

Tang Wee Loke
Non-Executive Director

Francis Lee Chin Yong
Non-Executive Director

Dr. Henry Tay Yun Chwan
Independent Director

Chelva Retnam Rajah
Independent Director

Roland Knecht
Independent Director

Walter Tung Tau Chyr
Independent Director

Audit Committee

Dr. Henry Tay Yun Chwan
Chairman

Chelva Retnam Rajah

Francis Lee Chin Yong

Nominating Committee

Roland Knecht
Chairman

Chelva Retnam Rajah

Tang Wee Loke

Remuneration Committee

Chelva Retnam Rajah
Chairman

Dr. Henry Tay Yun Chwan

Walter Tung Tau Chyr

Company Secretary

Mdm Chung Boon Cheow

Company Registration No.

200004464C

Registered Office

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

Registrar and Share Transfer Office

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

Auditors

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

6 Shenton Way #32-00
Tower Two
Singapore 068809

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

Principal Bankers

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 have operations, 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 and investment banking activities.

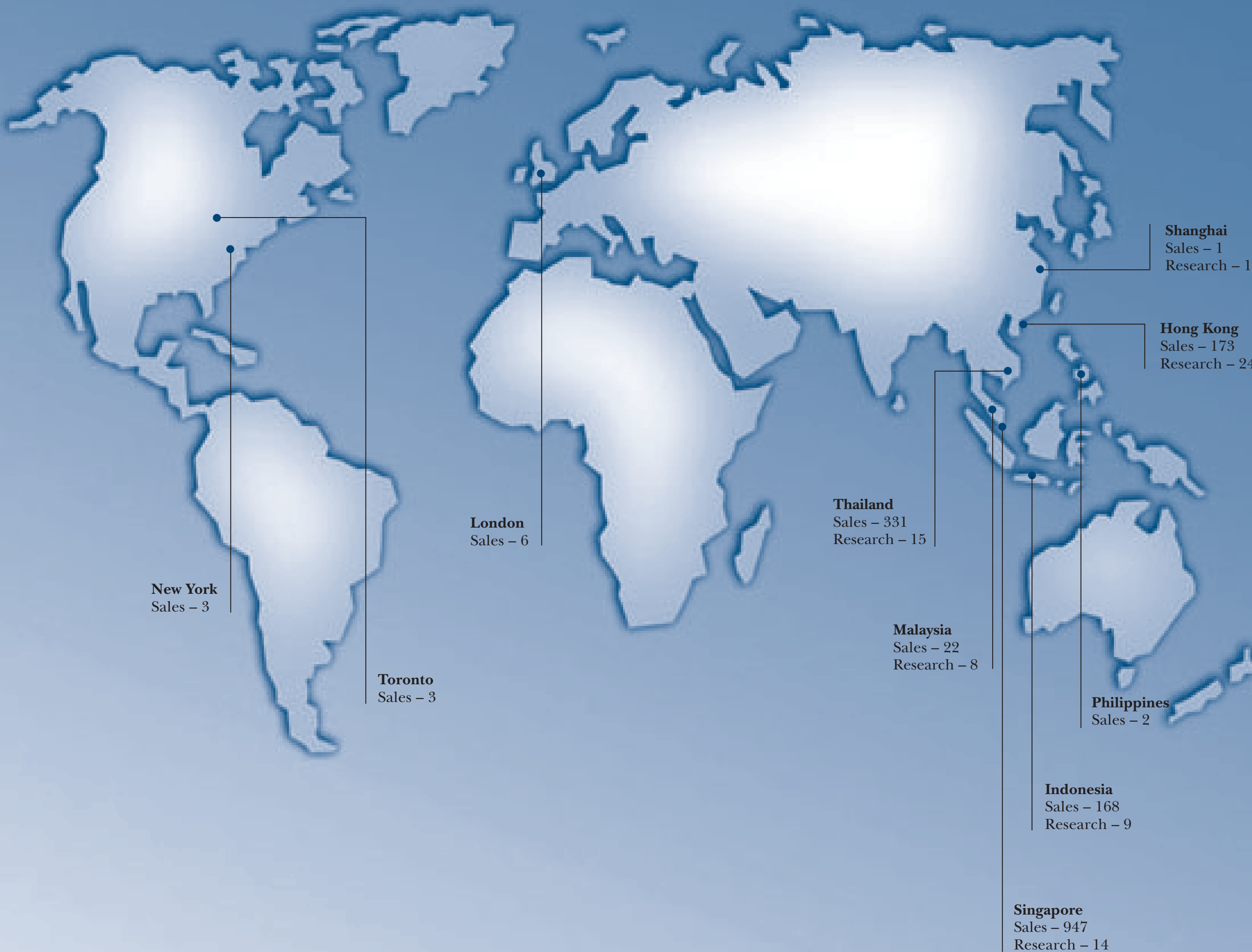
Through a series of acquisitions since 2001, in addition to Singapore our regional distribution footprint now spans regional financial centres such as Hong Kong, Thailand, Malaysia, Indonesia, London, New York and Toronto. In addition we maintain a research office in Shanghai and an execution presence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

Group wide we employ approximately 2,575 professional and support staff globally. Our staff enrolment includes 1,656 sales traders and agents, 81 research analysts and 838 management, credit and back-office support staff.

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

The demand by our institutional and accredited investor clients for incisive and timely equity research and ideas is made more urgent due to rapidly changing global conditions. We therefore continue to invest heavily in our regional institutional sales and research resources, and in expanding our regional network.

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


Shanghai
Sales – 1
Research – 11
Hong Kong
Sales – 173
Research – 24
Thailand
Sales – 331
Research – 15
London
Sales – 6
New York
Sales – 3
Toronto
Sales – 3
Malaysia
Sales – 22
Research – 8
Philippines
Sales – 2
Indonesia
Sales – 168
Research – 9
Singapore
Sales – 947
Research – 14

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 a full range of corporate finance services ranging from financial advisory and investment banking, 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 947 retail and institutional sales personnel. In addition, we have 709 sales executives covering Thailand, Hong Kong, China, the Philippines, Malaysia, Indonesia, UK, US and Canada. With our regional research coverage, we are able to provide a regional sales distribution that has both width and depth.

Internet Broking

Our online customer base and transactions are growing on the back of increased internet trading activity across key global markets. In Singapore, our UTRADE internet platform is a market leader and is trusted and well regarded for its content and ease of use.

Margin-based Finance

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

Leverage FX

In 2013 we will commence offering LFX services to our clients in the region.

Group Financial Highlights

	Group For the Year Ended 31.12.2012 (S$'000)	Group For the Year Ended 31.12.2011 (S$'000)	Group For the Year Ended 31.12.2010 (S$'000)	Group For the Year Ended 31.12.2009 (S$'000)
Revenue & Foreign Exchange Gain	**328,976**	386,330	446,477	407,031
Profit from Operations	**79,740**	108,949	166,442	134,635
Profit Before Tax	**79,740**	108,949	166,442	134,635
Profit After Tax	**67,296**	93,249	140,938	115,263
Profit After Tax and Non-controlling Interests	**65,727**	91,935	139,519	114,385
Shareholders' Equity (excluding non-controlling interests)	**1,085,568**	1,086,798	1,063,321	1,013,741
Earnings Per Share	**9.07 cents**	12.69 cents	19.25 cents	15.78 cents
Gross Dividend Per Share (Note a)	**4.50 cents**	6.50 cents	9.50 cents	8.00 cents
Net Assets Per Share (Note b)	**149.79 cents**	149.96 cents	146.72 cents	139.88 cents
Percentage Return on Shareholders' Equity				
Profit Before Tax	**7.34%**	10.13%	16.03%	13.66%
Profit After Tax	**6.19%**	8.67%	13.57%	11.70%
Profit After Tax and Non-controlling Interests	**6.05%**	8.55%	13.43%	11.61%

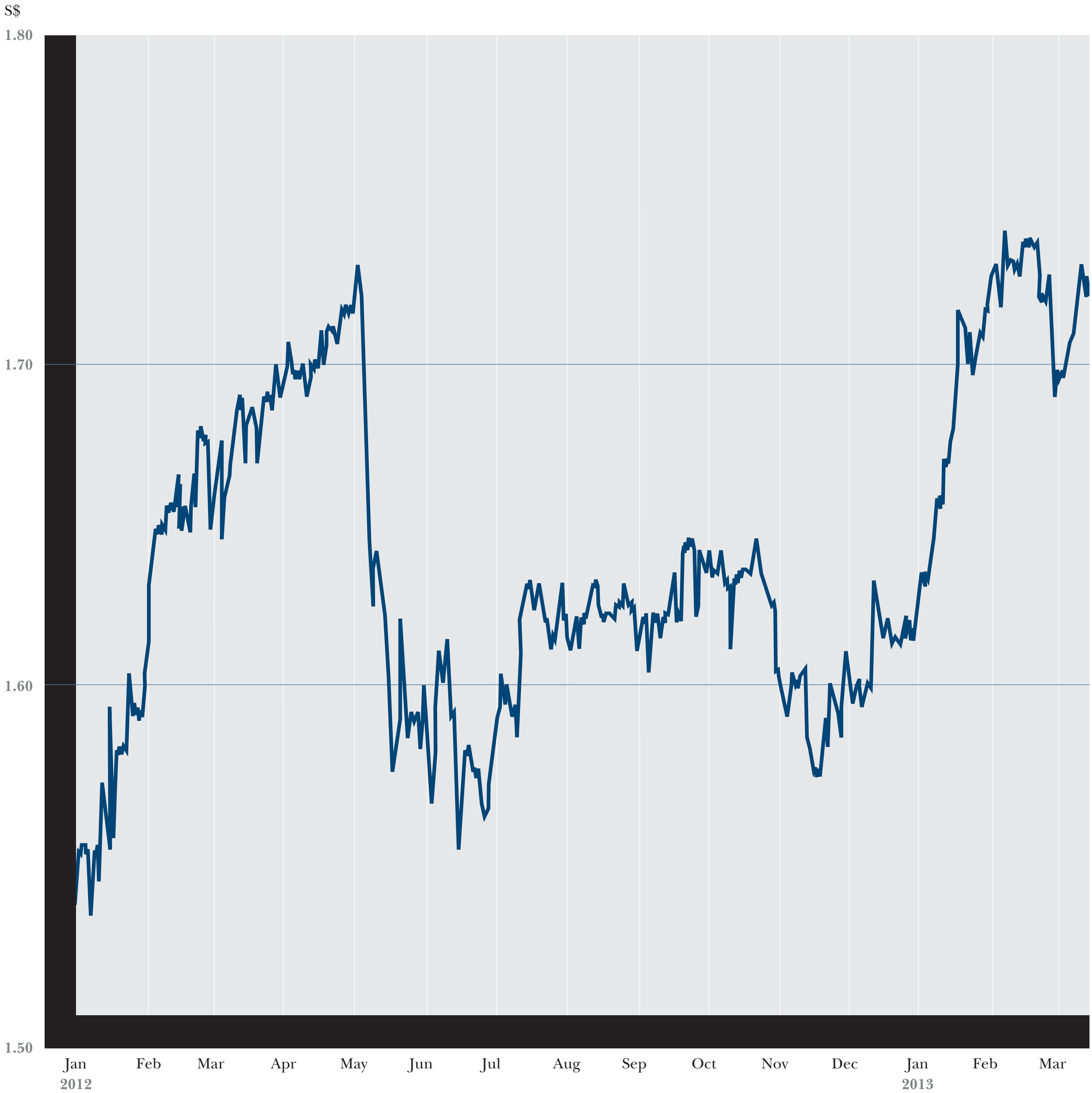
Note

(a) 2012 dividend of 4.5 cents (2011: dividend of 6.5 cents) is paid/payable on a one-tier tax exempt.

(b) Net asset value is derived after deducting 3.0 cents (2011: 2.98 cents) per share attributable to non-controlling interests.

UOB-Kay Hian Share Price

(From 2 January 2012 to 15 March 2013)



Last Close : **S$1.72** High : **S$1.76** Low : **S$1.51**

Operating Environment

The promising 1Q12 gave way to recurrent concerns over debt woes in the EU and the prospect of austerity measures arising from US budget imbalances. Equity markets were adversely impacted by these concerns from 2Q12. The removal of political uncertainties surrounding the US election in 4Q12 provided some respite from the otherwise gloomy economic outlook seen for most of 2012.

With policies of the world's largest economies focused on maintaining financial stability rather than growth, investors looked to "yield assets" such as bonds and REITs. These "buy and hold" investors tended not to trade their assets as frequently, resulting in a fall in trading volumes and leading to attendant effects on brokerage revenues.

The Chinese government, ahead of its major leadership changes, adopted a conservative set of policies to cool asset inflation. These cooling measures also dampened market sentiments in the regional markets.

IPO activity was subdued for the most part of 2012, particularly for Hong Kong and Singapore. A number of high-profile issues were withdrawn from the market due to poor investor response. Interest in IPOs started to rebound towards 4Q12, helped by the successful launches of several mid-sized IPOs in Hong Kong and Singapore.

2012 Operating Performance

Our financial results for 2012 reflected the rather adverse market conditions.

Our 2012 Group operating revenue fell 13.7% to S$325.5m (2011 : S$377.1m). Our profit after tax fell 28.5% to S$65.7m (2011 : S$91.9m). Our Board made fair value provisions against the acquisition goodwill of our Thai operations and the premium paid for the trading rights acquired for our Malaysian operations. The trading rights were required to be surrendered following our acquisition of our second Malaysian brokerage, A.A. Anthony Securities Sdn. Bhd., in January 2013.

Dividend

Our Board of Directors has recommended a final tax-exempt (one-tier) dividend of S$28,988,360, amounting to 4 cents per share (2011 : 6 cents per share). Together with the interim dividend paid of 0.5 cents per share, the Group would have paid out approximately 50% of our 2012 distributable profits.

Current Year Prospects

2013 started very bullishly with strong retail participation reinforced by a high level of IPO and M&A activities. Equity markets have been a beneficiary of:

a) significant news flow on various M&A activities, especially on mid- and small-cap counters which have driven up retail secondary market trades;

b) continued low interest rates; and

c) greater global and regional political and economic certainty other than Malaysia where market sentiment is affected by uncertainty over the impending elections.

We believe that impediments to a sustained recovery in the global and regional equity markets include:

a) the prospect of rising inflation which could put pressure on the prevailing low interest rates, and

b) continuation of the banking crisis in parts of EU and possibility of austerity measures in US.

We expect market conditions to remain volatile largely due to adverse news from the EU. Such developments may disrupt the current recovery in global equity markets. However, we expect the 2H13 to perform better.

The slowdown in 2012 presented us with attractive acquisition opportunities in Malaysia, which resulted in our Group adding another brokerage, A.A. Anthony Securities Sdn. Bhd., to our Malaysian operations. The acquisition has allowed us to expand our Malaysian presence and provided us with a strong broking and financial services platform. Our Malaysia-based clients will be able to benefit from our regional research offerings and trading services.

In addition, we have taken further steps to broaden and deepen both our geographical market coverage and product range. In 2013, we will extend our products and services beyond our traditional broking services to include wealth management and leveraged FX services.

We believe that the long-term benefits of these acquisitions and business expansion will outweigh the initial start-up costs.

The Group has strengthened its management team through the appointment of experienced industry veterans from outside the Group and internal promotion of executives with the potential to drive our business forward to senior management positions within the Group.

Acknowledgements

On behalf of our Board of Directors, I wish to thank our management, staff, representatives and associates for their dedication and loyalty which have seen us through a challenging year, enabling our Group to operate profitably in 2012.

We again thank our shareholders for their unstinting support which will give management the confidence to continue pursuing corporate objectives which will enhance shareholder value in the longer term.

Wee Ee-chao
Chairman and Managing Director

GREATER CHINA

Review of 2012

In 2012, GDP growth slowed down to 7.8% yoy (vs 9.2% yoy in 2011). Consumption and investment contributed 51.8ppt and 50.4ppt of the growth respectively, while net exports dragged down the growth by 2.2ppt.

Urban FAI growth reached 20.6% yoy, fuelled by a rapid increase in state-led investments. Retail sales growth remained solid at 14.3% yoy, amid a moderation in the consumer price index (2.6% yoy) in 2012.

New renminbi loans reached Rmb8.2t in 2012, vs Rmb7.5t in 2011, and total financing accelerated by 22.8% yoy to Rmb15.8t given a rapid expansion in the bond market (Rmb2.3t, +64.7% yoy). The central bank cut interest rate twice in mid-12 and lowered RRR by 100bp in 1H12 to stabilise economic growth. In 2012, the renminbi remained flat against the US dollar at 6.30Rmb/US$ by end-12.

Outlook for 2013

China's GDP growth would gradually rebound in 2013 mainly due to a pick-up in infrastructural upgrading and urban development projects. The government would keep economic policies stable and render the policies more targeted and effective, while fine-tuning policies when appropriate.

The government would continue the existing "proactive fiscal policy and prudent monetary policy", but would allow a mild increase in total financing and new credit levels (to Rmb8.5t in 2013).

GDP would climb up to 8.1% yoy in 2013, and CPI would surge by 2.9% yoy. FAI growth would remain solid (at 20.6% yoy) due to a recovery in property investment and rising investments in infrastructure projects. Both export and import growth would recover, to 8.1% yoy and 9.9% yoy respectively, while net exports would fall to US$218.0b.

Stock Market Review for 2012

After a disappointing 2011, the Shanghai A-share Composite Index finally rebounded by 3.2%, while the Shenzhen Stock index rose by 1.7%. The monetary easing by the PBOC and accelerated FAI approvals by the NDRC since then have done much to increase domestic liquidity and help put a floor under economic growth.

Foreign interest in Chinese equities also improved from Sep-12. In Hong Kong, the HSCEI rose 15.1% in 2012, closing at 11,436, almost surpassing the previous peak in 1Q12 at 11,826.

Stock Market Outlook for 2013

Chinese equities should post mid-teen returns in 2013, on the back of better global liquidity and an improving economic outlook. Our end-13 MSCI China target is at 71pts, or 10.4x 2013F PE.

In terms of investment themes, we recommend high-beta stocks (industrials, materials and banks) for 1Q13, as we expect the rally to extend into early-2Q13. That said, economic growth may plateau from 2Q13 and investors should also balance their portfolio with stocks that will benefit from policy reflation, particularly those linked to building materials, infrastructure construction, consumption, clean energy and environmental protection.

INDONESIA

Review of 2012

The challenging global economic milieu notwithstanding, Indonesia managed to log relatively high growth in 2012 with real GDP on track to have expanded by about 6% last year. FDI revival and resilient domestic demand were the key growth drivers. Inflation remained subdued at an estimated 4.3%, underpinned by lower food and commodity prices.

Mounting concerns over Indonesia's current account deficit since 2Q12, however, have been weighing on the rupiah. The currency was one of the worst performers in the region in 2012 (second only to the yen), having depreciated 6% during the year.

Outlook for 2013

UOB Economic-Treasury Research (UOB ETR) expects Indonesia's economic growth to accelerate in 2013 to 6.5%, underpinned by robust private consumption and ongoing investment revival.

There are incipient signs that inflation is ticking up as imported inflation from a weak currency, the utilities tariff hike and steep minimum wages mount inflationary pressures. Against this backdrop, UOB ETR expects headline inflation to creep up to 5% in 2013.

A weak currency and higher inflation would impel Bank Indonesia to adopt a quicker pace of interest rate normalisation in 2013. We are expecting a 25bp hike in the benchmark interest rate to 6% before end-13.

Stock Market Review for 2012

The JCI returned 13% in rupiah terms in 2012 but a lacklustre 7% in US dollars, a second consecutive year of tepid returns. Much of the softness stemmed from the lack of equity flows (more than 40% below FY11's) as foreign investors were sidelined by the weak rupiah.

Stock Market Outlook for 2013

Investors' main focus in 2013 would remain on the rupiah. We expect the rupiah to appreciate slightly in 2013 to Rp9,550/US$ on a narrowing current account deficit in the latter part of the year and higher interest rates.

The market does not appear to have factored in the potential substantial appreciation of the rupiah; hence, if the appreciation pans out, it could rerate the market. The increase in subsidised fuel price, albeit a remote possibility given the political conundrum leading up to the general election in 2014, is another potential boost for the rupiah as well as the market.

The key risks for the market are largely external factors, namely the uncertainties over the European crisis and the US fiscal cliff.

We think the market would be underpinned by domestic-oriented sectors, such as consumer, infrastructure and property. Also, mid-cap stocks should continue to generate substantial alpha even as the pool of emerging investible stocks enlarges. Cyclical stocks, notably coal miners and coal-mining contractors, should perform well in 2H13 on China's gradual recovery.

MALAYSIA

Review of 2012

Malaysia's GDP expanded by over 5% yoy for five straight quarters. With 5.3% yoy growth as at 9M12, we expect the country to clock full-year growth rate of 5.2%.

The strong growth momentum was led by fixed investment and private consumption. Stable labour market conditions and income growth kept private consumption firm despite a weak export sector, where an extended slowdown in export growth was exacerbated by a drop in commodity prices.

Outlook for 2013

Looking ahead, UOB ETR continues to see bright spots in fixed investment due to a strong pipeline of infrastructure projects under the Economic Transformation Programme (ETP). The sustained strength in fixed investment is expected to lift its share of GDP from around 22% to 25% in the next two years. However, despite support from investment and consumption, the weakness in external demand and the high base effect could see GDP growth moderating slightly to 5.0% in 2013.

Stock Market Review for 2012

In 2012, the FBMKLCI surprised positively in that downside was brief and limited, with low volatility relative to previous years, largely trading at 13.4-14.1x prospective PE through the year (excluding the period of heavy window dressing in the last few days of 2012). Defensive and high-yielding sectors such as telecommunications, consumer and REITs were major outperformers.

Stock Market Outlook for 2013

Beyond the predictable year-start bounce, the Malaysian equity market is expected to be characterised by higher volatility in 1H13, trailing behind liquidity-driven key regional bourses as investor caution heightens with the general election (GE) widely expected to be held in March.

Thereafter we expect the market to bounce to a new high, and we introduce our end-13 FBMKLCI target of 1,755, at around -0.4SD from the post-Asian financial crisis mean PE multiple, which implies 14.0x 2014F PE.

Overall, we expect the FBMKLCI to trade in the 1,510-1,775 range (12.9-14.1x prospective PE), referenced on -1.0SD to -0.3SD from the historical average PE.

We recommend sticking to mostly defensive large caps throughout most of 1H13 until buying opportunities emerge. Our strategy would initially focus on: a) high-yielding defensive companies, b) laggards with visible catalysts, c) a handful of ETP beneficiaries, particularly construction and oil & gas companies, and later on, d) post-GE beneficiaries which include a wider cast of ETP plays and market laggards. In addition, we foresee selective opportunities in: e) M&A and privatisation plays, despite an expected slowdown in investment banking activities, f) legalisation of the business trust structure in Malaysia, and g) liberalisation of foreign ownership in the telecommunications sector.

SINGAPORE

Review of 2012

Against a challenging external outlook, Singapore's 2012 GDP growth decelerated to 1.2% yoy (advanced estimates) from 4.9% in 2011. The 1.2% growth was below the MTI's forecast of 1.5%, primarily due to the manufacturing sector on continued weakness in the output of the electronics cluster. Offsetting the weakness in manufacturing was a robust 8.8% yoy rise in the construction sector.

Inflation remained elevated, with 2012 CPI rising 4.6% yoy. However, excluding accommodation and private housing costs, core inflation was up a manageable 2.5%.

Outlook for 2013

UOB ETR forecasts Singapore's 2013 GDP to grow 3.0% yoy. This is attributed to the low base effect, low unemployment rate, high private consumption and strong investment demand.

The MAS is expected to maintain its monetary policy of a "modest and gradual appreciation". The headline inflation in 2013 is projected at 3.0% by UOB ETR. On the currency front, we believe the Singapore dollar would remain on an appreciating trend and forecast the US$/S$ to end 2013 at 1.19. A key challenge in 2013 would come from the uncertain external outlook as well as rising business costs from higher wages and transportation costs.

Stock Market Review for 2012

The FSSTI performed well in 2012, rising 20% yoy. Sectors that outperformed significantly included banks, property developers, REITs and the oil services sector.

Given the low interest rate environment, investors sought returns from high-yielding stocks and REIT. As a result, the REIT sector rose 37% yoy. Other stocks with sustainable high dividends such as Venture and StarHub also outperformed the FSSTI significantly.

Stock Market Outlook for 2013

We see a constructive outlook for 2013. Despite the external uncertainties and a slower growth environment, we believe a lot has been discounted as the FSSTI is trading below mean PE valuations.

In our view, indicators such as bond to equity earnings yield also suggest equity to be more attractive relative to bonds.

According to our analysis of the top 15 stocks in the FSSTI (by market capitalisation), these stocks are trading close to their long-term mean P/B valuations. This implies deeper value in mid-cap companies. Hence, our strategy would include inexpensive large-cap stocks with visible growth prospects and a basket of mid-cap stocks that offer superior-to-market growth.

Themes that could outperform in 2013 include: a) mid-cap companies in oil services and consumer, b) laggards with catalysts, c) compression in high-yielding stocks, and d) capital management.

THAILAND

Review of 2012

2012 was a phenomenal year for the Thai economy. GDP grew 5.7% in real terms primarily on the back of low base effects from 2011, as Thailand faced the most damaging flood in the last 50 years. The automobile sector recovered strongly on the back of a large domestic backlog, the first time car buyers' incentive programme, and the resurgence of the Japanese automobile industry, though electronics proved slower on the recovery side. Domestic consumption was further bolstered by minimum wage hikes, which allowed retailers to post double-digit growth despite the already high levels of sector development. At the end of the year, the country also achieved a major milestone by issuing 3G licences to telecom operators.

Outlook for 2013

Overall economic growth would slow down to 4.7% due to the absence of low base effects. Consumption would remain strong with urban areas picking up some of the slack, thanks to personal income tax cuts, though it is likely to shift from big ticket items (cars, homes) to smaller ticket items with the end of incentive programmes for car and home purchases. We expect to see some export recovery with growth ranging from 11% to 13%, thanks to the recovery in the key electronics sector. Investments would remain strong in both the private and public sectors, thanks to the IPP bidding rounds, 3G network construction, relocation of Japanese factories from China, and other mega projects.

Stock Market Review for 2012

In 2012, Thai equities surged 36% from 1,025.32 to 1,391.93 on the back of record foreign fund inflows of US$2b. This performance was second only to the Philippines'. Best performers included retail, healthcare, media, and telecoms, which surged 46% on the back of the 3G licence issuance. However, energy and petrochemicals underperformed due to foreign investors' concerns about the global outlook and hence energy demand. Corporate earnings grew 20%, making Thailand one of ASEAN's fastest-growing economies. Apart from low base effects and minimum wage hikes, which helped their core operations, Thai companies also received the biggest tax cut in history from 30% to 23%.

Stock Market Outlook for 2013

We believe Thai equities can appreciate another 6% this year despite their phenomenal performance in recent years. This would be driven by strong capital inflows from major economies, particularly Europe and Japan. America's QE3 programme is not expected to end until mid-13, and the Fed is being staffed with more dovish central bankers. Given policy changes, the market may refocus away from exporters to purveyors of small ticket items such as retailers despite their stretched valuations. Among the big sectors, banks should enjoy steady growth, while energy could become one of the best performers given its laggard status. Thai companies would enjoy another tax cut from 23% to 20%, though this is considerably lower than last year's. We forecast 12.5% earnings growth for 2013 and believe that market performance, while still positive, would not be a repeat of the 2012 boom.

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.

Board Of Directors

	Guidelines
The Board comprises 9 directors, 3 executive, 2 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 2012:-	1.4

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

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

Key information on the directors and their appointments on the various Board Committees and on key 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 Heads of internal audit, compliance, 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 Head of 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 $169,049 was paid to the external auditors for non-audit services versus $513,439 for audit fees rendered during the year.

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

Internal Control and Risk Management

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. Based on the work carried out by the internal auditors, the review undertaken by the external auditors as part of their statutory audit and certain agreed upon procedures, and the existing management controls in place, the Audit Committee and the Board are of the opinion that there are adequate internal controls in place to address risks relating to financial, operational and compliance matters. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss, errors, poor judgement, fraud and other irregularities and other unforeseen events. 12.1, 12.2

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

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

The Board has also received assurance from the CEO and the senior management that the financial statements give a true and fair view of the company's operations and finances: and an effective risk management and internal control system has been put in place. To manage the operations, financial and compliance risks, the Company has in place the following structure involving senior management:

- Management oversight and control;
- Risk recognition and assessment;
- Control framework and segregation of duties;
- Monitoring, communication and rectification; and
- Audit and review.

Internal Audit

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

The internal audit'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 2012 is as follows:- 9.1, 9.2

Name	Fees (%)	Fixed Salary (%)	Variable Income (%)	Total (%)
S$3,500,000 to S$3,750,000				
Wee Ee-chao	–	13.73	86.27	100
S$1,500,000 to S$1,750,000				
Esmond Choo Liong Gee	–	22.89	77.11	100
S$250,000 to S$500,000				
Neo Chin Sang	–	65.84	34.16	100
Below S$250,000				
Francis Lee Chin Yong	100	–	–	100
Henry Tay Yun Chwan	100	–	–	100
Chelva Retnam Rajah	100	–	–	100
Roland Knecht	100	–	–	100
Walter Tung Tau Chyr	100	–	–	100
Tang Wee Loke	100	–	–	100

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

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

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

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

Nominating Committee ('NC')

The NC has three members and comprises independent directors, Mr. Roland Knecht (chairman) and Mr. Chelva Retnam Rajah and non-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. The officers of the Company are discouraged from dealing in the Company's securities on a short-term basis.

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 2012 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 from American University (USA). He joined Kay Hian Pte Ltd in 1981 as Managing Director and became Chairman of Kay Hian Holdings Limited in 1996. He has been closely involved in the management and growth of UOB Kay Hian over the last 31 years. In August 2000 when UOB-Kay Hian Holdings Limited was incorporated with the merger of Kay Hian Holdings Limited and UOB Securities Pte Ltd (UOBS), Mr. Wee was appointed Chairman of UOB-Kay Hian Holdings Limited.

Besides his stockbroking involvement in UOB Kay Hian, Mr. Wee is also involved in investment and real estate development in the region. He serves on the Board of Haw Par Corporation Ltd, UOL Group Limited and Pan Pacific Hotels Group Limited (formerly known as Hotel Plaza Limited) as a non-executive director and is also a Director of Kheng Leong Co. Pte. Ltd. and Wee Investment Group. He was appointed Chairman of the Singapore Tourism Board from January 2002 to December 2004. He was also the First Vice-President of the Real Estate Developers' Association of Singapore (REDAS) from 2005 to 2006 and continued to serve on the Committee of REDAS from 2007 – 2010.

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

He retired from his position as Deputy Managing Director in December 2007 and remained as an executive director of UOB-Kay Hian Holdings Limited until 31 December 2011. He was appointed non-executive director from 1 January 2012. He is a member of the nominating committee.

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

Mr. Neo Chin Sang – is a Fellow Member of the Chartered Association of Certified Accountants, an Associate Member of the Institute of Chartered Secretaries & Administrators and a Member of the Institute of Certified Public Accountants of Singapore.

He was appointed as an Executive Director when UOB-Kay Hian Holdings Limited was incorporated, after the merger of UOB Securities (Pte) Ltd ('UOBS') and Kay Hian Holdings Limited, in August 2000.

Mr. Neo joined the UOB Group as a senior management staff in 1982, responsible for various administrative and operations functions. Prior to this, he held 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 as the Chief Executive Officer.

Mr. Esmond Choo Liong Gee – holds a Bachelor of Commerce (Honors) Degree and is a member of the Institute of Chartered Accountants in Australia. He was first appointed an Executive Director of UOB Kay Hian Pte Ltd on 1 October 2001 and then as Executive Director of UOB-Kay Hian Holdings Limited on 31 May 2006. He was appointed Senior Executive Director on 1 January 2013. Mr. Choo is a member of the Group Executive Committee and is involved in the strategic planning and development of the Group's Equity and 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 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.

Dr. Henry Tay Yun Chwan – holds a MBBS (Honors) from Monash University. He was appointed Director and Audit Committee Member of Kay Hian Holdings Limited on 1 August 1997 and subsequently 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 Founder President and now Honorary President of The Hong Kong-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 (1994 – 2004), 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 of Singapore. During various periods from 1990 to 1995, he served as President of the Law Society of Singapore, Vice-President of the Singapore Academy of Law and Member of the Military Court of Appeal. He was appointed Senior Counsel in 1998. He is currently a partner at Tan Rajah & Cheah, Advocates & Solicitors.

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

Mr. Walter Tung Tau Chyr – holds a Bachelor of Business Administration and a Masters in Business Administration degree. He joined Kay Hian in 1982 as Research Analyst, and was appointed Head of Research in 1983. He was appointed a Director of Kay Hian Pte Ltd in 1985, Director of Kay Hian Holdings Limited in 1990 and Director of UOB-Kay Hian Holdings Limited in 2000.

Mr. Tung retired as Director of UOB Kay Hian Pte Ltd in 2004. He remains on the Board of Directors of UOB-Kay Hian Holdings Limited as an independent director. He is a member of the Remuneration Committee. Prior to joining Kay Hian, Mr. Tung worked for Shulton Far East Pte Ltd and the Inchcape Group.

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

He is currently the:

– Group Managing Director, Group Head of Private Banking and Executive Committee Member of Banque Heritage, Geneva;

– Branch Manager of Banque Heritage, Zurich;

– Director of Heritage Asset Management Ltd., Hong Kong; and

– Managing Director Senior Advisor of Heritage Asset Management Pte Ltd., Singapore.

Mr. Lee Chin Yong Francis – was appointed a non-executive director of UOB-Kay Hian Holdings Limited and a member of the Audit Committee on 3 July 2006. Mr. Lee is the Managing Director, Head of Retail of United Overseas Bank Limited. He is responsible for the Group's retail businesses for consumers (including Private Banking) and small business customers. He joined UOB in 1980. Prior to his appointment in Singapore in 2003, he was the Chief Executive Officer ("CEO") of UOB (Malaysia). Between 2003 and 2008, Mr. Lee was the head of the International Division and spearheaded the Group's expansion in the region. He was also responsible for the Bank's consumer banking business in Singapore and the region.

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

He holds a Malaysia Certificate of Education and has 34 years of experience in the financial industry.

Key Management Personnel of the Group

SINGAPORE

Mr. Lim Seng Bee – holds a Bachelor of Science degree from the Stern School of Business of New York University. He was appointed Executive Director of UOB Kay Hian Private Limited in June 2005 and Senior Executive Director on 1 January 2013. Mr. Lim is a member of the Group Executive Committee. In addition to being involved in the general management of the Singapore operations, he is also responsible for the management of the regional business in North Asia.

Prior to joining UOB Kay Hian (Hong Kong) Limited, he had extensive experience in managing the securities business in Hong Kong.

Mr. Tan Chek Teck – holds a Bachelor of Commerce (Honors) degree from the University of Edinburgh, trained and qualified as a chartered accountant (Institute of Chartered Accountants of Scotland). He was appointed an Executive Director of UOB Kay Hian Pte Ltd in 2002 and Senior Executive Director on 1 January 2013. He is involved in general management and is the Director of operations for the Group. .

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. Yendi Likin Oey – holds a Master of Business Administration (majored in Finance) from the University of Technology, Sydney. He began his career with UOB Kay Hian in 1996 and was appointed Executive Director in 2007. As a member of the management team, he is involved in strategizing and developing the Group's stockbroking and related business in Indonesia.

Mr. Oey started his working career with PT Astra International in Indonesia before joining American Express and later Standard Chartered Bank (Indonesia and Singapore). Whilst in Standard Chartered Bank, he had extensive exposure to derivative and structured products for high net worth and corporate clients in the region.

Mr. Kok Heng Loong – holds a Bachelor of Business Administration degree from the National University of Singapore. He has been in the stockbroking industry since 1989 and joined UOB Kay Hian Private Limited in February 2012 as an Executive Director. He is involved in the general management and development of the retail business for the Group.

MALAYSIA

Mr. David Lim Meng Hoe – holds a Bachelor of Economics from Monash University and has over 29 years of experience in the stockbroking industry in Malaysia.

He joined UOB Kay Hian Pte Ltd in 2011 and was appointed Managing Director of the Group's Malaysian operations in 2012.

HONG KONG

Mr. Karman Hsu – holds a degree in Economics and Commerce from the University of Melbourne, qualified as a Chartered Accountant with KPMG Peat Marwick in Australia and as a CPA with KPMG Peat Marwick in Hong Kong. He joined UOB Kay Hian (Hong Kong) Limited as its Chief Executive Officer in January 2012.

Mr. Hsu has more than 20 years experience in the securities industry with various established financial institutions. Prior to joining the Group, he was Head of Corporate Finance with Cazenove Asia in 1996 and was made Partner at Cazenove & Co PLC in 2001. He was subsequently appointed Managing Director of JP Morgan Cazenove and Head of Investment Banking for Asia of Cazenove Asia Limited. His last held position before joining the Group was as Managing Director, Head of Equity Corporate Finance at Standard Chartered bank (HK) Ltd in 2009.

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 involved in the general management of the Hong Kong operations. Mr. Lee has more than 20 years experience in the stock-broking industry in Hong Kong and Singapore.

THAILAND

Mr. Chaipat Narkmontanakum – holds a Master Degree in Business Administration from University of La Verne, USA. He has more than 17 years of experience in the stockbroking industry in Thailand. He previously worked for Nava Securities, BNPP Securities and DBS Vickers Securities.

Mr. Chaipat joined UOB Kay Hian Securities (Thailand) Public Co Ltd as a Managing Director of Retail Sales in 2003 and was subsequently appointed Chief Executive Officer.

He oversees the Group's Thailand operations and is responsible for the strategic development and management of the equities and derivatives business.

INDONESIA

Mr. Himawan Gunadi – holds a Bachelor of Business Administration in Finance from the University of Texas and has a degree in Master of Business Administration in Finance from the University of Northrop, California. He has 22 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.

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 2012.

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 of the Company 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	–	–	148,927,976	157,322,976
Tang Wee Loke	29,893,381	29,893,381	2,100,000	2,100,000
Walter Tung Tau Chyr	2,542,422	2,542,422	–	–

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

Except as disclosed in this report, the directors' interests in the ordinary shares of the Company as at 21 January 2013 were the same as at 31 December 2012.

As at 21 January 2013, Mr Wee Ee-chao has a deemed interest of 159,704,976 shares in the Company.

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
28 March 2013

Statement of Directors

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 71 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 2012, 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
28 March 2013

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 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 26 to 71.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 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
28 March 2013

Statements of Financial Position

31 December 2012

	Note	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
ASSETS					
Current assets					
Cash and bank balances	6	**246,906,592**	357,745,654	**396,368**	5,228,461
Outstanding contracts receivable	7(a)	**797,772,510**	404,040,287	**–**	–
Trade receivables	8	**1,436,306,764**	1,229,848,924	**–**	–
Other financial assets, at fair value through profit or loss	9	**31,578,286**	30,149,266	**–**	–
Other current assets	10	**32,860,724**	22,873,165	**22,702,602**	19,777,421
Derivative financial instruments	11	**25,075**	13,414	**–**	–
Total current assets		**2,545,449,951**	2,044,670,710	**23,098,970**	25,005,882
Non-current assets					
Trade and other receivables	8	**–**	79,292,000	**183,450**	–
Goodwill	12	**4,606,563**	5,187,874	**–**	–
Subsidiaries	13	**–**	–	**265,854,164**	243,273,005
Financial assets, available-for-sale	14	**19,818,987**	13,821,183	**–**	–
Trading rights in Exchanges	15	**573,724**	97,353	**–**	–
Memberships in Exchanges		**219,780**	441,201	**–**	–
Property, plant and equipment	16	**63,145,659**	65,231,047	**–**	–
Deferred tax assets	17	**1,649,685**	724,150	**–**	–
Total non-current assets		**90,014,398**	164,794,808	**266,037,614**	243,273,005
Total assets		**2,635,464,349**	2,209,465,518	**289,136,584**	268,278,887
LIABILITIES					
Current liabilities					
Outstanding contracts payable	7(b)	**741,791,789**	377,161,853	**–**	–
Trade and other payables	18	**104,268,770**	96,646,418	**45,705,485**	18,742,505
Borrowings	19	**329,044,363**	308,751,793	**–**	–
Debts issued	20	**333,033,360**	295,711,270	**–**	–
Income tax payable		**12,954,831**	16,651,887	**–**	–
Derivative financial instruments	11	**2,512,199**	678,724	**–**	–
Total current liabilities		**1,523,605,312**	1,095,601,945	**45,705,485**	18,742,505
Non-current liabilities					
Trade and other payables	18	**3,135,414**	3,635,770	**–**	–
Deferred tax liabilities	17	**1,209,023**	1,834,560	**–**	–
Total non-current liabilities		**4,344,437**	5,470,330	**–**	–
Total liabilities		**1,527,949,749**	1,101,072,275	**45,705,485**	18,742,505
EQUITY					
Capital, reserves and non-controlling interests					
Share capital	21	**72,470,901**	72,470,901	**72,470,901**	72,470,901
Reserves	22	**(62,995,601)**	(43,174,104)	**–**	–
Retained earnings		**1,076,092,334**	1,057,501,489	**170,960,198**	177,065,481
Equity attributable to owners of the Company		**1,085,567,634**	1,086,798,286	**243,431,099**	249,536,382
Non-controlling interests		**21,946,966**	21,594,957	**–**	–
Total equity		**1,107,514,600**	1,108,393,243	**243,431,099**	249,536,382
Total liabilities and equity		**2,635,464,349**	2,209,465,518	**289,136,584**	268,278,887
Clients' trust/segregated accounts					
Bank balances					
– with related parties		**283,474,839**	181,429,763	**–**	–
– with non-related banks		**527,590,627**	628,485,197	**–**	–
Margin with clearing house		**19,127,560**	12,976,402	**–**	–
Less: Amounts held in trust		**(830,193,026)**	(822,891,362)	**–**	–
		–	–	**–**	–

See accompanying notes to financial statements

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Note	Group 2012 $	Group 2011 $
Revenue	23	**325,489,425**	377,094,197
Net foreign exchange gain		**3,487,021**	9,235,976
Realised loss on financial assets, available-for-sale		–	(82,049)
Commission expense		**(57,234,679)**	(70,964,708)
Staff costs	24	**(98,643,823)**	(105,598,843)
Finance expense	25	**(23,268,891)**	(31,343,443)
Other operating expenses	26	**(70,089,105)**	(69,391,854)
Profit before income tax		**79,739,948**	108,949,276
Income tax expense	27	**(12,443,640)**	(15,699,997)
Profit for the year		**67,296,308**	93,249,279
Other comprehensive (expense) income:			
Exchange differences on translation of foreign operations	28	**(21,853,291)**	(1,015,831)
Available-for-sale investments	28	**1,835,527**	201,195
Income tax relating to components of other comprehensive income	27	**(456,309)**	(69,344)
Other comprehensive expense for the year, net of tax	28	**(20,474,073)**	(883,980)
Total comprehensive income for the year		**46,822,235**	92,365,299
Profit attributable to:			
Owners of the Company		**65,727,387**	91,935,371
Non-controlling interests		**1,568,921**	1,313,908
		67,296,308	93,249,279
Total comprehensive income attributable to:			
Owners of the Company		**45,808,564**	92,075,224
Non-controlling interests		**1,013,671**	290,075
		46,822,235	92,365,299
Earnings per share – Basic and diluted	29	**9.07 cents**	12.69 cents

See accompanying notes to financial statements

Statements of Changes in Equity

Year ended 31 December 2012

	Note	Share capital $	Equity reserve $
Group			
Balance at 1 January 2011		72,470,901	(1,818,941)
Total comprehensive income for the year		–	–
Non-controlling interest arising from acquisition of subsidiary	35	–	–
Final dividend for 2010 paid	30	–	–
Interim dividend for 2011 paid	30	–	–
Acquisition of additional interest in a subsidiary	13	–	226,786
Transfer to statutory reserve		–	–
Payment of dividend by a subsidiary		–	–
Balance at 31 December 2011		72,470,901	(1,592,155)
Total comprehensive income for the year		–	–
Final dividend for 2011 paid	30	–	–
Interim dividend for 2012 paid	30	–	–
Acquisition of additional interest in a subsidiary	13	–	**57,794**
Transfer to statutory reserve		–	–
Payment of dividend by a subsidiary		–	–
Balance at 31 December 2012		**72,470,901**	**(1,534,361)**

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 $
935,162	(44,249,016)	1,317,213	1,034,665,787	1,063,321,106	20,319,884	1,083,640,990
138,897	51,642	(50,686)	91,935,371	92,075,224	290,075	92,365,299
–	–	–	–	–	2,425,528	2,425,528
–	–	–	(65,223,812)	(65,223,812)	–	(65,223,812)
–	–	–	(3,623,544)	(3,623,544)	–	(3,623,544)
–	–	22,526	–	249,312	(1,195,927)	(946,615)
–	–	252,313	(252,313)	–	–	–
–	–	–	–	–	(244,603)	(244,603)
1,074,059	(44,197,374)	1,541,366	1,057,501,489	1,086,798,286	21,594,957	1,108,393,243
1,373,391	**(21,253,237)**	**(38,977)**	**65,727,387**	**45,808,564**	**1,013,671**	**46,822,235**
–	**–**	**–**	**(43,482,541)**	**(43,482,541)**	**–**	**(43,482,541)**
–	**–**	**–**	**(3,623,544)**	**(3,623,544)**	**–**	**(3,623,544)**
–	**–**	**9,075**	**–**	**66,869**	**(407,586)**	**(340,717)**
–	**–**	**30,457**	**(30,457)**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**(254,076)**	**(254,076)**
2,447,450	**(65,450,611)**	**1,541,921**	**1,076,092,334**	**1,085,567,634**	**21,946,966**	**1,107,514,600**

Statements of Changes in Equity *(continued)*

Year ended 31 December 2012

	Note	Share capital $	Retained earnings $	Total $
Company				
Balance at 1 January 2011		72,470,901	178,104,477	250,575,378
Total comprehensive income for the year		–	67,808,360	67,808,360
Final dividend for 2010 paid	30	–	(65,223,812)	(65,223,812)
Interim dividend for 2011 paid	30	–	(3,623,544)	(3,623,544)
Balance at 31 December 2011		72,470,901	177,065,481	249,536,382
Total comprehensive income for the year		**–**	**41,000,802**	**41,000,802**
Final dividend for 2011 paid	30	**–**	**(43,482,541)**	**(43,482,541)**
Interim dividend for 2012 paid	30	**–**	**(3,623,544)**	**(3,623,544)**
Balance at 31 December 2012		**72,470,901**	**170,960,198**	**243,431,099**

See accompanying notes to financial statements

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Note	2012 $	2011 $
Operating activities			
Profit before income tax		**79,739,948**	108,949,276
Adjustments for:			
Depreciation expense	26	**10,083,925**	9,651,712
Net (gain) loss on disposal of property, plant and equipment	26	**(67,153)**	77,863
Impairment of goodwill	12	**449,115**	–
Impairment of trading rights in Exchanges	15	**6,220,330**	–
Realised loss on financial assets, available-for-sale		**–**	82,049
Dividend income	23	**(126,775)**	(578,828)
(Write back of allowance) Allowance for trade receivables	26	**(310,005)**	3,994,540
Allowance for impairment in financial assets, available-for-sale	14	**1,042,364**	246,634
Write back of provision for liability obligation	18	**(1,042,364)**	–
Interest expense	25	**23,268,891**	31,343,443
Exchange differences		**(19,539,469)**	(6,065,756)
Operating cash flows before movements in working capital		**99,718,807**	147,700,933
Changes in operating assets and liabilities:			
Other financial assets, at fair value through profit or loss		**(1,429,020)**	(1,960,923)
Trade, outstanding contracts and other receivables		**(521,531,558)**	914,702,158
Financial assets, available-for-sale		**(5,399,107)**	–
Trade, outstanding contracts and other payables		**370,404,058**	(480,615,074)
Debts issued		**37,322,090**	(29,675,730)
Cash (used in) generated from operations		**(20,914,730)**	550,151,364
Interest paid	25	**(23,268,891)**	(31,343,443)
Income tax paid		**(18,247,168)**	(24,266,978)
Net cash (used in) from operating activities		**(62,430,789)**	494,540,943

Consolidated Statement of Cash Flows *(continued)*

Year ended 31 December 2012

	Note	2012 $	2011 $
Investing activities			
Payments for property, plant and equipment	16	**(4,747,220)**	(3,442,057)
Acquisition of subsidiary	35	**(15,155,416)**	(19,139,657)
Proceeds from disposal of financial assets, available-for-sale		**54,409**	1,755,015
Proceeds from disposal of property, plant and equipment		**135,934**	115,807
Payment for financial assets, available-for-sale		**–**	(173,211)
Dividends received from quoted/unquoted securities	23	**126,775**	578,828
Net cash used in investing activities		**(19,585,518)**	(20,305,275)
Financing activities			
Payment to non-controlling interests for additional interest in a subsidiary	13	**(340,717)**	(946,615)
Payment to non-controlling interests for dividend		**(254,076)**	(244,603)
Net repayment of short-term bank loans		**(1,221,677)**	(329,708,933)
Dividends paid		**(47,106,085)**	(68,847,356)
Net cash used in financing activities		**(48,922,555)**	(399,747,507)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		**(1,414,447)**	4,787,122
Net (decrease) increase in cash and bank balances		**(132,353,309)**	79,275,283
Cash and cash equivalents at beginning of the year		**353,605,285**	274,330,002
Cash and cash equivalents at end of the year	6	**221,251,976**	353,605,285

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 2012 were authorised for issue by the Board of Directors on 28 March 2013.

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 2012. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

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

- Amendments to FRS 1 *Presentation of Financial Statements – Amendments relating to Presentation of Items of Other Comprehensive Income*
- FRS 27 (Revised) *Separate Financial Statements*
- FRS 28 (Revised) *Investments in Associates and Joint Ventures*
- FRS 110 *Consolidated Financial Statements*
- FRS 111 *Joint Arrangements*
- FRS 112 *Disclosures of Interests in Other Entities*
- FRS 113 *Fair Value Measurement*
- Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*
- Annual Improvements to FRS 2012
- Amendments to FRS 110, FRS 112 and FRS 27: *Investment Entities*

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:

<u>FRS 112 *Disclosure of Interests in Other Entities*</u>

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

FRS 112 will take effect from financial years beginning on or after 1 January 2014, and the Group is currently estimating the extent of additional disclosures needed.

<u>FRS 113 *Fair Value Measurement*</u>

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

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

The disclosure requirements in FRS 113 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under FRS 107 *Financial Instruments: Disclosures* will be extended by FRS 113 to cover all assets and liabilities within its scope.

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

The Group anticipates that the application of FRS 113 may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

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 into 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 that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation 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. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. 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 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 share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with FRS 102 *Share-based Payment* at the aquisition date; 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.

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

<u>Effective interest method</u>

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

Financial assets

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

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

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

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

A financial asset is classified as held for trading if:

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

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

The principal category of financial assets designated as at FVTPL are convertible loans and debt securities underpinning the credit-linked notes issued by the Group. Fair value designation significantly reduces the measurement inconsistency that would arise if these convertible loans and 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, except for certain available-for-sale financial assets stated at cost less impariment. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised 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 and receivables

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

Impairment of financial assets

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

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

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

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

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. With the exception of equity available-for-sale 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 are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

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

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 4.

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

Interest-bearing bank loans and overdrafts 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 (see below).

Financial guarantee contract liabilities 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 the end of 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.

<u>Embedded derivatives</u>

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.

INTANGIBLE ASSETS

<u>Intangible assets acquired separately</u>

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

<u>Intangible assets acquired in a business combination</u>

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL – At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, including trading rights in exchanges, property, plant and equipment and investments in subsidiaries, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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 as an expense over the lease term on the same basis as the lease income.

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

Depreciation is charged so as to write off the cost or valuation of assets 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 $33^{1/3}$%

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.

Interest income

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

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.

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 when employees have rendered the services entitling them to the contributions. 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, Bursa Malaysia 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 or substantively enacted in countries where the Company and subsidiaries operate 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, 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 entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

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

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

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

The following are the critical judgements, apart for those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Impairment of intangible assets excluding goodwill

The Group follows the guidance of FRS 36 *Impairment of Assets* to determine when an intangible asset is impaired. This determination requires significant judgement by management regarding impairment indicators.

Intangible assets of the Group include trading rights in Exchanges held by the Group's subsidiaries. Details of trading rights are provided in Note 15 of the financial statements. During the financial year, management determined that the trading rights held by UOB Kay Hian Securities (M) Sdn Bhd (previously known as Innosabah Securities Berhad) were impaired under the terms of acquisition for A. A. Anthony Securities Sdn Bhd agreed with the Malaysian regulators, which require that the Group give up one of its Malaysian stockbroking licenses. Management has therefore recognised an impairment loss of $6,220,330 on these trading rights which had been acquired during the acquisition of UOB Kay Hian Securities (M) Sdn Bhd during the financial year.

(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 Notes 17 and 27 to the financial statements. The income tax expense for the year ended 31 December 2012 is $12,443,640 (2011 : $15,699,997). Deferred tax assets and deferred tax liabilities as at 31 December 2012 amounted to $1,649,685 (2011 : $724,150) and $1,209,023 (2011 : $1,834,560) respectively. Income tax payable as at 31 December 2012 is $12,954,831 (2011 : $16,651,887).

(b) Impairment of loans and receivables

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

As at 31 December 2012, the carrying amount of trade receivables is $1,436,306,764 (2011 : $1,309,140,924) net of allowance for doubtful debts of $13,369,397 (2011 : $13,075,364).

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 $4,606,563 (2011 : $5,187,874) after an impairment loss of $449,115 (2011: $Nil) was recognised during the financial year. Details of the impairment loss calculation are provided in Note 12 of the financial statements.

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	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Financial assets				
Fair value through profit or loss (FVTPL):				
Held for trading	**31,578,286**	30,149,266	–	–
Designated as at FVTPL (see below)	**123,177,189**	68,093,670	–	–
Derivative financial instruments	**25,075**	13,414	–	–
Loan and receivables (including cash and bank balances)	**2,388,294,498**	2,023,388,322	**23,282,420**	25,005,882
Available-for-sale financial assets	**19,818,987**	13,821,183	–	–
Financial liabilities				
Fair value through profit or loss (FVTPL):				
Designated as at FVTPL (see below)	**123,177,189**	68,093,670	–	–
Derivative financial instruments	**2,512,199**	678,724	–	–
Amortised cost (including loans and debts issued)	**1,337,784,614**	965,012,952	**42,564,598**	14,689,240

(i) Trade receivables designated as at FVTPL

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

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

There is no change in fair value attributable to changes in credit risk recognised in 2012 and 2011.

(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.

There is no change in fair value attributable to changes in credit risk recognised in 2012 and 2011.

(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 and liquidity 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, Malaysian ringgit and Thai baht) for working capital purposes; and
- investments in foreign subsidiaries primarily in Hong Kong dollar and Thai baht, whose net assets are exposed to currency translation risk at the end of the reporting period.

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

	Singapore dollar $	United States dollar $	Hong Kong dollar $	Malaysian ringgit $	Thai baht $	Others $
At 31 December 2012						
Financial assets						
Cash and bank balances	**1,022,634**	**39,137,066**	**46,926,075**	**23,260,292**	**64,065,721**	**56,446,654**
Outstanding contracts receivable	**2,280,455**	**48,236,933**	**121,868,101**	**6,983,175**	**60,213,350**	**57,018,869**
Trade receivables	**1,588,613**	**409,743,554**	**241,278,147**	**1,337,797**	**78,463,048**	**110,425,826**
Other financial assets, at fair value through profit or loss	**7,055,546**	**14,490,974**	**196**	**60**	**3,247,369**	**4,586,700**
Other current assets	**29,112**	**382,455**	**9,035,666**	**2,957,857**	**4,247,200**	**4,090,404**
Financial assets, available-for-sale	**–**	**6,976,294**	**–**	**–**	**10,387,045**	**2,455,648**
	11,976,360	**518,967,276**	**419,108,185**	**34,539,181**	**220,623,733**	**235,024,101**
Financial liabilities						
Outstanding contracts payable	**4,000,379**	**50,479,204**	**114,007,233**	**7,554,607**	**82,915,688**	**58,100,003**
Trade and other payables	**178,178**	**19,240,589**	**2,215,691**	**3,863,655**	**6,833,115**	**3,278,980**
Borrowings	**–**	**126,961,463**	**38,894,022**	**–**	**28,836,000**	**17,286,688**
Debts issued	**–**	**253,023,360**	**–**	**–**	**–**	**80,010,000**
	4,178,557	**449,704,616**	**155,116,946**	**11,418,262**	**118,584,803**	**158,675,671**
Net financial assets	**7,797,803**	**69,262,660**	**263,991,239**	**23,120,919**	**102,038,930**	**76,348,430**
Less: Net financial assets denominated in the respective entities' functional currencies	**–**	**(351,970)**	**(268,982,672)**	**(16,626,980)**	**(93,659,175)**	**(29,962,017)**
Intercompany balances	**(21,308,067)**	**10,620,735**	**5,296,199**	**(21,368)**	**2,511,586**	**(974,817)**
Currency forwards	**2,057,470**	**(9,520,161)**	**2,949,868**	**1,793,908**	**–**	**711,492**
Foreign currencies trust balances	**–**	**(544,814)**	**(836,355)**	**(1,864,103)**	**(12,058,360)**	**(33,140,801)**
Currency exposures	**(11,452,794)**	**69,466,450**	**2,418,279**	**6,402,376**	**(1,167,019)**	**12,982,287**
At 31 December 2011						
Financial assets						
Cash and bank balances	1,403,430	24,587,513	79,595,187	11,955,015	81,915,123	86,892,053
Outstanding contracts receivable	290,966	50,081,046	60,152,990	14,380,197	35,022,906	36,426,609
Trade receivables	3,508,766	480,185,014	229,425,212	586,656	41,431,784	43,253,557
Other financial assets, at fair value through profit or loss	6,921,434	11,456,733	105	70	6,972,599	2,827,916
Other current assets	34,563	459,838	2,987,541	480,014	3,827,202	1,156,508
Financial assets, available-for-sale	–	7,347,304	–	–	5,119,331	1,354,548
	12,159,159	574,117,448	372,161,035	27,401,952	174,288,945	171,911,191
Financial liabilities						
Outstanding contracts payable	395,916	48,410,402	27,730,204	13,978,015	66,591,660	38,930,181
Trade and other payables	174,381	12,190,529	8,951,686	1,778,942	6,996,980	23,672,415
Borrowings	2,000,377	178,629,257	65,227,500	388,445	8,221,000	15,285,215
Debts issued	–	269,256,270	–	–	–	26,455,000
	2,570,674	508,486,458	101,909,390	16,145,402	81,809,640	104,342,811
Net financial assets	9,588,485	65,630,990	270,251,645	11,256,550	92,479,305	67,568,380
Less: Net financial assets denominated in the respective entities' functional currencies	–	(815,808)	(269,739,305)	(4,287,512)	(89,878,396)	(30,738,005)
Intercompany balances	(26,731,815)	11,039,147	152,096	4,303	5,607,282	(222,713)
Currency forwards	(436,282)	376,183	829,368	(274,198)	(225,277)	(570,520)
Foreign currencies trust balances	–	(3,366,663)	1,132	(31,706)	(979,364)	(43,710,823)
Currency exposures	(17,579,612)	72,863,849	1,494,936	6,667,437	7,003,550	(7,673,681)

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:

	Malaysian ringgit $	United States dollar $
At 31 December 2012		
Financial assets		
Cash and bank balances representing net financial assets/currency exposure	**1,986**	**735**
At 31 December 2011		
Financial assets		
Cash and bank balances representing net financial assets/currency exposure	–	899

A 5% strengthening of the relevant foreign currencies against the functional currency of each Group entity 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.

	2012		2011	
	Increase (Decrease)			
	Profit after tax $	Equity $	Profit after tax $	Equity $
The Group				
Singapore dollar	**483,308**	**–**	752,407	–
United States dollar	**(2,637,085)**	**(348,815)**	(2,804,108)	(367,365)
Hong Kong dollar	**(102,051)**	**–**	(63,983)	–
Malaysian ringgit	**(270,180)**	**–**	(285,366)	–
Thai baht	**487,582**	**(519,352)**	(80,644)	(255,967)
Company				
United States dollar	**(37)**	**–**	(45)	–
Malaysian ringgit	**(99)**	**–**	–	–

A 5% weakening of the relevant foreign currencies against the functional currency of each Group entity 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.

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

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

(ii) Price risk

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

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

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

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

	2012		2011	
	Increase			
	Profit after tax $	Equity $	Profit after tax $	Equity $
The Group				
Listed in Singapore	**1,168,520**	**–**	1,000,680	–
Listed on other exchanges	**352,773**	**122,782**	466,041	67,727

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

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

(iii) Cash flow and fair value interest rate risk

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

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

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would increase/decrease by $9,711,015(2011 : $10,169,928).

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 2012					
Assets					
Cash and bank balances	**109,515,787**	**56,281,297**	**–**	**81,109,508**	**246,906,592**
Trade receivables	**–**	**1,276,403,727**	**159,206,389**	**696,648**	**1,436,306,764**
Other financial assets	**–**	**10,225,521**	**21,546,519**	**847,908,639**	**879,680,679**
Non-financial assets	**–**	**–**	**–**	**72,570,314**	**72,570,314**
Total assets	**109,515,787**	**1,342,910,545**	**180,752,908**	**1,002,285,109**	**2,635,464,349**
Liabilities					
Borrowings	**25,654,616**	**303,389,747**	**–**	**–**	**329,044,363**
Debts issued	**–**	**173,826,971**	**159,206,389**	**–**	**333,033,360**
Other financial liabilities	**–**	**–**	**–**	**801,396,279**	**801,396,279**
Non-financial liabilities	**–**	**–**	**–**	**64,475,747**	**64,475,747**
Total liabilities	**25,654,616**	**477,216,718**	**159,206,389**	**865,872,026**	**1,527,949,749**
At 31 December 2011					
Assets					
Cash and bank balances	213,355,342	76,324,519	–	68,065,793	357,745,654
Trade receivables	–	1,213,895,606	94,548,670	696,648	1,309,140,924
Other financial assets	–	4,473,680	18,858,039	445,247,558	468,579,277
Non-financial assets	–	–	–	73,999,663	73,999,663
Total assets	213,355,342	1,294,693,805	113,406,709	588,009,662	2,209,465,518
Liabilities					
Borrowings	4,140,369	304,611,424	–	–	308,751,793
Debts issued	–	201,162,600	94,548,670	–	295,711,270
Other financial liabilities	–	–	–	429,322,283	429,322,283
Non-financial liabilities	–	–	–	67,286,929	67,286,929
Total liabilities	4,140,369	505,774,024	94,548,670	496,609,212	1,101,072,275

	Non-interest bearing $	Total $
The Company		
At 31 December 2012		
Assets		
Cash and bank balances	**396,368**	**396,368**
Other assets	**22,886,052**	**22,886,052**
Investments in subsidiaries	**265,854,164**	**265,854,164**
Total assets	**289,136,584**	**289,136,584**
Total liabilities	**45,705,485**	**45,705,485**
At 31 December 2011		
Assets		
Cash and bank balances	5,228,461	5,228,461
Other assets	19,777,421	19,777,421
Investments in subsidiaries	243,273,005	243,273,005
Total assets	268,278,887	268,278,887
Total liabilities	18,742,505	18,742,505

(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 32, if the full guaranteed amount is claimed by the counterparty to the guarantee is $191,700,764 (2011 : $213,986,239). Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses (Note 32).

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

	2012 $	2011 $
Quoted securities	**3,775,624,883**	3,376,721,988
Cash	**166,110**	198,014
Bankers' guarantees	**200,000**	210,000
	3,775,990,993	3,377,130,002

The amount of collateral held as security for trade receivables impaired as at 31 December 2012 is $600,077 (2011 : $696,141).

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 20).

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

	2012 $	2011 $
Outstanding contracts receivable	**199,004,113**	97,082,831
Trade receivables	**339,884,959**	328,699,945
Outstanding contracts payables	**6,416,673**	1,515,255

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

	2012 $	2011 $
1 to 30 days past due	**137,888,078**	93,469,934
31 days to 60 days past due	**1,114,726**	2,513,989
More than 60 days past due	**7,275,240**	11,572,172
	146,278,044	107,556,095

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

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

	2012 $	2011 $
At beginning of year	**13,075,364**	5,516,632
Currency translation difference	**(382,511)**	179,499
(Decrease) Increase in allowance recognised in profit or loss	**(310,005)**	3,994,540
Allowance utilised	–	(312,929)
Acquisition of subsidiary (Note 35)	**986,549**	3,697,622
At end of year	**13,369,397**	13,075,364

(v) Liquidity risk

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

The Group's financial liabilities will all mature within one year, except for certain liabilities which include the liability arising from the agreement entered into by a subsidiary with a third party in relation to the fund investment held at cost (Notes 14 and 18).

(c) Capital risk management policies and objectives

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

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

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2012 and 2011.

The Group's overall strategy remains unchanged from 2011.

(d) Fair value of financial assets and financial liabilities

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

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 2012				
Financial Assets				
Financial assets at fair value through profit or loss (FVTPL):				
– Held for trading investments	**31,578,286**	**31,578,286**	–	–
– Designated as at FVTPL	**123,177,189**	–	–	**123,177,189**
– Derivative financial instruments	**25,075**	–	**25,075**	–
Financial assets, available-for-sale:				
– Fund investments	**4,257,467**	–	**4,257,467**	–
– Quoted equities	**2,455,648**	**2,455,648**	–	–
– Unquoted equities	**44,600**	–	–	**44,600**
Total	**161,538,265**	**34,033,934**	**4,282,542**	**123,221,789**
Financial Liabilities				
Financial liabilities at fair value through profit or loss (FVTPL):				
– Designated as at FVTPL	**123,177,189**	–	–	**123,177,189**
– Derivative financial instruments	**2,512,199**	–	**2,512,199**	–
Total	**125,689,388**	–	**2,512,199**	**123,177,189**
At 31 December 2011				
Financial Assets				
Financial assets at fair value through profit or loss (FVTPL):				
– Held for trading investments	30,149,266	30,149,266	–	–
– Designated as at FVTPL	68,093,670	–	–	68,093,670
– Derivative financial instruments	13,414	–	13,414	–
Financial assets, available-for-sale:				
– Fund investments	3,514,773	–	3,514,773	–
– Quoted equities	1,354,548	1,354,548	–	–
– Unquoted equities	61,530	–	–	61,530
Total	103,187,201	31,503,814	3,528,187	68,155,200

	Total $	Level 1 $	Level 2 $	Level 3 $
Financial Liabilities				
Financial liabilities at fair value through profit or loss (FVTPL):				
– Designated as at FVTPL	68,093,670	–	–	68,093,670
– Derivative financial instruments	678,724	–	678,724	–
Total	68,772,394	–	678,724	68,093,670

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy in 2012 and 2011.

Company

The Company had no financial assets or liabilities carried at fair value in 2012 and 2011.

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 $
2012			
Opening balance	**61,530**	**68,093,670**	**68,093,670**
Settlements during the year	–	**(39,352,060)**	**(39,352,060)**
Additions during the year	–	**96,271,555**	**96,271,555**
Foreign currency translation differences recognised in profit or loss	–	**(1,835,976)**	**(1,835,976)**
Fair value decrease recognised in other comprehensive income	**(16,930)**	–	–
Ending balance	**44,600**	**123,177,189**	**123,177,189**
2011			
Opening balance	107,940	101,791,500	101,791,500
Settlements during the year	–	(34,274,229)	(34,274,229)
Additions during the year	6,260	–	–
Foreign currency translation differences recognised in profit and loss	–	576,399	576,399
Fair value decrease recognised in other comprehensive income	(52,670)	–	–
Ending balance	61,530	68,093,670	68,093,670

Significant assumptions in determining fair value of financial assets and liabilities

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

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

<u>Unquoted equity shares – available-for-sale</u>

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 $4,460 (2011 : $6,153).

<u>Derivative financial instruments – at fair value through profit or loss</u>

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

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

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

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

5 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

	The Group	
	2012	**2011**
	$	**$**
Rental of premises paid/payable to a related party	**(493,198)**	(386,550)
Rental of premises received/receivable from a related party	**535,536**	535,536

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

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

(b) Key management personnel compensation is as follows:

	The Group	
	2012	**2011**
	$	**$**
Salaries and other short-term employee benefits	**12,707,096**	12,064,031
Employer's contribution to defined contribution plans, including Central Provident Fund	**52,307**	55,389
	12,759,403	12,119,420

(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 2012 are disclosed in Note 19 as borrowings from a related party.

6 CASH AND BANK BALANCES

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Bank balances with:				
– Related party (Note 5)	**29,502,346**	80,019,203	**396,368**	5,228,461
– Non-related banks	**155,195,749**	201,378,521	**–**	–
Cash on hand	**27,695**	23,412	**–**	–
	184,725,790	281,421,136	**396,368**	5,228,461
Fixed deposits with:				
– Related party (Note 5)	**25,767,228**	4,313,363	**–**	–
– Non-related banks	**36,413,574**	72,011,155	**–**	–
	62,180,802	76,324,518	**–**	–
	246,906,592	357,745,654	**396,368**	5,228,461

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 2.6% (2011 : 3.69%) per annum and are for a tenure of approximately 52 days (2011: 56 days).

Cash and bank balances do not include trust balances as they represent monies held on behalf of clients and segregated in accordance with the requirements of the SGX-ST Rules 12.11.1 and the local regulations in the respective countries. Accordingly, they do not form part of the statement of financial position of the Group.

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

	The Group	
	2012	**2011**
	$	**$**
Cash and bank balances (as above)	**246,906,592**	357,745,654
Less: Bank overdrafts (Note 19)	**(25,654,616)**	(4,140,369)
Cash and cash equivalents per consolidated statement of cash flows	**221,251,976**	353,605,285

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	
	2012	2011
	$	$
Due from third parties	**797,772,510**	404,040,287

(b) Outstanding contracts payable comprises the following:

	The Group	
	2012	2011
	$	$
Due to third parties	**741,791,789**	377,161,853

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		The Company	
	2012	2011	2012	2011
	$	$	$	$
Trade receivables from related companies:				
At amortised cost	–	–	**183,450**	–
Trade receivables from third parties:				
At amortised cost [Note 8(a)]	**1,326,498,972**	1,254,122,618	–	–
Designated as at fair value through profit or loss [Note 8(b)]	**123,177,189**	68,093,670	–	–
Less: Allowance for impairment of doubtful trade receivables	**(13,369,397)**	(13,075,364)	–	–
	1,436,306,764	1,309,140,924	**183,450**	–
Current trade receivables (recoverable within 12 months)	**1,436,306,764**	1,229,848,924	–	–
Non-current trade receivables (recoverable after 12 months)	–	79,292,000	**183,450**	–
	1,436,306,764	1,309,140,924	**183,450**	–

(a) Included in trade receivables at amortised cost are medium term notes and loans issued amounting to $209,856,171 (2011 : $227,617,600), with maturity dates ranging from 10 April 2013 to 28 October 2019 (2011 : 10 June 2012 to 2 June 2015). These trade receivables bear effective interest rates ranging from 3.85% to 12% per annum (2011 : 4.41% to 12 % per annum). These trade receivables have been designated as the referenced assets in respect of certain derivatives embedded with, or put options packaged with, certain debts issued by the Group (Notes 11 and 20).

(b) Trade receivables designated as at fair value through profit or loss comprised of convertible loans and distressed debts purchased at a deep discount with maturity dates ranging from 6 March 2017 to 9 December 2025 (2011 : maturity date of 9 December 2025). These trade receivables bear effective interest rates ranging from 2% to 30.56% per annum (2011 : effective interest rates ranging from 13.18% to 16.78% per annum) and have been designated as the referenced assets for certain debts issued by the Group (Note 20).

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 20). Given that the trade receivables has been designated as referenced assets, they have been classified as current assets consistent with the underlying liabilities.

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 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.

9 **OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** *(continued)*

Included in listed debt securities at fair value are instruments amounting to $21,546,519 (2011 : $18,378,167) with an average effective interest rate of 7.0% (2011 : 4.8%) per annum and maturity dates ranging from 13 July 2014 to 4 May 2017 (2011 : 13 July 2014 to 4 May 2017).

Financial assets, at fair value through profit or loss

	The Group	
	2012	2011
	$	$
Trading securities		
Listed securities:		
– Debt securities – Singapore	**21,546,519**	18,378,167
– Equity securities – Singapore	**2,197,442**	1,970,409
– Equity securities – Indonesia	**4,581,360**	2,822,572
– Equity securities – Others	**3,252,965**	6,978,118
	31,578,286	30,149,266

10 **OTHER CURRENT ASSETS**

	The Group		The Company	
	2012	2011	2012	2011
	$	$	$	$
Amounts due from subsidiaries [Note 10(a)]	–	–	**20,650,917**	19,318,986
Deposits [Note 10(b)]	**11,994,825**	9,094,153	–	–
Prepayments	**2,374,903**	2,318,038	–	–
Amounts deposited with lenders of securities [Note 10(c)]	**3,746,798**	5,446,711	–	–
Other receivables	**14,744,198**	6,014,263	**2,051,685**	458,435
	32,860,724	22,873,165	**22,702,602**	19,777,421

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

(b) Included in deposits is an amount of $2,842,403 (2011 : $3,117,370) placed by a subsidiary as collateral with The Central Depository (Pte) Limited by virtue of the subsidiary being a clearing member of the Singapore Exchange Securities Trading Limited (Note 31).

(c) Securities borrowing and lending contracts

	The Group	
	2012	2011
	$	$
Securities borrowed		
Securities borrowed from lenders, at fair value:		
– Lent to clients	**2,294,723**	3,750,225
Securities lent		
Securities lent to clients, at fair value:		
– Borrowed from lenders	**2,294,723**	3,750,225

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

11 **DERIVATIVE FINANCIAL INSTRUMENTS**

	Group			
	2012		2011	
	Assets	Liabilities	Assets	Liabilities
	$	$	$	$
Forward foreign exchange contracts	**25,075**	**2,040**	13,414	6,288
Interest rate swaps	–	**825,883**	–	672,436
Open client positions	–	**1,684,276**	–	–
Put options	–	–	–	–
	25,075	**2,512,199**	13,414	678,724

Forward foreign exchange contracts

In order to manage the risks arising from fluctuations in currency exchange rates, the Group utilises forward foreign exchange contracts with settlement dates ranging between 2 to 7 days (2011 : 2 to 5 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	
	2012	2011	2012	2011	2012	2011	2012	2011
	$	$	$	$	$	$		
The Group								
Forward foreign exchange contracts	**32,081,639**	3,525,333	**25,075**	13,414	**2,040**	6,288	**Within one week after end of the reporting period**	Within one week after end of the reporting period

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. Contracts with nominal values of $35,000,000 (2011 : $39,000,000) have fixed interest payments at an average rate of 1.54% per annum (2011 : 1.54% per annum) for periods up until 2013 (2011 : up until 2012) and have floating interest receipts at 3-month SGD Swap Offer Rate, which approximates an average of 0.39% per annum (2011 : 0.15% per annum).

The fair value of outstanding interest rate swaps as at 31 December 2012 is estimated at $825,883 in liability (2011 : $672,436 in liability), 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	
	2012	2011	2012	2011	2012	2011
	%	%	$	$	$	$
Group						
Less than 1 year	**1.54**	1.54	**35,000,000**	39,000,000	**(825,883)**	(672,436)

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.

Open client positions

Open client positions represent balances with clients where the valuation of financial derivative open positions results in amounts due to the Group or amounts payable by the Group.The derivative exposure to market risk from the open client position is fully hedged by the Group's holdings of trading securities (Note 9).

Put options

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

The Group has entered into a put option that allows the Group to deliver the underlying referenced assets [Note 8(a)] to the noteholder (Note 20) as full and final settlement upon the occurrence of a credit event.

As of 31 December 2012, the put option has nominal value amounting to $134,530,000 (2011 : $142,945,000) and fair value amounting to $Nil (2011 : $Nil).

12 GOODWILL

	The Group $
Cost:	
At 1 January 2011	4,022,655
Arising on acquisition of a subsidiary (Note 35)	1,288,538
Exchange differences	(123,319)
At 31 December 2011	5,187,874
Exchange differences	**(132,196)**
At 31 December 2012	**5,055,678**
Impairment:	
Impairment loss recognised in the year ended 31 December 2012 and balance at 31 December 2012 (Note 26)	**(449,115)**
Carrying amount:	
At 31 December 2012	**4,606,563**
At 31 December 2011	**5,187,874**

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	
	2012	**2011**
	$	**$**
UOB Kay Hian Securities (Thailand) Public Company Limited and its subsidiary (single CGU)	**5,055,678**	5,187,874

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 four 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 0.14% (2011 : 0.15%) for the following four years. The rate used to discount the forecasts cash flows is 7.13% per annum (2011 : 7.5% per annum).

As at 31 December 2012 and 2011, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable values to be below their carrying values.

At 31 December 2012, before impairment testing, goodwill of $5.05 million was allocated to the Thailand CGU, which comprise of UOB Kay Hian Securities (Thailand) Public Company Limited and its subsidiary. Due to the resignation of marketing officers transferred from a previous acquisition, the Group has revised its cash flow forecasts for this CGU. The Thailand CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of $0.45 million.

13 SUBSIDIARIES

	The Company	
	2012	**2011**
	$	**$**
Equity investments at cost		
At beginning of year	**243,273,005**	235,845,121
Additions during the year	**22,581,159**	7,427,884
At end of year	**265,854,164**	243,273,005

Details of subsidiaries are included in Note 34.

Additions during the year comprise of the acquisition of Innosabah Securities Berhad (since renamed UOB Kay Hian Securities (M) Sdn Bhd) [Note 35(a)].

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.

	2012	**2011**
	$	**$**
Amounts paid to acquire additional interest in a subsidiary	**340,717**	946,615
NCI acquired	**(407,586)**	(1,195,927)
Statutory reserve transferred from NCI	**9,075**	22,526
Difference recognised in equity reserve	**(57,794)**	(226,786)
Total movement in equity reserve (Note 22)	**(57,794)**	(226,786)

14 FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	The Group	
	2012	**2011**
	$	**$**
Financial assets, available-for-sale include the following:		
(a) Listed securities, at fair value:		
– Equity – Philippines	**2,455,648**	1,354,548
(b) Unquoted investments, at fair value:		
– Fund in Vietnam	**4,257,467**	3,514,773
– Equity – Vietnam	**44,600**	61,530
(c) Unquoted investments, at cost less impairment:		
– Fund in Cayman Islands	**2,538,997**	3,635,770
– Equity – Thailand	**161,525**	165,779
– Equity – Others	**135,230**	135,230
– Debt – Thailand	**10,225,520**	4,953,553
	19,818,987	13,821,183

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

	The Group	
	2012	**2011**
	$	**$**
At beginning of year	**2,505,886**	2,566,640
Recovered on disposal	–	(307,388)
Charged to profit or loss (Note 26)	**1,042,364**	246,634
At end of year	**3,548,250**	2,505,886

The unlisted equity securities in Thailand represent an overseas subsidiary's subscription to shares in a non-listed company set up by an overseas exchange in 1996.

Fund investment at cost includes impairment losses amounting to $2,735,998 (2011 : $1,693,634). 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.

In 2011, a subsidiary entered into an agreement with a third party in relation to the fund investment held at cost. Under this arrangement, all future cash flows from the fund will be transferred to the third party and any capital calls by the fund will also be reimbursed by the third party. A matching liability is recognised for this arrangement (Note 18).

The fund investment at fair value includes a fund in which a subsidiary is the only investor with 100% ownership interest. The fund has not been consolidated with the Group as the effects of consolidation have been assessed by management to be immaterial.

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

15 TRADING RIGHTS IN EXCHANGES

	The Group	
	2012	**2011**
	$	**$**
Trading rights in The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited, Philippines Stock Exchange, Inc., and Bursa Malaysia, at amortised cost	**573,724**	97,353

The following is a reconciliation of the carrying amount of trading rights in exchanges at the beginning and end of the period:

The Group	**$**
At 1 January 2011	96,413
Currency translation differences	940
At 31 December 2011	97,353
Acquired on acquisition of subsidiary [Note 35(a)]	**6,709,510**
Impairment loss recognised during the year (Note 26)	**(6,220,330)**
Currency translation differences	**(12,809)**
At 31 December 2012	**573,724**

The impairment loss recognised during the year comprise of the impairment recognised in respect of the trading rights held by UOB Kay Hian Securities (M) Sdn Bhd. As a result of the Group's subsequent acquisition of A. A. Anthony Securities Sdn Bhd which was completed on 16 January 2013, the Group has to give up one of its Malaysian stockbroking licenses under the terms of the acquisition agreed with the Malaysian regulators [Note 32(c)]. The impaired trading rights had been acquired on the acquisition of UOB Kay Hian Securities (M) Sdn Bhd (previously known as Innosabah Securities Berhad) during the year [Note 35(a)].

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings $	Leasehold land $	Leasehold improvements $
Group			
Cost:			
At 1 January 2011	32,372,748	35,029,255	6,887,559
Acquisition of subsidiary	–	–	–
Additions	–	–	339,906
Disposals	–	–	(113,779)
Currency translation differences	(2,365)	–	(60,885)
At 31 December 2011	32,370,383	35,029,255	7,052,801
Acquisition of subsidiary	**904,983**	**2,111,627**	**–**
Additions	**41,500**	**–**	**855,447**
Disposals	**–**	**–**	**(139,566)**
Currency translation differences	**(17,427)**	**(40,663)**	**(141,773)**
At 31 December 2012	**33,299,439**	**37,100,219**	**7,626,909**
Accumulated depreciation:			
At 1 January 2011	2,746,637	2,972,179	4,120,153
Acquisition of subsidiary	–	–	–
Depreciation charge	2,353,320	2,547,582	1,337,170
Disposals	–	–	(61,392)
Currency translation differences	–	–	(41,655)
At 31 December 2011	5,099,957	5,519,761	5,354,276
Acquisition of subsidiary	**779**	**102**	**–**
Depreciation charge	**2,366,536**	**2,549,142**	**1,426,987**
Disposals	**–**	**–**	**(125,065)**
Currency translation differences	**(139)**	**(18)**	**(127,492)**
At 31 December 2012	**7,467,133**	**8,068,987**	**6,528,706**
Net book value:			
At 31 December 2012	**25,832,306**	**29,031,232**	**1,098,203**
At 31 December 2011	27,270,426	29,509,494	1,698,525

Furniture, fittings and office equipment $	Computer equipment and software $	Communication equipment $	Motor vehicles $	Total $
6,001,019	20,060,312	2,095,025	1,285,666	103,731,584
588,810	1,076,562	–	8,814	1,674,186
748,502	1,856,345	27,852	469,452	3,442,057
(584,780)	(1,812,779)	(4,182)	(90,919)	(2,606,439)
(25,675)	(51,608)	(18,293)	(35,225)	(194,051)
6,727,876	21,128,832	2,100,402	1,637,788	106,047,337
3,063,921	**1,725,035**	**269,975**	**302,709**	**8,378,250**
1,413,671	**2,172,947**	**20,332**	**243,323**	**4,747,220**
(196,642)	**(519,634)**	**(6,600)**	**(258,242)**	**(1,120,684)**
(227,402)	**(469,383)**	**(87,120)**	**(68,576)**	**(1,052,344)**
10,781,424	**24,037,797**	**2,296,989**	**1,857,002**	**116,999,779**
3,472,749	16,366,054	1,808,636	802,563	32,288,971
547,141	967,816	–	–	1,514,957
1,353,680	1,714,007	90,767	255,186	9,651,712
(510,558)	(1,751,869)	(3,921)	(85,029)	(2,412,769)
(20,817)	(126,031)	(13,633)	(24,445)	(226,581)
4,842,195	17,169,977	1,881,849	948,275	**40,816,290**
2,832,584	**1,384,981**	**266,628**	**279,277**	**4,764,351**
1,317,114	**2,084,697**	**69,791**	**269,658**	**10,083,925**
(194,121)	**(467,875)**	**(6,600)**	**(258,242)**	**(1,051,903)**
(170,634)	**(353,299)**	**(67,236)**	**(39,725)**	**(758,543)**
8,627,138	**19,818,481**	**2,144,432**	**1,199,243**	**53,854,120**
2,154,286	**4,219,316**	**152,557**	**657,759**	**63,145,659**
1,885,681	3,958,855	218,553	689,513	65,231,047

16 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Details of the leasehold land and buildings as at 31 December 2012 and 2011 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
Lot 54, 55 & 57, Blk H; Lot 75 & 76, Blk K; Sadong Jaya, Karamunsing 88100 Kota Kinabalu, Sabah, Malaysia (acquired in 2012)	4 storey office building on 543.2 sq. m.	Lease for a term of 999 years from 22 January 1902 to 22 January 2901

17 DEFERRED TAX

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

	The Group	
	2012	**2011**
	$	**$**
Deferred tax assets	**1,649,685**	724,150
Deferred tax liabilities	**(1,209,023)**	(1,834,560)

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

	Fair value losses	Tax loss	Total
	$	$	$
The Group			
Deferred tax assets			
At 1 January 2011	202,836	164,483	367,319
Credited to profit or loss (Note 27)	–	335,569	335,569
Currency translation differences	–	9,511	9,511
Financial assets, available-for-sale [Note 22(b)]	11,751	–	11,751
At 31 December 2011	214,587	509,563	724,150
Credited to profit or loss (Note 27)	**–**	**1,072,811**	**1,072,811**
Currency translation differences	**–**	**(23,896)**	**(23,896)**
Financial assets, available-for-sale [Note 22(b)]	**(123,380)**	**–**	**(123,380)**
At 31 December 2012	**91,207**	**1,558,478**	**1,649,685**

	Fair value (gains) losses	Accelerated tax depreciation	Total
	$	$	$
Deferred tax liabilities			
At 1 January 2011	123,953	(1,809,723)	(1,685,770)
Charged to profit or loss (Note 27)	–	(64,793)	(64,793)
Currency translation differences	–	(2,902)	(2,902)
Financial assets, available-for-sale [Note 22(b)]	(81,095)	–	(81,095)
At 31 December 2011	42,858	(1,877,418)	(1,834,560)
Credited to profit or loss (Note 27)	**–**	**955,316**	**955,316**
Currency translation differences	**(2,497)**	**5,647**	**3,150**
Financial assets, available-for-sale [Note 22(b)]	**(332,929)**	**–**	**(332,929)**
At 31 December 2012	**(292,568)**	**(916,455)**	**(1,209,023)**

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 $7,766,962 (2011 : $2,356,567) 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. No deferred tax liability has been recognised in respect of undistributed earnings of subsidiaries because the Group is in a position to control the timing of the reversal of any temporary differences and it is probable that any such differences will not reverse in the foreseeable future.

18 TRADE AND OTHER PAYABLES

	The Group 2012 $	The Group 2011 $	The Company 2012 $	The Company 2011 $
Trade payables to:				
– Third parties	**44,816,906**	34,799,600	**–**	–
Accrued operating expenses	**50,311,893**	48,800,482	**3,140,887**	4,053,265
Cash collaterals held for securities lent to clients	**2,052,014**	3,785,160	**–**	–
Amount due to subsidiaries	**–**	–	**42,558,633**	14,674,673
Other payables	**10,223,371**	12,896,946	**5,965**	14,567
	107,404,184	100,282,188	**45,705,485**	18,742,505
Current	**104,268,770**	96,646,418	**45,705,485**	18,742,505
Non-current	**3,135,414**	3,635,770	**–**	–
	107,404,184	100,282,188	**45,705,485**	18,742,505

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

Non-current payables include the liability arising from the agreement entered into by a subsidiary to assign all future cash flows from the fund investment held at cost to a third party (Note 14). The amount payable under the liability is determined by reference to the fund investment held at cost. During the year, a write back of $1,042,364 was recognised in respect of the liability as a result of an equivalent impairment in the fund investment held at cost.

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

19 BORROWINGS

	The Group 2012 $	The Group 2011 $
Current		
Bank overdrafts:		
– with related parties	**25,654,616**	1,766,921
– with non-related banks	**–**	2,373,448
	25,654,616	4,140,369
Short-term bank loans:		
– with related parties	**164,675,489**	206,090,502
– with non-related banks	**138,714,258**	98,520,922
	303,389,747	304,611,424
Total borrowings	**329,044,363**	308,751,793

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 2012

$	Weighted average effective interest rates	Security, if any	Maturity
Bank overdrafts			
Balances with related parties			
25,654,616	**5.00% per annum**	**A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary**	**Upon demand**
Short-term bank loans			
Balances with related parties			
164,675,489	**1.18% per annum**	**A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary**	**Due within 6 months from the end of the reporting period**
Balances with non-related banks			
109,878,258	**0.93% per annum**	**A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary**	**Due within 6 months from the end of the reporting period**
28,836,000	**3.57% per annum**	**Unsecured**	**Due within 6 months from the end of the reporting period**

19 **BORROWINGS** *(cont'd)*

Year ended 31 December 2011

$	Weighted average effective interest rates	Security, if any	Maturity
Bank overdrafts			
Balances with related parties			
1,766,921	5.00% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Upon demand
Balances with non-related banks			
2,373,448	3.25% per annum	Unsecured	Upon demand
Short-term bank loans			
Balances with related parties			
206,090,502	1.04% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary	Due within 6 months from the end of the reporting period
Balances with non-related banks			
98,520,922	1.04% per annum	Unsecured	Due within 6 months from the end of the reporting period

20 **DEBTS ISSUED**

	The Group	
	2012 $	2011 $
Notes issued		
At amortised cost	**209,856,171**	227,617,600
Designated as at fair value through profit or loss	**123,177,189**	68,093,670
	333,033,360	295,711,270

In 2010, the Group established a USD1,000,000,000 multi-currency structured note programme arranged by a related party in which the Group may raise funds through the issuance of notes from time to time under the programme.

These notes, with embedded credit default swaps or packaged put options, were issued at par with maturity dates ranging from 10 April 2013 to 9 December 2025 (2011 : 10 June 2012 to 9 December 2025). The embedded credit default swaps or packaged put options allow the Group to deliver the underlying referenced assets [Note 8(a) and (b)] to the noteholders as full and final settlement upon the occurrence of a credit event. The notes will be redeemed at face value on the maturity date provided that there is no occurrence of a credit event. These notes bear effective interest rate ranging from 1% to 14.77% per annum in 2012 (2011 : 2.25% to 16.28%).

The carrying amounts of debts issued approximate their fair values.

21 **SHARE CAPITAL**

	The Group and The Company			
	2012	2011	2012	2011
	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.

22 RESERVES

(a) Composition

	The Group	
	2012	**2011**
	$	**$**
Fair value reserve	**2,447,450**	1,074,059
Foreign currency translation reserves	**(65,450,611)**	(44,197,374)
Statutory reserve	**1,541,921**	1,541,366
Equity reserve (Note 13)	**(1,534,361)**	(1,592,155)
	(62,995,601)	(43,174,104)

(b) Fair value reserve

	The Group	
	2012	**2011**
	$	**$**
At beginning of year	**1,074,059**	935,162
Fair value gains on financial assets, available-for-sale	**1,835,527**	201,195
Deferred tax on fair value gains on financial assets, available-for-sale (Note 17)	**(456,309)**	(69,344)
	2,453,277	1,067,013
Currency translation differences	**(5,827)**	7,046
At end of year	**2,447,450**	1,074,059

(c) Statutory reserve

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

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

(d) Equity reserve

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

23 REVENUE

	The Group	
	2012	**2011**
	$	**$**
Commission income	**225,679,930**	275,195,493
Trading income	**7,356,363**	1,785,702
Interest income		
– fixed deposits with a related party (Note 5)	**858,556**	254,014
– fixed deposits with non-related banks	**5,880,532**	4,010,653
– clients	**65,585,571**	75,053,580
– others	**2,329,016**	4,675,484
	74,653,675	83,993,731
Dividend income from quoted/unquoted securities	**126,775**	578,828
Facility, shares withdrawal and arrangement fees	**8,560,763**	6,364,142
Other operating revenue	**9,111,919**	9,176,301
	325,489,425	377,094,197

24 STAFF COSTS

	The Group	
	2012	**2011**
	$	**$**
Wages, salaries and other staff costs	**93,588,168**	100,380,591
Employers' contribution to defined contribution plans including Central Provident Fund	**5,055,655**	5,218,252
	98,643,823	105,598,843

25 FINANCE EXPENSE

	The Group	
	2012	**2011**
	$	**$**
Interest expense:		
– bank borrowings from related parties (Note 5)	**2,879,194**	4,264,710
– borrowings from non-related banks	**1,344,485**	844,712
– debts issued	**18,068,023**	24,365,939
– others	**977,189**	1,868,082
	23,268,891	31,343,443

26 OTHER OPERATING EXPENSES

	The Group	
	2012	**2011**
	$	**$**
Net fair value (gain)loss on financial assets at fair value through profit or loss	**(2,503,598)**	1,362,981
Operating lease expenses	**6,138,919**	5,168,791
Marketing and business promotions	**6,637,514**	6,610,698
Communication expenses	**15,115,102**	15,310,510
Contract processing charges	**2,774,773**	3,080,967
Information services	**7,807,288**	7,654,533
Depreciation expenses	**10,083,925**	9,651,712
Net (gain) loss on disposal of property, plant and equipment	**(67,153)**	77,863
Impairment of goodwill (Note 12)	**449,115**	–
Impairment of trading rights in Exchanges (Note 15)	**6,220,330**	–
Audit fees:		
– paid to auditors of the Company	**170,000**	151,231
– paid to other auditors	**393,823**	352,938
Non-audit fees:		
– paid to auditors of the Company	**100,701**	74,701
– paid to other auditors	**28,868**	31,965
Maintenance and rental of office equipment	**1,488,005**	1,208,235
Printing and stationery	**1,325,976**	1,425,644
Allowance for impairment in financial assets, available-for-sale (Note 14)	**1,042,364**	246,634
Write back of provision for liability obligation (Note 18)	**(1,042,364)**	–
(Write back of allowance) Allowance for impairment of trade receivables	**(310,005)**	3,994,540
Other staff cost	**4,337,749**	3,533,311
General administrative expenses	**9,897,773**	9,454,600
	70,089,105	69,391,854

27 INCOME TAX EXPENSE

Income tax recognised in profit or loss

	The Group	
	2012	**2011**
	$	**$**
Tax expense attributable to profit is made up of:		
Current income tax:		
– Singapore	**11,210,340**	14,331,600
– Foreign	**3,214,053**	5,651,083
	14,424,393	19,982,683
Deferred income tax (Note 17)	**(1,286,765)**	(218,423)
	13,137,628	19,764,260
Under(Over) provision in prior years:		
– current income tax	**47,374**	(4,011,910)
– deferred tax (Note 17)	**(741,362)**	(52,353)
	12,443,640	15,699,997

Domestic income tax is calculated at 17% (2011 : 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	
	2012	**2011**
	$	**$**
Profit before tax	**79,739,948**	108,949,276
Tax calculated at tax rate of 17% (2011 : 17%)	**13,555,791**	18,521,377
Effects of:		
– Singapore statutory stepped income exemption and tax rebate	**(108,670)**	(106,169)
– Concessionary tax	**(1,432,990)**	(2,023,246)
– Income not subject to tax	**(4,021,350)**	(2,295,276)
– Expenses not deductible for tax purposes	**4,346,905**	3,919,241
– Tax benefits on tax losses and other temporary differences not recognised	**154,137**	440,766
– Different tax rates in other countries	**643,805**	1,307,567
– Over provision in prior years	**(693,988)**	(4,064,263)
	12,443,640	15,699,997

Income tax relating to each component of other comprehensive income

	The Group	
	2012	**2011**
	$	**$**
Deferred tax		
Gains from financial assets, available-for-sale	**(456,309)**	(69,344)

28 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	The Group	
	2012	**2011**
	$	**$**
Other comprehensive income:		
Available-for-sale investments:		
Gains arising during the year	**1,835,527**	201,195
Deferred tax liability arising on revaluation of financial assets, available-for-sale	**(456,309)**	(69,344)
Exchange differences on translation of foreign operations	**(21,853,291)**	(1,015,831)
Other comprehensive income for the year, net of tax	**(20,474,073)**	(883,980)

29 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:

	2012	2011
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**$65,727,387**	$91,935,371
Weighted average number of ordinary shares for the purposes of basic earnings per share	**724,709,009**	724,709,009
Basic earnings per share	**9.07 cents**	12.69 cents

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

30 DIVIDENDS

	The Group and The Company	
	2012	2011
	$	$
One-tier tax-exempt interim dividend in respect of the year ended 31 December 2012 of 0.5 cents per ordinary share paid (31 December 2011 : 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 2011 of 6.0 cents per ordinary share paid (31 December 2010 : 9.0 cents per ordinary share paid)	**43,482,541**	65,223,812
	47,106,085	68,847,356

At the Annual General Meeting on 26 April 2013, a one-tier tax-exempt final dividend of 4.0 cents per ordinary share amounting to a total of $28,988,360 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 2013.

31 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 $2,837,489 (2011 : $2,830,001) 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 $2,842,403 (2011 : $3,117,370) placed by the subsidiary with CDP.

32 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	
	2012	2011
	$	$
Within one year	**4,694,314**	5,199,053
In the second to fifth years inclusive	**1,705,905**	5,107,560
	6,400,219	10,306,613

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 (2011 : 3 years) and rentals are fixed for an average of 3 years (2011 : 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 $581,624 (2011 : $537,936). The property is managed and maintained by a property manager at an annual cost of $179,910 (2011 : $178,200).

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

	The Group	
	2012	2011
	$	$
Within one year	**535,536**	535,536
In the second to fifth years inclusive	**2,142,144**	2,142,144
After five years	**2,990,076**	3,525,612
	5,667,756	6,203,292

(b) Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings [(Note 4(b)(iv)].

(c) Share purchase agreement

On 9 October 2012, the Company entered into a Share Purchase Agreement to purchase 100% of the issued and paid up share capital of A. A. Anthony Securities Sdn Bhd ("AAA").

The acquisition was subsequently completed on 16 January 2013. The provisional purchase consideration of RM123,573,508 (approximately $49.83 million) comprise of AAA's adjusted unaudited net asset value of RM108,573,508 (approximately $43.78 million) as of 31 December 2012, after taking into account various excluded assets held for the benefit of the vendor, plus a premium of RM15,000,000 (approximately $6.05 million). As of the date of these financial statements, the initial accounting for the acquisition remains to be completed.

Under the terms of the acquisition agreed with the Malaysian regulators, the Group has to give up one of the two Malaysian stockbroking licenses, with one arising from the above acquisition and the other currently held by an existing subsidiary, UOB Kay Hian Securities (M) Sdn Bhd.

33 SEGMENT INFORMATION

The Group is organised on a geographical basis, namely Singapore, Hong Kong, Thailand 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	Thailand	Others	Elimination	Total
	$	$	$	$	$	$
The Group						
2012						
Revenue						
– External sales	**171,804,357**	**43,919,220**	**23,842,949**	**11,269,309**	**–**	**250,835,835**
– Interest income	**50,124,875**	**15,800,016**	**5,904,660**	**2,824,039**	**–**	**74,653,590**
– Inter-segment sales	**6,760,536**	**(591,173)**	**4,954,299**	**5,540,644**	**(16,664,306)**	**–**
	228,689,768	**59,128,063**	**34,701,908**	**19,633,992**	**(16,664,306)**	**325,489,425**
Segment results	**55,486,672**	**14,346,461**	**8,824,611**	**952,581**	**129,623**	**79,739,948**
Profit before tax						**79,739,948**
Income tax expense						**(12,443,640)**
Profit after tax						**67,296,308**
Segment assets	**2,075,972,945**	**507,988,926**	**196,054,510**	**95,917,122**	**(242,118,839)**	**2,633,814,664**
Deferred tax assets						**1,649,685**
Consolidated total assets						**2,635,464,349**
Segment liabilities	**1,264,186,996**	**233,632,884**	**101,879,579**	**47,965,228**	**(133,878,792)**	**1,513,785,895**
Income tax payable						**12,954,831**
Deferred tax liabilities						**1,209,023**
Consolidated total liabilities						**1,527,949,749**

33 SEGMENT INFORMATION *(continued)*

The Group
2012

	Singapore $	Hong Kong $	Thailand $	Others $	Elimination $	Total
Other segment items						
Capital expenditure	**1,014,467**	**599,353**	**1,172,722**	**1,960,678**	–	**4,747,220**
Goodwill	–	–	**4,606,563**	–	–	**4,606,563**
Impairment losses recognised in profit or loss	**1,042,364**	–	**449,115**	**6,220,330**	–	**7,711,809**
Depreciation expense	**8,124,219**	**366,601**	**930,648**	**662,457**	–	**10,083,925**
Finance expense	**21,792,290**	**243,871**	**1,091,903**	**140,827**	–	**23,268,891**

The Group
2011

	Singapore $	Hong Kong $	Thailand $	Others $	Elimination $	Total
Revenue						
– External sales	194,513,149	64,280,364	22,420,275	11,886,678	–	293,100,466
– Interest income	57,484,850	17,122,969	5,307,747	4,078,165	–	83,993,731
– Inter-segment sales	9,183,669	(421,556)	5,696,288	5,261,285	(19,719,686)	–
	261,181,668	80,981,777	33,424,310	21,226,128	(19,719,686)	377,094,197
Segment results	81,120,789	18,495,708	8,497,627	2,730,991	(1,895,839)	108,949,276
Profit before tax						108,949,276
Income tax expense						(15,699,997)
Profit after tax						93,249,279
Segment assets	1,685,930,449	503,973,500	140,496,857	94,166,287	(215,825,725)	2,208,741,368
Deferred tax assets						724,150
Consolidated total assets						2,209,465,518
Segment liabilities	841,567,832	228,810,298	49,262,676	56,562,316	(93,617,294)	1,082,585,828
Income tax payable						16,651,887
Deferred tax liabilities						1,834,560
Consolidated total liabilities						1,101,072,275
Other segment items						
Capital expenditure	1,362,318	330,299	894,702	854,738	–	3,442,057
Goodwill	–	–	5,187,874	–	–	5,187,874
Impairment losses recognised in profit or loss	246,634	–	–	–	–	246,634
Depreciation expense	8,008,876	281,102	902,795	458,939	–	9,651,712
Finance expense	28,924,434	835,167	743,882	1,045,845	(205,885)	31,343,443

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

34 LISTING OF COMPANIES IN THE GROUP

Name of company	Principal activities	Country of incorporation	Equity holding by Company 2012 %	Company 2011 %	Subsidiaries 2012 %	Subsidiaries 2011 %
Subsidiaries						
PT UOB Kay Hian Securities[c]	Stockbroking	Indonesia	**99.0**	99.0	–	–
UOB Kay Hian Securities (Philippines), Inc.[c]	Stockbroking	Philippines	**100**	100	–	–
UOB Kay Hian Securities (Thailand) Public Company Limited[b]	Stockbroking	Thailand	**70.7**	70.7	**8.2**	7.7
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	–	–

34 LISTING OF COMPANIES IN THE GROUP *(continued)*

Name of company	Principal activities	Country of incorporation	Equity holding by Company 2012 %	Company 2011 %	Subsidiaries 2012 %	Subsidiaries 2011 %
Subsidiaries						
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	–	–
UOB Kay Hian Securities (M) Sdn Bhd[b]	Stockbroking	Malaysia	**100**	–	–	–
Held by UOB Kay Hian Private Limited						
UOB Kay Hian Nominees Pte Ltd[a]	Nominee services	Singapore	–	–	**100**	100
UOB Kay Hian Research Pte Ltd[a]	Research activities	Singapore	–	–	**100**	100
Held by UOB Kay Hian Overseas Limited						
UOB Kay Hian (Hong Kong) Limited[b]	Stockbroking	Hong Kong, SAR	–	–	**100**	100
UOB Kay Hian Futures (Hong Kong) Limited[b]	Futures broking	Hong Kong, SAR	–	–	**100**	100
UOB Kay Hian Finance Limited[b]	Money lending	Hong Kong, SAR	–	–	**100**	100
UOB Kay Hian (BVI) Limited[d]	Investment holding	British Virgin Islands	–	–	**100**	100
UOB Kay Hian Investment Consulting (Shanghai) Company Limited[b]	Investment consulting and research services	People's Republic of China	–	–	**100**	100
Held by UOB Kay Hian Securities (Thailand) Public Company Limited						
United Securities Public Company Limited[b]	Stockbroking	Thailand	–	–	**93.47**	93.47
Held by UOB Kay Hian Securities (M) Sdn Bhd						
UOB Kay Hian Futures (M) Sdn Bhd[b]	Futures broking	Malaysia	–	–	**100**	–
UOB Kay Hian Nominees (Asing) Sdn Bhd[b]	Nominee services	Malaysia	–	–	**100**	–
UOB Kay Hian Nominees (Tempatan) Sdn Bhd[b]	Nominee services	Malaysia	–	–	**100**	–

(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.

35 ACQUISITION OF SUBSIDIARY

(a) On 3 May 2012, the Group acquired 100% of Innosabah Securities Berhad ("Innosabah") (since renamed UOB Kay Hian Securities (M) Sdn Bhd) for cash consideration of RM55,324,576, or $22,581,159. This transaction has been accounted for by the acquisition method of accounting.

The Group acquired Innosabah for various reasons, the primary reason being to gain the right and license to conduct stockbroking business in Malaysia.

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

	$
Innosabah Securities Berhad	
Cash	**22,581,159**

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

	$
Innosabah Securities Berhad	
Current assets	
Cash and bank balances	**7,425,743**
Trade receivables	**8,013,276**
Non-current assets	
Trading rights in Exchanges	**6,709,510**
Plant and equipment	**3,613,899**
Current liabilities	
Trade and other payables	**(3,181,269)**
Net assets acquired and liabilities assumed	**22,581,159**

The trade receivables acquired in the transaction is net of allowance for impairment of doubtful trade receivables amounting to $986,549.

(iii) Goodwill arising on acquisition

	$
Innosabah Securities Berhad	
Consideration transferred	**22,581,159**
Less: Fair value of identifiable net assets acquired	**(22,581,159)**
Goodwill arising on acquisition	–

No goodwill arose from the acquisition.

(iv) Net cash outflow on acquisition of subsidiaries

	$
Consideration paid in cash	**22,581,159**
Less: cash and bank balances acquired	**(7,425,743)**
	15,155,416

(v) Impact of acquisition on the results of the Group

Included in the profit for the year is a loss of RM 2,900,907 or $1,172,157 attributable to UOB Kay Hian Securities (M) Sdn Bhd. Revenue for the period from UOB Kay Hian Securities (M) Sdn Bhd amounted to RM 3,257,907 or $1,316,126.

Had the business combination during the year been effected at 1 January 2012, the revenue of the Group would have been $326,603,943 and the profit for the year would have been $67,141,787.

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

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

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

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

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

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

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

(iii) Non-controlling interest

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

(iv) Goodwill arising on acquisition

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

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

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

(v) Net cash outflow on acquisition of subsidiaries

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

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

Included in the profit for 2011 was a loss of Baht 4,291,630 or $175,932 attributable to United Securities. Revenue for 2011 from United Securities amounted to Baht 80,302,693 or $3,291,945.

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

(vii) Contingent liabilities

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

36 EVENTS AFTER THE REPORTING PERIOD

On 16 January 2013, the Company completed the acquisition of A. A. Anthony Securities Sdn Bhd in accordance with the Share Purchase Agreement dated 9 October 2012 [Note 32(c)]. The Securities Commission of Malaysia has granted approval to the Group for the proposed merger of the businesses of A. A. Anthony Securities Sdn Bhd and UOB Kay Hian Securities (M) Sdn Bhd.

Analysis of Shareholdings

as at 11 March 2013

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

Distribution Of Shareholdings

Size Of Shareholdings	No. Of Shareholders	%	No. Of Shares	%
1 – 999	379	3.43	130,685	0.02
1,000 – 10,000	8,642	78.28	37,121,351	5.12
10,001 – 1,000,000	1,995	18.07	83,749,601	11.56
1,000,001 & Above	24	0.22	603,707,372	83.30
Total	11,040	100.00	724,709,009	100.00

Top Twenty Shareholders As At 11 March 2013	No. Of Shares	%
United Overseas Bank Limited	285,537,809	39.40
U.I.P. Holdings Limited	122,596,976	16.92
UOB Kay Hian Pte Ltd	38,146,000	5.26
DBS Nominees Pte Ltd	33,130,313	4.57
Tang Wee Loke	29,893,381	4.12
United Overseas Bank Nominees Pte Ltd	18,045,200	2.49
DBSN Services Pte Ltd	10,701,000	1.48
Ho Yeow Koon & Sons Pte Ltd	10,101,000	1.39
HL Bank Nominees (S) Pte Ltd	10,011,000	1.38
Citibank Nominees Singapore Pte Ltd	9,980,298	1.38
OCBC Nominees Singapore Pte Ltd	6,611,025	0.91
HSBC (Singapore) Nominees Pte Ltd	5,918,348	0.82
Tye Hua Nominees (Pte) Ltd	4,413,000	0.61
Maybank Kim Eng Securities Pte Ltd	2,719,400	0.38
Tung Tau Chyr Walter	2,542,422	0.35
Lau Mei Lea	2,100,000	0.29
Hai Chua Fishery Pte Ltd	1,737,000	0.24
Chen Chun Nan	1,648,000	0.23
Phillip Securities Pte Ltd	1,540,200	0.21
Ang Jwee Herng	1,513,000	0.21
	598,885,372	82.64

	Direct interest		Deemed interest	
Substantial Shareholders	**No. of shares**	**% of total issued shares**	**No. of shares**	**% of total issued shares**
United Overseas Bank Limited	285,537,809	39.40	4,413,000[(1)]	0.61
U.I.P. Holdings Limited	122,596,976	16.92	–	–
Wee Ee Chao	–	–	161,375,976[(2)]	22.27
K.I.P. Inc	–	–	38,779,000[(3)]	5.35

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

(2) Mr Wee Ee Chao's deemed interest arises from the 122,596,976 shares held by U.I.P. Holdings Limited and 38,779,000 shares held by UOB Kay Hian Pte Ltd – K.I.P. Inc.

(3) K.I.P. Inc's deemed interest arises from the 38,779,000 shares registered in name of UOB Kay Hian Pte Ltd – K.I.P. Inc.

Public Float

Based on available information as at 11 March 2013, approximately 32.67% of the issued shares of the company is held by the public (Rule 723 of SGX-ST Listing Manual).

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at the Auditorium, 8 Anthony Road, Singapore 229957 on Friday, 26 April 2013 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 2012 and the reports of the directors and auditors thereon.

2 To declare a one-tier tax exempt final dividend of 4 cents per ordinary share for the year ended 31 December 2012.

3 To approve the sum of S$294,000 as directors' fees for the year ended 31 December 2012. (2011: S$255,000)

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

Note: Mr Chelva Retnam Rajah, if re-elected as a director, will remain a member of the audit committee, a member of the nominating committee and a member and the chairman of the remuneration committee. Mr Rajah is an independent director.

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

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

4(c) To re-elect Mr 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.

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

Special Business

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

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

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

By Order of the Board

Chung Boon Cheow
Secretary

Singapore
9 April 2013

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 Friday, 26 April 2013 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 Chelva Retnam Rajah as director		
4(b)	To re-elect Mr Roland Knecht as director		
4(c)	To re-elect Mr Tang Wee Loke 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 ______________ 2013.

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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