



IFS Capital Limited

# RISING TO THE CHALLENGE

2021 ANNUAL REPORT





**IFS Capital Limited (“IFS”), as a regional Group provides financial solutions to both consumers, and micro, small & medium sized enterprises (“MSMEs”) via loans, factoring, hire-purchase/leasing, government-assisted schemes and trade/export finance. The Group also provides fund management services, through IFS Assets Management Private Limited (a Registered Fund Management Company) in Singapore, and underwrite general insurance, bonds and guarantees through its wholly-owned subsidiary, ECICS Limited.**

**IFS was incorporated in Singapore in 1987 and has been listed on the Mainboard of the Singapore Exchange since July 1993.**



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# OVERVIEW OF PRODUCTS & SERVICES

	Factoring & Invoice Financing	SME Property Loans	SME Working Capital Loans	Government-Assisted Loans	Consumer Loans	Hire Purchase & Leasing	General Insurance	Fund Management	Loan Brokerage
<b>Singapore</b>									
IFS Capital Ltd	•	•	•	•		•			
FR!DAY Finance					•				
Lendingpot									•
IFSAM								•	
ECICS Limited							•		
<b>Malaysia – IFSM</b>	•		•			•			
<b>Thailand – IFST</b>	•					•			
<b>Indonesia – IFSI</b>	•	•				•			

For more information, please visit the respective country websites below

Singapore - [www.ifscapital.com.sg](http://www.ifscapital.com.sg)

Malaysia - [www.ifscapital.com.my](http://www.ifscapital.com.my)

Thailand - [www.ifscapthai.com](http://www.ifscapthai.com)

Indonesia - [www.ifscapital.co.id](http://www.ifscapital.co.id)



## Our Subsidiaries

The Group also oversees a diverse portfolio of businesses that range from Insurance to FinTech.

**Friday Finance** ("IFS Consumer Services Private Limited"), a licensed moneylender in Singapore, provides consumer loans via a digital portal with a focus on financial wellness and at an affordable and transparent pricing.

**Lendingpot** operates an online Business Loan Marketplace, a digital platform which allows small business owners to instantly connect with relationship managers of up to 45 financial institutions in Singapore to find the best business loan for them.

**IFS Asset Management Private Limited** ("IFSAM"), is a wholly-owned subsidiary engaged in the business of providing fund management services.

**ECICS Limited**, a wholly-owned subsidiary, provides insurance protection for families and homes, focusing on personal lines and supplementary insurance.

**IFS Capital (Malaysia) Sdn Bhd** ("IFSM"), provide financial solutions such as Factoring, Hire Purchase, Term Loan, Performance Bank Guarantee and Letter of Credit to SMEs, Contractors & suppliers.

**IFS Capital (Thailand) Public Company Limited** ("IFST") is an established financial institution and the leader in providing Factoring services in Thailand. It is well-known and widely accepted in Thailand.

**PT. IFS Capital Indonesia** ("IFSI"), provides Factoring, Leasing and Property Based Loan Services for small and medium enterprise.

IFS is also a part of the **PhillipCapital** network of companies, an integrated Asian financial house with a global presence that is able to provide a full range of solutions for individuals, family offices, corporate and institutional

# CHAIRMAN'S MESSAGE



## Dear Fellow Stakeholders,

In 2021, the world began to learn how to live with Covid-19 even as we continued to face significant disruptions through waves of infections and uncertainties surrounding the evolution of the pandemic. Economies rebounded as national vaccination efforts got underway and accommodative monetary and fiscal policies met pent-up consumer demand.

As a financial institution focusing on the financing and insurance needs of micro, small and medium enterprises ("MSME") and consumers, we worked hard to support our clients through these uncertain times. We implemented necessary protocols to safeguard the health of our employees, guided by government regulations, even as we ramped up our operations in the region.

## PERFORMANCE REVIEW

Amid the challenges posed by the pandemic, I am pleased to report that the Group managed to deliver better financial results for the financial year ended 31 December 2021 ("FY2021"). There were two key contributing factors.

Firstly, in FY2020 the Group applied a more conservative method of income recognition. Interest income for loans past 90 days due are not recognised until it is recovered. This change coincided with a period where many MSME clients faced cashflow difficulties as pandemic restrictions took hold and we committed to support these clients through restructuring their payment schedules. In FY2021, as the economies and business activities stabilized, we managed to regularize around S\$90 million of these loans and recognized the corresponding interest income.

Coupled with a recovery in factoring volumes in our Thailand operations and lower interest expense, the Group's total net interest income increased by 28.1% year-on-year ("YoY") to reach S\$26.9 million. The Group also recorded a 7.8% YoY increase in non-interest income to reach S\$13.5 million in FY2021. Overall, the Group recorded a 15.5% YoY increase in income before operating expenses to reach S\$40.4 million in FY2021.

Our lending portfolio has remained resilient through the two years of pandemic disruption due to careful segment targeting, responsible business practices and prudent risk management. In retrospect, we could have done more to build and grow the lending portfolio in FY2021 so as to establish a stronger foundation for FY2022.



Secondly, our insurance business benefitted from an absence of large bond calls that we experienced in FY2020. This was partly the result of a recovery in the Singapore economy and the continuing efforts by the ECICS team to de-risk the legacy bond portfolio even as they worked on growing the core insurance lines profitably. We are satisfied with the progress made in turning around the insurance business, but more work lies ahead in our journey to transform ECICS's technology stack so that we can capture more opportunities in the market.

In FY2021, we continued to invest in new technologies and talent to expand our business opportunities and footprint. This led to a 7.1% YoY increase in operating expenses to S\$24.9 million.

As the Group's revenue growth outpaced the increase in operating expenses and together with reduced claims expense and provisions, the Group achieved a pre-tax profit of S\$12.7 million in FY2021, compared to S\$2.5 million in the preceding financial year.

The Group's balance sheet remained healthy with a current ratio of 2.02 times as at 31 December 2021 (31 December 2020: 1.36 times). Cash and cash equivalents increased to S\$112.6 million as at 31 December 2021 from S\$51.7 million a year ago.

Based on the improved financial performance, the Board has proposed a dividend of 0.78 Singapore cents per share for approval at the upcoming annual general meeting (31 December 2020: 0.2 Singapore cents per share).

## NEW INITIATIVES

IFS Asset Management, the fund management arm of IFS Capital Limited, received approval from the Monetary Authority of Singapore to operate as a Registered Fund Management Company in April 2021 and launched its maiden Private Credit Fund in December 2021 with seed capital from IFS Capital. This will provide a platform for external investors to access the fast-growing private credit opportunities in Singapore and the Southeast Asia region.

We also entered into a MOU with PrimeRevenue Inc. to bring an innovative supply chain financing ("SCF") solution to large corporations in SouthEast Asia by combining IFS Capital's deep trade finance expertise in Southeast Asia with PrimeRevenue's award winning supply chain platform.

Before the end of 2021, the Group announced another MOU on strategic joint venture with Tat Hong Equipment Service to provide tower crane financing solutions in the People's Republic of China. We recognize the tremendous opportunities in China and after studying the viability of venturing into one of the world's largest markets for some time, we are glad to find a partner in Tat Hong Equipment Service to establish our first China venture.

## MOVING FORWARD 2022

We are mindful of potential downside risks to the global economy due to geopolitical instabilities and sustained elevated inflation, on top of the evolving pandemic-induced uncertainties.

We will be prudent and agile in navigating this environment even as we focus on transforming our core businesses to be future-ready as well as building new engines of growth for the Group.

## APPRECIATION

Mr. Eugene Tan has announced his resignation as a Director and Chairman of the Risk Management Committee in February 2022. On behalf of the Group and Board of Directors, I would like to thank him for his contributions and service on the Board for the past 7 years.

I would also like to take this opportunity to express my sincere gratitude to all our clients, partners and shareholders who have shown their confidence and support in the Group throughout this pandemic. Last but not least, I would like to thank our employees who have demonstrated tremendous resilience and remained steadfast in our mission to be a force for good in the communities that we serve.

With a grateful heart,

## LIM HUA MIN

Chairman & Non-Executive Director



# GROUP FINANCIAL HIGHLIGHTS

S\$'000	2021	2020	2019*	2018*	2017
<b>INCOME STATEMENT</b>					
<b>Net operating income</b>	<b>40,392</b>	34,984	46,584	53,964	43,065
– net interest income	<b>26,896</b>	20,996	25,288	20,028	19,029
– net earned premium	<b>5,398</b>	4,830	6,169	6,853	11,071
– fees & commission	<b>6,380</b>	6,497	8,632	8,493	6,687
– investment income	<b>785</b>	709	4,982	1,797	5,803
– other income	<b>914</b>	461	1,513	16,793	475
– grant income	<b>19</b>	1,491	–	–	–
<b>Profit/(loss) before tax – by business segment</b>					
– Lending business	<b>13,099</b>	9,229	18,301	11,780	10,508
– Insurance	<b>(410)</b>	(6,692)	(4,892)	(5,509)	(4,730)
<b>Profit/(loss) – Overall</b>					
– before tax	<b>12,689</b>	2,537	13,409	6,271	5,778
– after tax	<b>9,649</b>	2,361	9,171	3,545	3,614
– attributable to Owners of the Company	<b>7,951</b>	795	6,454	1,669	1,956
# gain of \$2.934 million arising on fair value gain on unquoted equity securities have been excluded from profit before & after tax and attributable to Owners of the Company					
* gain of \$16.318 million arising on sale of Suntec office have been excluded from profit before & after tax and attributable to Owners of the Company					
<b>BALANCE SHEET</b>					
Number of shares ('000)	<b>375,970</b>	375,970	375,970	375,970	375,970
Issued share capital	<b>137,302</b>	137,302	137,302	137,302	137,302
Shareholder's funds	<b>178,955</b>	175,750	179,008	169,205	152,291
Non-controlling interests ("NCI")	<b>17,305</b>	17,886	17,945	15,355	14,024
Total assets	<b>401,249</b>	481,427	504,784	506,455	411,016
Total liabilities	<b>204,989</b>	287,791	307,831	321,895	244,701
<b>DIVIDEND INFORMATION</b>					
Dividends proposed/paid for the year (net of tax)	<b>2,932</b>	752	2,932	2,067	1,128
Gross dividends declared per share**					
– Ordinary (cents)	<b>0.78</b>	0.20	0.78	0.55	0.30
Dividend yield as of 31 December	<b>4.2%</b>	1.1%	3.4%	2.4%	1.2%
<b>FINANCIAL RATIOS</b>					
Earnings per share (cents)	<b>2.11</b>	0.21	1.71	0.44	0.52
Net tangible assets per share (\$)	<b>0.48</b>	0.47	0.47	0.45	0.40
Return on average shareholders' funds	<b>5.4%</b>	1.3%	5.3%	2.2%	2.4%
Cost-income ratio	<b>61.6%</b>	69.4%	55.4%	61.0%	50.6%

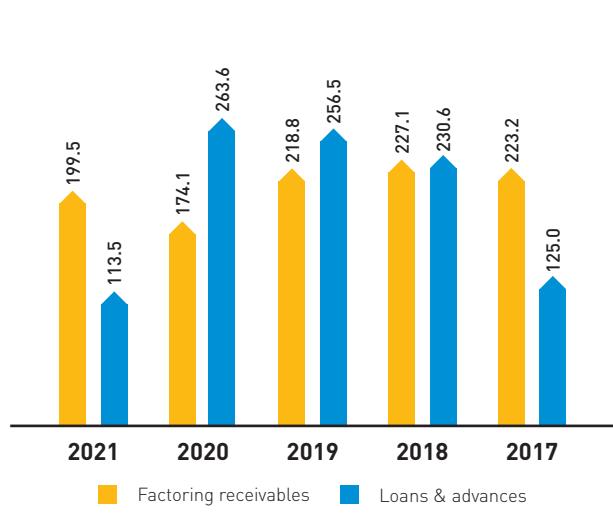
\*\* Note: Gross dividends per share is stated based on the dividends proposed/paid relating to the respective financial years.

# PERFORMANCE AT A GLANCE

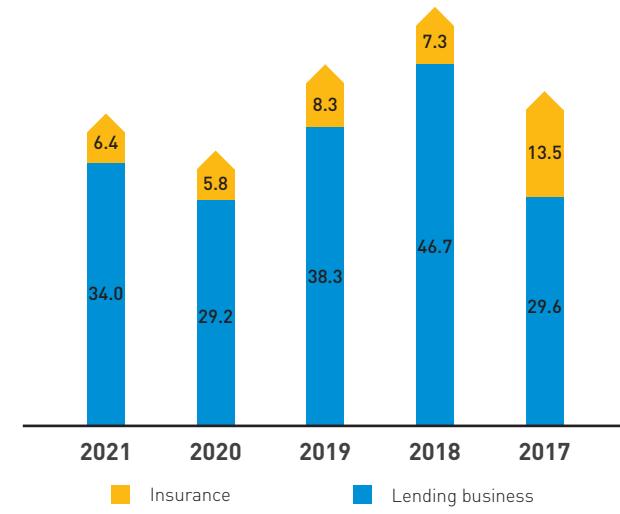
## Net operating income (By countries) %

	2021	2020	2019	2018	2017
■ Singapore					
- Lending business	43.1%	34.4%	33.9%	50.3%	27.3%
- Insurance	15.8%	16.5%	17.8%	13.5%	31.3%
■ Thailand	35.9%	41.7%	38.0%	29.3%	32.5%
■ Malaysia	3.7%	5.3%	5.4%	3.9%	4.9%
■ Indonesia	1.5%	2.1%	4.9%	3.0%	3.9%
	100.0%	100.0%	100.0%	100.0%	100.0%

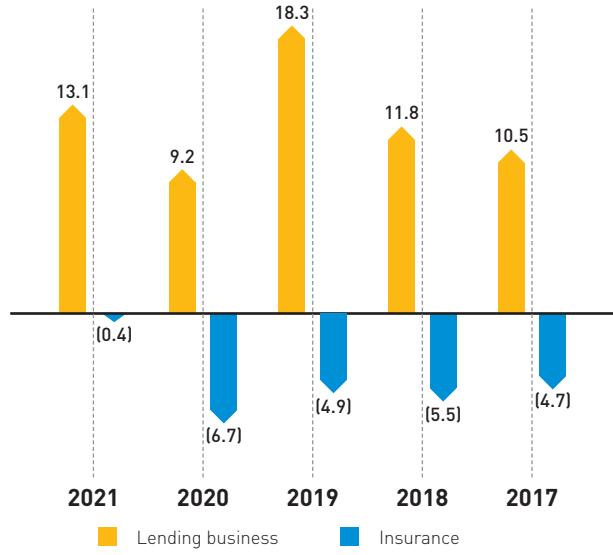
## Outstanding Loan Book (\$ million)



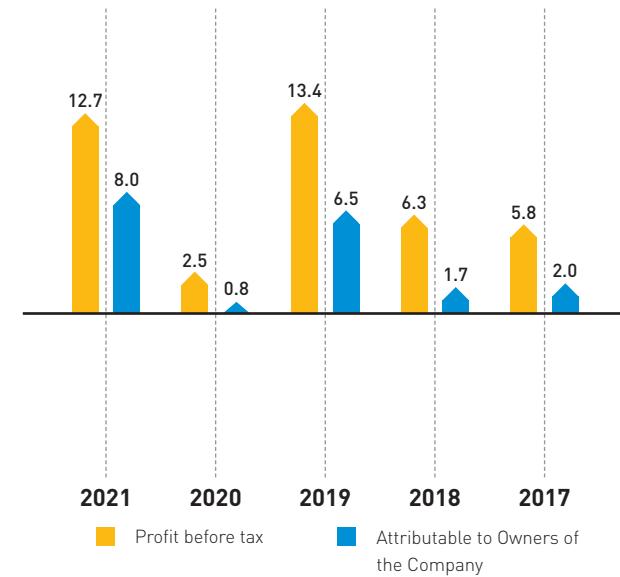
## Net Operating Income (\$ million)



## Profit / (loss) before tax-by business segment (\$ million)



## Profit Overall (\$ million)





# BOARD OF DIRECTORS



**LIM HUA MIN**  
CHAIRMAN &  
NON-EXECUTIVE DIRECTOR



**LAW SONG KENG**  
NON-EXECUTIVE DIRECTOR  
(Re-designated as Non-Independent  
Non Executive Director and ceased  
to be the Lead Independent Director  
w.e.f 1 January 2022)

Date of first appointment as director : 20 May 2003  
Date of last re-election as director : 29 April 2019

**IFS Board Committee(s) served on:**

- ◆ Executive Resource & Compensation Committee (Member)
- ◆ Risk Management Committee (Member)<sup>1</sup>

**Academic & Professional Qualifications**

- ◆ Bachelor of Science Degree (Honours) in Chemical Engineering, University of Surrey, England
- ◆ Master Degree in Operations Research and Management Studies, Imperial College, London University

**Present Directorships in Other Listed Companies**

- ◆ Walker Crisps Group plc. (UK)

**Other Principal Commitments**

*Directorship in Other Companies*

- ◆ Phillip Group of Companies (Executive Chairman)
- ◆ ECICS Limited (Chairman)
- ◆ Phillip Bank Plc, Cambodia

*Other Major Appointments (other than Directorships)*

Nil

**Past Directorships in other listed companies held over the preceding three years**

Nil

**Background & Experience**

- ◆ Currently the Executive Chairman of the PhillipCapital Group
- ◆ Held senior positions in Stock Exchange of Singapore ("SES") and the Securities Research Institute

*Past Key Appointments*

- ◆ Chairman of SES Review Committee
- ◆ Director of Inland Revenue Authority of Singapore

**Awards**

- ◆ Public Service Medal by Singapore Government
- ◆ "IBF Distinguished Fellow" by the Institute of Banking and Finance

Date of first appointment as director : 31 January 2011  
Date of last re-election as director : 23 April 2021

**IFS Board Committee(s) served on:**

- ◆ Audit Committee (Member)<sup>1</sup>
- ◆ Executive Resource & Compensation Committee (Member)
- ◆ Risk Management Committee (Member)<sup>1</sup>

**Academic & Professional Qualifications**

- ◆ Bachelor of Science (Maths, First Class Honours), University of Singapore
- ◆ Master of Science (Actuarial Science), Northeastern University
- ◆ Fellow Member of the Society of Actuaries, USA

**Present Directorships in Other Listed Companies**

- ◆ Great Eastern Holdings Ltd

**Other Principal Commitments**

*Directorship in Other Companies*

- ◆ Frasers Hospitality Asset Management Pte Ltd (Chairman)
- ◆ Frasers Hospitality Trust Management Pte Ltd (Chairman)

*Other Major Appointments (other than Directorships)*

Nil

**Past Directorships in other listed companies held over the preceding three years**

Nil

**Background & Experience**

- ◆ More than 30 years of experience in the insurance industry

*Past Key Appointments*

- ◆ Managing Director & Chief Executive Officer of Overseas Assurance Corporation
- ◆ Deputy Managing Director (Administration & Insurance) and Insurance Commissioner at Monetary Authority of Singapore
- ◆ President of Life Insurance Association, General Insurance Association, Singapore Actuarial Society and Chairman of the Singapore Insurance Institute
- ◆ Director of Asia Capital Reinsurance Group Pte Ltd, ACR Capital Holdings Pte Ltd and Asia Capital Reinsurance Malaysia Sdn Bhd
- ◆ Board member in the Inland Revenue Authority of Singapore, Singapore Deposit Insurance Corporation, Central Provident Fund Board and Manulife (Singapore) Pte Ltd

**Awards**

- ◆ A Public Service Commission Scholar
- ◆ Public Service Star (BBM)

<sup>1</sup> With effect from 24 February 2022, the Risk Management Committee was merged with Audit Committee to form Audit & Risk Committee, whereupon Mr Lim Hua Min relinquished his role as a member of Risk Management Committee. The Audit & Risk Committee comprises – Chairman: Mr Tam Chee Chong and Members: Mr Barney Lau Tai Chiau and Mr Law Song Keng.

<sup>1</sup> With effect from 24 February 2022, the Risk Management Committee was merged with Audit Committee to form Audit & Risk Committee.

# BOARD OF DIRECTORS



**TAM CHEE CHONG**  
INDEPENDENT  
NON-EXECUTIVE DIRECTOR



**BARNEY LAU TAI CHIAU**  
LEAD INDEPENDENT DIRECTOR  
NON-EXECUTIVE DIRECTOR  
(Appointed as the Lead Independent  
Director of the Company w.e.f  
1 January 2022)

Date of first appointment as director : 22 May 2020  
Date of last re-election as director : 23 April 2021

**IFS Board Committee(s) served on:**

- ◆ Audit Committee (Chairman)<sup>1</sup>

**Academic & Professional Qualifications**

- ◆ Fellow Chartered Accountant of both England & Wales and Singapore

**Present Directorships in Other Listed Companies**

- ◆ GSH Corporation Limited
- ◆ Boustead Projects Limited

**Other Principal Commitments**

*Directorship in Other Companies*

- ◆ Kairos Corporate Advisory Pte Ltd
- ◆ Perun Consultants (Singapore) Pte. Ltd.  
(resigned w.e.f 21 March 2022)

*Other Major Appointments (other than Directorships)*

NTUC Education & Training Fund, Board Member

**Past Directorships in other listed companies held over the preceding three years**

Nil

**Background & Experience**

- ◆ More than 34 years' experience in corporate and financial advisory
- ◆ Previously worked in accounting firms (KPMG, PwC, Andersen and Deloitte) in London, Hong Kong and Singapore across a wide range of industries and portfolios
- ◆ Extensive public accounting experience, having been the partner in charge of audits in several major listed companies

*Past Key Appointments*

- ◆ Group Chief Financial Officer of Fullerton Healthcare Corporation Ltd
- ◆ Deputy Managing Partner, Markets Deloitte Singapore
- ◆ Leader, Deloitte Private Southeast Asia
- ◆ Partner, Family Enterprise Consulting of Deloitte Private Southeast Asia
- ◆ Regional Managing Partner, Financial Advisory Services of Deloitte Southeast Asia
- ◆ Council Member, Institute of Singapore Chartered Accountants
- ◆ Board Member, Deloitte Southeast Asia
- ◆ Honorary Steward, Singapore Turf Club
- ◆ Board Member, YMCA

Date of first appointment as director : 13 August 2019  
Date of last re-election as director : 21 May 2020

**IFS Board Committee(s) served on:**

- ◆ Executive Resource & Compensation Committee (Chairman)
- ◆ Audit Committee (Member)<sup>1</sup>

**Academic & Professional Qualifications**

- ◆ Bachelor of Arts (Computer Science), Rutgers, State of University of New Jersey, USA
- ◆ Diploma in Computer Studies, National Computing Centre (UK)
- ◆ Diploma in Electronic and Communications Engineering, Singapore Polytechnic
- ◆ Master in Christian Studies, Biblical Graduate School of Theology, Singapore

**Past Directorships in Other Listed Companies**

Nil

**Other Principal Commitments**

*Directorship in Other Companies*

Nil

*Other Major Appointments (other than Directorships)*

Nil

**Past Directorships in other listed companies held over the preceding three years**

Nil

**Background & Experience**

- ◆ Currently is the Vice-Chairman of the Council of the Biblical Graduate School of Theology
- ◆ Spent 20 years in the IT industry in various capacities such as regional and general management, sales & marketing, channels and business development
- ◆ Worked for multinational companies such as Cisco Systems, Lucent Technologies and Hewlett Packard
- ◆ Served on the Councils of the Singapore Computer Society and Singapore IT Federation

*Past Key Appointments*

- ◆ Managing Director and General Manager of Microsoft Singapore Pte Ltd
- ◆ Independent Director and IT Committee Chairman of JurongHealth Services (Ng Teng Fong General Hospital and Jurong Community Hospital, now part of the National University Health System)
- ◆ Director of Integrated Healthcare Information Systems and as a member of MOH's Healthcare IT Steering Committee

<sup>1</sup> With effect from 24 February 2022, the Risk Management Committee was merged with Audit Committee to form Audit & Risk Committee.

<sup>1</sup> With effect from 24 February 2022, the Risk Management Committee was merged with Audit Committee to form Audit & Risk Committee.



**TAN HAI LENG EUGENE**  
NON-EXECUTIVE DIRECTOR  
(Resigned as a director of the Company and ceased to be the Chairman of Risk Management Committee w.e.f 17 February 2022)

Date of first appointment as director : 12 October 2015  
Date of last re-election as director : 23 April 2021

#### IFS Board Committee(s) served on:

- ◆ Risk Management Committee (Chairman)

#### Academic & Professional Qualifications

- ◆ Bachelor of Arts and Social Sciences (majored in Political Science and History) Degree, National University of Singapore

#### Present Directorships in Other Listed Companies

Nil

#### Other Principal Commitments

##### Directorship in Other Companies

Nil

##### Other Major Appointments (other than Directorships)

Nil

#### Past Directorships in other listed companies held over the preceding three years

- ◆ IFS Capital (Thailand) Public Company Limited (Chairman)

#### Background & Experience

- ◆ Held the position as Group CEO of IFS Capital Limited and was responsible for the overall management of the entities within IFS Group
- ◆ More than 30 years of experience in the banking industry
- ◆ Held senior positions in various banks with banking experience that extended across the ASEAN region

#### Past Key Appointments

- ◆ Group Chief Executive Officer, IFS Capital Limited
- ◆ Managing Director and Head of Citibank Commercial units in ASEAN



**RANDY SIM CHENG LEONG**  
EXECUTIVE DIRECTOR &  
GROUP CHIEF EXECUTIVE OFFICER

Date of first appointment as director : 1 July 2020  
Date of last re-election as director : 23 April 2021

#### IFS Board Committee(s) served on:

- ◆ Risk Management Committee (Member)<sup>1</sup>

#### Academic & Professional Qualifications

- ◆ Bachelor of Engineering (Honours), Electrical and Electronic Engineering, Nanyang Technological University, Singapore

#### Present Directorships in Other Listed Companies

- ◆ IFS Capital (Thailand) Public Company Limited (Chairman)

#### Other Principal Commitments

##### Directorship in Other Companies

Nil

##### Other Major Appointments (other than Directorships)

Nil

#### Past Directorships in other listed companies held over the preceding three years

Nil

#### Background & Experience

- ◆ Currently the Group Chief Executive of IFS Capital Limited and is responsible for the overall management of the entities within IFS Group
- ◆ Held the position as the Chief Executive Officer/Country Head of the Singapore business of IFS Capital Limited
- ◆ Began career in the Singapore Economic Development Board and subsequently spent eight years in Citibank across its consumer and commercial banking businesses

#### Past Key Appointments

- ◆ Chief Executive Officer/Country Head of the Singapore business of IFS Capital Limited

<sup>1</sup> With effect from 24 February 2022, the Risk Management Committee was merged with Audit Committee to form Audit & Risk Committee, whereupon Mr Randy Sim Cheng Leong relinquished his role as a member of the Risk Management Committee. The Audit & Risk Committee comprises – Chairman: Mr Tam Chee Chong and Members: Mr Barney Lau Tai Chiau and Mr Law Song Keng.

# GROUP MANAGEMENT TEAM



**RANDY SIM CHENG LEONG**  
*EXECUTIVE DIRECTOR & GROUP CHIEF EXECUTIVE OFFICER*



**CHIONH YI CHIAN**  
*GROUP CHIEF RISK OFFICER  
RISK MANAGEMENT, LEGAL, COMPLIANCE & SECRETARIAT*



**ANG IRIS**  
*GROUP CHIEF FINANCIAL OFFICER  
FINANCE, CORPORATE DEVELOPMENT*



**ZENG RENCHUN**  
*CHIEF EXECUTIVE OFFICER AND COUNTRY HEAD  
IFS CAPITAL LIMITED*

Yi Chian joined IFS Capital Limited in 1995. Prior to joining the Group, she practiced law in Singapore. She was appointed as the Group Chief Risk Officer in May 2009 and is responsible for risk management, legal, compliance and secretariat functions. She is also a Director of IFS Capital (Thailand) Public Company Limited and IFS Capital (Malaysia) Sdn. Bhd. and was previously appointed as a Director of ECICS Limited from February 2009 to October 2016. Yi Chian holds a Master's degree in Law as well as a Bachelor of Laws (Honours) from the National University of Singapore. In addition, she holds a Graduate Diploma in Compliance awarded by the International Compliance Association and is also a CFA charterholder.

Iris joined IFS Capital Limited as the Group Chief Financial Officer in February 2017. She is responsible for all accounting, financial and treasury management functions, including debt and equity fund raising and managing investor relations for the Group. She is also a Director of IFS Consumer Services Private Limited and IFS Asset Management Private Limited. Prior to joining the Group, she has over 10 years of experience as Chief Financial Officer in several listed companies in Singapore. Iris holds a professional qualification from the Association of Chartered Certified Accountants and is a fellow member of the Institute of Singapore Chartered Accountants.

Renchun joined IFS Capital Limited in October 2020 as the Chief Executive Officer / Country Head of the Singapore business of IFS Capital Limited. He is responsible for the overall management of IFS Capital Limited's business in Singapore. Renchun began his career at Citibank and spent more than 10 years in the banking industry across both the consumer and commercial banking businesses, including a 3 year stint in Shanghai. He was instrumental in driving the growth of these franchises in China and the ASEAN region. Renchun graduated from the Nanyang Technological University with First Class Honours in Bachelor of Science / Biological Sciences.



**CHOI KIN SENG**  
CHIEF EXECUTIVE OFFICER  
ECICS LIMITED

Kin Seng joined ECICS Limited in January 2019, as the Chief Executive Officer. Kin Seng holds a Bachelor of Science from Universiti Malaysia Sabah. He started his career in the Insurance Industry in Malaysia. In 2005, he moved to Singapore when he joined MACS-UIB Insurance Brokers Pte Ltd. In 2008, he joined Etiqa Insurance Bhd., Singapore Branch. Rising through the ranks, he was appointed as the Chief Executive in 2014. He also had the honour of winning the prestigious 'Claims Awards Asia 2014 under the category of Claims Innovation of the Year' during his stint with Etiqa. Prior to joining ECICS Limited, he was with FWD Singapore, as the Chief Operations Officer. Altogether, Kin Seng has at least 15 years of experience in the Insurance Industry.



**TAN LEY YEN**  
DIRECTOR AND CHIEF EXECUTIVE OFFICER  
IFS CAPITAL (THAILAND) PUBLIC COMPANY LIMITED

Ley Yen was appointed as the Chief Executive Officer in February 2007 of IFS Capital (Thailand) Public Company Limited. He was seconded to the Thailand's subsidiary as General Manager in May 1991 and was appointed Executive Director in October 2000. He has been with the Group since August 1985 and was seconded to PB International Factors Sdn. Bhd. as its General Manager in September 1990. Prior to joining the Group, he was with a local bank for several years. Ley Yen holds a MBA in International Management from the University of London and a Bachelor of Science (Honours) in Management Sciences from the University of Manchester Institute of Science and Technology.



**AB. RAZAK KHALIL**  
CHIEF EXECUTIVE OFFICER AND COUNTRY HEAD  
IFS CAPITAL (MALAYSIA) SDN. BHD.

Razak was appointed as the General Manager and Country Head of IFS Capital (Malaysia) Sdn. Bhd. in January 2015. He joined the Malaysia's subsidiary in June 2010 as the Head of Marketing and was responsible to grow the business in Malaysia. Prior to joining the Group, he worked with established organizations including Pembangunan Leasing Corporation (Subsidiary of Development Bank of Malaysia), Philips Malaysia and ISS Facility Services in various capacities which include Marketing, Credit & Legal, Logistics & Planning, Corporate Purchasing and Facilities Management. Razak holds a Bachelor of Science in Applied Science from Sunderland University, United Kingdom.



**GIOVANNI FLORENTINUS E.J.**  
PRESIDENT DIRECTOR AND COUNTRY HEAD  
PT. IFS CAPITAL INDONESIA

Giovanni rejoined in May 2020 as the President Director and Country Head of PT. IFS Capital Indonesia. Prior to rejoining the Group, he was the president director of PT. Tirta Finance. He was the Assets Based Finance Risk Head of Bank Danamon Indonesia for 11 years before he first joined us in January 2016. He was then responsible for all risk matters related to the Asset Based Financing. Overall, he has more than 25 years of working experience in the leasing and banking industry. He has held senior positions in his past employments including Gunung Sewu Kencana, Garishindo Buana Finance Indonesia and Brahma Saka Cipta. Giovanni holds a Bachelor Degree from the University of Indonesia majoring in Accountancy.

# OUR JOURNEY

**1987**

Expanded from credit insurance to financing, with the incorporation of International Factors (Singapore) Ltd

**1993**

IFS Capital Limited listed on the Mainboard of the Singapore Exchange

**2010**

IFS Capital (Thailand) Public Company Limited listed on the Stock Exchange of Thailand

**2021**

IFS Asset Management Private Limited obtained its RFMC license from MAS and launched its first private credit fund.

**1975**

Export Credit Insurance Corporation of Singapore was set up to promote the country's export drive

**1990-1992**

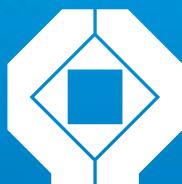
Regional expansion into Indonesia, Malaysia, Philippines and Thailand

**2003**

Phillip Assets became the largest shareholder after a shareholders' restructuring exercise

**2016**

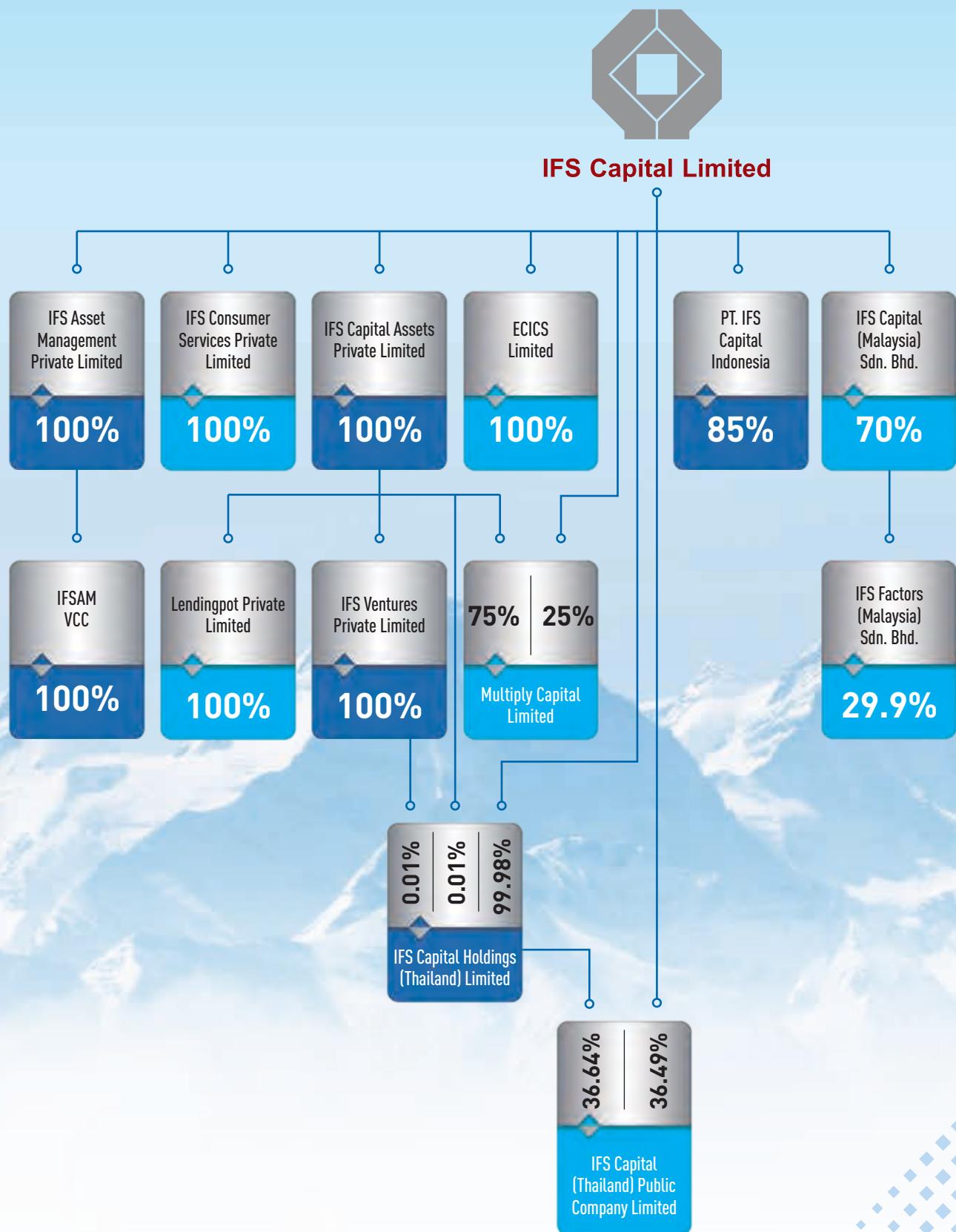
IFS became a subsidiary of Phillip Assets after a rights issue



**IFS Capital Limited**

To be the premier regional financial services provider to our clients through commitment to service excellence, creating sustainable value for our stakeholders.

# CORPORATE STRUCTURE



# CORPORATE SOCIAL RESPONSIBILITY



WE BELIEVE THAT EVERY COMPANY EXISTS TO CREATE VALUE FOR SOCIETY. EVERY COMPANY HAS A RESPONSIBILITY TO THE COMMUNITY THAT IT IS A PART OF. AS AN ORGANIZATION, OUR APPROACH TOWARDS CORPORATE SOCIAL RESPONSIBILITY IS BUILT ON BEING A FORCE FOR GOOD IN OUR COMMUNITIES. THIS ALSO GUIDES OUR BUSINESS DIRECTION, STAFF ENGAGEMENT, DAILY DECISION-MAKING, AND BUSINESS INITIATIVES. WE STRIVE TO REMAIN RESPONSIBLE, TRANSPARENT, AND CONSISTENT IN OUR ENGAGEMENT WITH THE COMMUNITIES THAT WE SERVE.

As an organisation, we are committed to provide responsible and sustainable financing and insurance solutions to our clients. In the same way, we seek to bring sustainable support to those in need within our communities. Our corporate social responsibility is an important part of our ethos and identity.

The world started to learn to live with Covid-19 in 2021. Vaccination campaigns eased the threat of the virus to our health. We also experienced a gradual return to social normalcy. Many businesses resumed most of their activities and community engagement also picked up momentum.

The safety of our staff remains at the centre of our business continuity planning. Even though national protocols allowed more people to return to the office, we continued to grant flexibility to our staff, especially those who are immunocompromised, pregnant, have young

children or elderly at home. Conscious of the mental toll that extended periods of remote working could take on our staff, company-wide virtual social events were also organized to engage our staff, and we reiterated the Company's commitment to protect their personal safety and to ensure the security of their jobs.

As an organization, we also found new ways to support communities in need. In 2021, we partnered Club Rainbow for the first time. Club Rainbow supports and empowers families and children living with chronic illnesses. These children and their families face long-drawn battles with illnesses and they need the support of the community. We collaborated with Club Rainbow to gift new school supplies to the children in a Back-To-School campaign. Staff donations poured in generously and formed a small mountain in the office during the Christmas season. We were touched by the heartfelt response of the recipients of our gifts.



Our volunteer work at Food from the Heart (FFTH) continued for the second year running. FFTH is an IPC-status food charity that feeds the needy in Singapore through regular distribution of essential food items. Our staff participated voluntarily despite concerns about health risks. Altogether, more than 40 of our staff offered their time and energy throughout the year to assemble food supplies in the FFTH warehouse into curated Community Food Packs for its beneficiaries. We plan to sustain this effort continuously.



# CORPORATE SOCIAL RESPONSIBILITY

We also continued to participate in the Corporate Share Program under the umbrella of Community Chest where donations are channelled to the various social service and charity programs supported by the Community Chest.

Beyond Singapore, IFS Thailand (IFST) joined in the fight against COVID-19 by supporting various hospitals and foundation. The third wave of Covid-19 had spread to all parts of Thailand since mid-April 2021. As a result, the number of hospitalised patients increased rapidly. IFST carried out its social responsibility in the crisis and donated to 5 medical institutions to support the treatment of Covid-19 patients:

1. Rajavithi Hospital
2. Chulalongkorn Hospital
3. The Chaipattana Foundation
4. Maharaj Nakorn Chiang Mai Hospital
5. Somdet Chaopraya Institute Psychiatry

At the education front, IFST donated to Plookchit School, which is under the Office of Education, Bangkok, to support their activities and scholarship on National Children's Day. Plookchit School is a public school that provides pre-school to primary school education with a total of 668 students.



We believe that every company exists to create value for society. Every company has a responsibility to the community that it is a part of. As an organization, our approach towards corporate social responsibility is built on being a force for good in our communities. This also guides our business direction, staff engagement, daily decision-making, and business initiatives. We strive to remain responsible, transparent, and consistent in our engagement with the communities that we serve.

# SUSTAINABILITY REPORT

Dear stakeholders,

As we embark on our fifth year of our sustainability reporting for the group, we would like to reaffirm our commitment towards achieving sustainable long-term growth, applicable to both our existing operations, as well as our forward-looking corporate strategies.

Our report aims to provide greater transparency and accountability to our stakeholders on our material environment, social and governance (ESG) matters and our progress towards each goal.

We share this review in a second year of sustained economic distress due to Covid-19 and a global shift towards endemicity. As such, in FY 2021 we focused on the following sustainability goals that we saw had a critical impact on our stakeholders: responsible financing, employee health and safety, as well as business process digitalization.

## 1. Economic and Socioeconomic

While FY 2021 saw a massive wave of global Covid-19 vaccinations, ongoing vaccine breakthroughs and looser travel restrictions has led to an unabating outbreak.

As a result, domestic restrictions continue to dampen the recovery of the overall economy with an uneven impact on our SME clients over large corporates. Supply-side challenges also emerged as a key risk as they faced increased material costs and manpower restrictions.

Our clients continue to be the bedrock of our business and our commitment to sustainable and accessible financing during this perilous period is of utmost priority. We continue to be a proud participating financial institution (PFI) in Enterprise Singapore's Enterprise Financing Scheme and continue to work with clients to access cashflow through factoring and secured financing despite weakened credit outlook.

Two of our proud initiatives that we undertook in FY 2021 were our strategic partnership with PrimeRevenue to launch a supply chain financing (SCF) solution in Southeast Asia and the establishment of our private credit fund under IFS Asset Management Private Limited (IFSAM). The SCF programme will be aimed at providing wide-scale financing for suppliers of large corporates by relying on their credit standing; thus improving the cashflows of SMEs in the region. This is targeted to be piloted in 2022.

Next, our subsidiary IFSAM launched its first private credit fund to help SMEs gain access to private investor funds, expanding new channels of funding for businesses.

Our personal lending business, Friday Finance, has also taken an approach to reward positive financial behaviours from individuals as part of our values towards responsible lending. This includes rebates on timely repayments, which reduce the cost and increase the accessibility of funds to responsible borrowers.

Despite the challenging year, we are pleased to have contributed to the economic sustainability of our community while maintaining our fiduciary duty to our shareholders and other stakeholders.

## 2. Environment

While the pandemic brought its own challenges, it also yielded new opportunities in digital transformation.

We accelerated our digital initiatives by completing the implementation of our new cloud-based lending operating system that enables us to digitalize a large portion of our lending process. In FY 2021, we expanded the implementation to Malaysia and our Singapore subsidiaries.

# SUSTAINABILITY REPORT

This enabled our employees to not only conduct most of their work digitally but from the comfort of their homes, supporting a hybrid working model, and reducing commutes and consequently, the carbon footprint. We also commenced progressive system enhancements to allow for secured digital submission and processing of documents for our customers. All of which are key to our pledge towards playing our part in Singapore's green plan.

In the years ahead, we will stretch our digitalization efforts towards the region, namely Indonesia and Thailand, and further enhance our capabilities to provide our customers with a greener and more efficient process.

## 3. Social

### *Our people*

The year 2021 was unlike any other, requiring us to shift our ways of working to manage between the safety of our people and building back into a "new normal". This stems from our firm belief that we are better when working together, and we intend to bring most of our employees back to the office once it is safe to do so.

With the vaccinations taking centre stage for the year, we are glad that more than 90% of our employees are completely vaccinated and can confidently return to office as we gradually brought back our workforce as per local guidelines and regulations.

Despite our resolve, we want to make sure that employees who remain unvaccinated or are at higher risk due to health and medical reasons are provided with the necessary support to continue to work remotely.

Therefore, we have stepped up our digital engagement efforts over the year, hosting regular virtual town halls to answer questions, provide support and share resources, as well as a series of employee engagement events to provide new joiners with opportunities to better understand the company's progress, culture and values.

Ultimately, our plans to return our employees to office are driven by data and not dates, and we will continue to provide work flexibility even after the pandemic.

Our employees are what make us win, and to progress we must ensure that our approach towards talent recruitment, retention and development are strengthened. In recruitment, we believe that diversity makes us stronger, and we value skills and experience from diverse backgrounds.

As such we have actively supported Workforce Singapore's career conversion programme for mid-career individuals to build good prospects and opportunities, allowing us to gain a wider pool of candidates that can add value to our company.

Campus recruitment and the launch of our management associate programme in FY 2021 are also important ways for us to diversify our workforce and build a robust pipeline of grown leaders. This includes identifying and grooming selected top talents through special rotations across the group, and opportunities to participate in high-level meetings with senior management.

The management associate programme is also our firm's commitment towards grooming Singapore's next generation of leaders in finance. As part of our retention and development initiative, we have also extended our management associate programme to internal employees, allowing a rotational programme for leaders at all levels and hence creating space for development and mobility.



### ***Giving back to society***

We are committed to giving back to our communities and our corporate social responsibility effort is focused on being a force for good by supporting the needs of the underprivileged in the communities that we serve.

To this end, we offer our employees the resources and opportunities to volunteer and contribute their time and resources to helping the needy. This includes our quarterly session with Food From The Heart to pack and sort food items that will be distributed to the needy, and our Christmas Collection in partnership with Club Rainbow for the Back To School campaign, where staff gift new school supplies to children with chronic illnesses.

### **4. Corporate Governance**

Corporate governance is crucial to our ability to grow, mitigate risk and safeguard the interests of our stakeholders. We remain committed to maintaining high standards of corporate governance across our businesses.

We have in place existing policies and procedures that include, but are not limited to, (1) IT Cyber Security, (2) Code of Business Conduct, (3) Anti-Money Laundering & Countering the Financing of Terrorism, (4) Personal Data Protection Laws, (5) Handling of Confidential Information & Prevention of Insider Trading, (6) Fraud and (7) Whistleblowing.

These policies and procedures are implemented through regular staff communication, engagement, mandatory employee training and assessment by independent parties.

### **Conclusion**

Through our businesses, we acknowledge that ESG commitments are essential to our firm-wide strategy to be a leading finance company in the region, and our efforts towards ESG must be long-term and ever-changing to the realities around us.

As Covid-19 continues to be part of our society, we are steadfast in our mission to support the SMEs and under-served communities, and aid in an equitable recovery. We also want to play a greater role towards driving the transition to a low-carbon economy through the adoption of greener and digital work processes, and supporting a car- and commute-lite society.

Finally, we want to make sure that our employees are safe, respected and given a workplace to grow and develop in their career through our investments. With the commitment of senior management and the board, we are confident in bolstering our ESG efforts in the years ahead.



# CORPORATE GOVERNANCE REPORT

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The Board of Directors is committed to maintaining high standards of corporate governance in the Group to preserve and maximize shareholders value. The Company has adopted the Code of Corporate Governance 2018 (the "2018 Code") as a benchmark for its corporate governance practices during the financial year ended 31 December 2021. This report sets out the corporate governance processes and activities with specific reference made to the principles of the 2018 Code and in so far as any provision has not been adhered to, appropriate explanations have been provided.

## BOARD MATTERS

### THE BOARD'S CONDUCT OF AFFAIRS

#### Principle 1

*The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.*

The Board oversees the businesses and affairs of the Group, works with management and is accountable to the shareholders for the long-term performance and financial soundness of the Group. In addition to its statutory responsibilities, the Board:

- sets the Group's overall strategic direction and long-term objectives and ensures the necessary financial and human resources are in place for the Group to meet its objectives;
- reviews the Group's operational and financial performance;
- reviews the performance of management;
- identifies the key stakeholder groups and recognises that their perceptions affect the Group's reputation;
- sets the Group's values and standards (including ethical standards) and ensures that obligations to shareholders and other stakeholders are understood and met;
- oversees the processes of evaluating the adequacy and effectiveness of internal controls and risk management systems; and
- considers sustainability issues as part of its strategic formulation.

The Directors discharge their duties and responsibilities in the best interest of the Group at all times and make decisions independently and objectively. If there are situations of conflict or potential conflict of interest, the Director in question will recuse himself from the discussion and abstain from participating in any Board decision.

#### Delegation by the Board

The Board has set up three Board committees, namely the Audit Committee, the Risk Management Committee and the Executive Resource and Compensation Committee, to assist the Board in the execution of its responsibilities. The three Board committees are constituted with clear terms of reference, setting out specific roles and responsibilities including reporting back to the Board. The details on the composition and functions of the Audit Committee<sup>1</sup>, the Risk Management Committee<sup>1</sup> and the Executive Resource and Compensation Committee can be found in the subsequent sections in this Report.

Management is responsible for the day-to-day operations of the Group as well as ensuring the implementation of the agreed Group's strategies and sound system of risk management and internal controls. The Group Chief Executive Officer is assisted by a Management Committee chaired by the Group Chief Executive Officer and comprising senior management staff. In the absence of the Group Chief Executive Officer, the appointed designate is authorised to make decisions on his behalf.

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<sup>1</sup> With effect from 24 February 2022, the Risk Management Committee was merged with the Audit Committee to form the Audit and Risk Committee.

# CORPORATE GOVERNANCE REPORT

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## **Annual General Meeting, Board and Board Committee Meetings and Attendance**

The Board holds four scheduled meetings in a year. In addition, special meetings may be convened as and when warranted to deliberate on urgent substantive matters.

During the financial year ended 31 December 2021, the Board held five meetings.

The attendance of the Board members at the Annual General Meeting ("AGM"), Board and Board Committee meetings during the financial year ended 31 December 2021 is set out as follows:

### **Attendance at the AGM, Board and Board Committee Meetings**

Name of Director	AGM	Board		Audit Committee <sup>(1)</sup>		RMC <sup>(1)</sup>		ERCC	
	Attendance	No. of Meetings <sup>(3)</sup>	Attendance						
Lim Hua Min	1	5	5	NA	NA	4	4	3	3
Law Song Keng	1	5	5	6	6	4	4	3	3
Tan Hai Leng Eugene <sup>(2)</sup>	1	5	5	NA	NA	4	4	NA	NA
Barney Lau Tai Chiau	1	5	5	6	6	NA	NA	3	3
Tam Chee Chong	1	5	5	6	6	NA	NA	NA	NA
Randy Sim Cheng Leong	1	5	5	NA	NA	4	4	NA	NA

RMC Risk Management Committee

ERCC Executive Resource and Compensation Committee

NA Not applicable

<sup>(1)</sup> With effect from 24 February 2022, the Risk Management Committee was merged with the Audit Committee to form the Audit and Risk Committee

<sup>(2)</sup> Mr Tan Hai Leng Eugene resigned as a director of the Company and ceased to be the Chairman of Risk Management Committee with effect from 17 February 2022

<sup>(3)</sup> The number of meetings held which each director was in office

## **Board Approval**

The Board has a formal schedule of matters reserved to it for its decision and these include:

- Group strategic direction and long-term plans;
- Announcements of financial results;
- Statutory accounts;
- Declaration of dividends;
- Budgets and financial planning;
- Establishment of joint ventures;
- Investments or increase in investments in businesses, projects, subsidiaries and associated companies;
- Acquisition or disposal of significant assets, businesses, subsidiaries or associated companies;
- Capital expenditure or any expenditure of significant amount;
- Borrowings of the Company beyond a certain limit in amount as set by the Board; and
- All major transactions or events.



# CORPORATE GOVERNANCE REPORT

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## **Board Induction and Training**

All new directors are briefed on their roles, duties and obligations as directors and the Group's key governance policies and practices.

The Company conducts a comprehensive induction programme to familiarise new directors with the Group's business and industry-specific knowledge. The induction programme gives new directors an understanding of the Group's operations to enable them to assimilate into their new roles. The Company also ensures that for any director who has had no prior experience as a director of a listed company to undergo training in the roles and responsibilities of a listed company director.

Development and training of directors is an ongoing process so that they can perform their duties appropriately. Such development and training programme is reviewed by the Executive Resource and Compensation Committee. The directors are provided with continuing briefings or updates in areas such as directors' duties and responsibilities, corporate governance, relevant changes in laws and regulations, changes in financial reporting standards and issues which have a direct impact on financial statements as well as industry trends and developments relevant to the Group's business operations. The Company Secretary circulates availability of relevant training courses which the directors may attend, with costs borne by the Company.

During the financial year ended 31 December 2021, the Board members were provided with updates to keep them abreast of industry trends, developments in accounting standards and changes in relevant laws and regulations and the code of corporate governance through presentations by Company Secretary, management and external auditors during Board or Board committee meetings.

## **Access to Information**

Management provides all the members of the Board with a progress report on the performance of the Group (including group consolidated accounts) on a monthly basis.

Prior to each Board meeting, the Board members are provided with board papers in advance of meetings so that sufficient time is given to the Board members to prepare. The board papers will set out information which includes background or explanatory information relating to the matters to be brought before the Board. In respect of budgets, any material variances between projections and actual results are explained.

The Chairman, with the assistance of the Company Secretary, exercises control over the quality and timeliness of information flow between the Board and management.

The directors have direct access to the Company's senior management and the Company Secretary. The Company Secretary attends and prepares minutes of all the Board meetings. The appointment and removal of the Company Secretary are subject to the approval of the Board.

The directors, whether as a group or individually, are also entitled to seek independent professional advice with costs to be borne by the Company on any issue(s) which may arise in the course of performing their duties.

# CORPORATE GOVERNANCE REPORT

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## BOARD COMPOSITION AND GUIDANCE

### Principle 2

*The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.*

The Executive Resource and Compensation Committee reviews and assesses the Board's composition each year and having considered the nature and scope of the Group's businesses, is satisfied that the Board currently has the appropriate size, balance and mix of skills, knowledge and experience for the Board to carry out its duties effectively.

The profile of the directors and key information are set out on pages 7 to 9.

### Board Independence

As at 31 December 2021, the Board comprises 6 directors of whom 3 are independent directors. Although the independent directors are not in a majority which is recommended in the 2018 Code where the Chairman of the Board is not an independent director, at 50:50 ratio of independent and non-independent directors, there is appropriate and sufficient level of independence in the Board as well as adequate safeguards and checks in place to ensure that decision making process by the Board is independent. The Board has always discussed important issues robustly and have always been able to reach a consensus on the votes without having to rely on any majority votes to decide nor having an individual or small group of individuals dominate the Board's decision-making process.

The nature of the directors' appointments on the Board as at 31 December 2021 is set out as follows:

Directors	Board Membership
Lim Hua Min	Non-Executive, Non-Independent, Chairman
Law Song Keng <sup>(1)</sup>	Non-Executive, Lead Independent Director
Tam Chee Chong	Non-Executive, Independent Director
Barney Lau Tai Chiau <sup>(2)</sup>	Non-Executive, Independent Director
Tan Hai Leng Eugene <sup>(3)</sup>	Non-Executive, Non-Independent Director
Randy Sim Cheng Leong	Executive Director, Group Chief Executive Officer

<sup>(1)</sup> Mr Law Song Keng was re-designated as Non-Independent Non-Executive Director of the Company and ceased to be the Lead Independent Director with effect from 1 January 2022.

<sup>(2)</sup> Mr Barney Lau Tai Chiau was appointed as the Lead Independent Director of the Company with effect from 1 January 2022.

<sup>(3)</sup> Mr Tan Hai Leng Eugene resigned as a director of the Company and ceased to be the Chairman of Risk Management Committee with effect from 17 February 2022.

Subsequent to the financial year ended 31 December 2021, there were changes to the Board size and composition as a result of the following:

- Mr Law Song Keng ceased to be an independent director pursuant to SGX-ST Listing Rule 210(5)(d)(iii) and was re-designated as a Non-Independent Non-Executive Director with effect from 1 January 2022.
- Mr Tan Hai Leng Eugene resigned as a Non-Executive Director and ceased to be the Chairman of the Risk Management Committee with effect from 17 February 2022.

Following the above, the Board currently comprises five (5) directors, of whom two (2) are independent directors. Although the independent directors are not in a majority which is recommended in the 2018 Code where the Chairman of the Board is not an independent director, the Executive Resource and Compensation Committee and the Board, having conducted a thorough evaluation, believe that the composition of the current Board, with Non-Executive Independent Directors making up one-third of the Board and Non-Executive Directors making up majority of the Board, remains appropriate and effective with sufficient level of independence. All the Non-Executive Directors, with the Chairman being the exception, do not have any conflict of interests whatsoever, are independent minded and are therefore able to exercise objective judgement and duties in the best interest of the Company. The Board will continue to assess and evaluate the need to appoint an additional non-executive independent director.

# CORPORATE GOVERNANCE REPORT

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## **Annual Review of Director's Independence**

The Executive Resource and Compensation Committee conducts a review and determines annually the independence of each director. In its deliberation as to the independence of a director, the Executive Resource and Compensation Committee took into account examples of relationships as set out in the 2018 Code, considered whether a director has business relationships with the Group, its substantial shareholders or its officers and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the interest of the Group. Each independent director is required to complete a Director Independence declaration annually to confirm his independence. The directors must also confirm whether they consider themselves independent despite not having any relationship identified in the 2018 Code.

For the financial year ended 31 December 2021, the Board, taking into account the views of the Executive Resource and Compensation Committee, considers Mr Tam Chee Chong, Mr Law Song Keng and Mr Barney Lau Tai Chiau to be independent directors.

In relation to Mr Law Song Keng who has served on the Board for more than nine years from the date of his first appointment, the Executive Resource and Compensation Committee and the Board have subjected his independence status to a particularly rigorous review in the light of Guideline 2.4 of the Code of Corporate Governance 2012. The Board is of the view that there is no automatic correlation between a director's tenure on the board and his independence and so a person's independence should not be determined arbitrarily on the basis of the number of years' of service on the board. In the review of the independence status of Mr Law Song Keng for the financial year ended 31 December 2021, the Executive Resource and Compensation Committee took into account Mr Law's inputs, views and judgment calls made during his deliberations and is satisfied with his independence in character and judgement and that he would be able to continue to present objective and independent views. The Board, taking into account the views of the Executive Resource and Compensation Committee, is satisfied that Mr Law Song Keng had demonstrated his ability to exercise strong independent judgment in his deliberations and had acted in the best interests of the Group, and that his length of service on the Board had not affected his independence. Accordingly, the Board determines Mr Law Song Keng to be independent for the financial year ended 31 December 2021, notwithstanding that he has served more than nine years on the Board. Mr Law has since been re-designated as a non-independent director with effect from 1 January 2022 based on the SGX-ST Listing rules.

Each of the above Directors had recused himself from the Board's deliberations on his independence.

## **Board Diversity**

The Company is committed to building an open, inclusive and collaborative culture and recognises the benefits of having people with diverse backgrounds and experience. It recognises that a diverse Board and its committees will enhance the decision-making process by utilizing the variety in skills, industry and business experiences of the members of the Board. In recognition of the importance and value of gender diversity in the composition of the Board, the Company will work towards achieving it moving forward.

## **Role of Non-Executive Directors/Independent Directors**

At Board Meetings, there is a deliberate culture of having Directors and management engage in open and constructive discussions on issues and proposals. The Non-Executive Directors and/or independent directors, led by the lead independent director, meet periodically without the presence of management and where appropriate, provide feedback to the Board and/or Chairman after such meetings.

# CORPORATE GOVERNANCE REPORT

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## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

### **Principle 3**

*There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

#### **Separation of the Role of Chairman and the Group Chief Executive Officer**

The Chairman and the Group Chief Executive Officer of the Company are separate persons and are not related to each other.

The Chairman is a Non-Executive Director while the Group Chief Executive Officer is an Executive Director. The roles of the Chairman and the Group Chief Executive Officer are kept separate and the division of responsibilities between them is set out in writing.

The Chairman is primarily responsible for the workings of the Board. The Chairman's responsibilities include approving the schedules of meetings and meeting agenda with the assistance of the Company Secretary. As Chairman of the Board, he also leads the Board in its discussions and deliberation, facilitates effective contribution by Non-Executive Directors and exercises control over the timeliness of information flow between the Board and management.

The Group Chief Executive Officer manages the business of the Group, implements the Board's decisions and is responsible for the day-to-day operations of the Group.

#### **Role of the Lead Independent Director**

The Lead Independent Director is appointed by the Board to provide leadership in situations where the Chairman is conflicted. He will also be available to shareholders where they have concerns for matters which contact through the normal channels of the Chairman, the Group Chief Executive Officer or Group Chief Financial Officer has failed to resolve, or where such contact is inappropriate.

## BOARD MEMBERSHIP

### **Principle 4**

*The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

#### **Executive Resource and Compensation Committee**

The Board has established the Executive Resource and Compensation Committee that performs both the roles of nominating committee and remuneration committee.

As at 31 December 2021, the Executive Resource and Compensation Committee comprises 3 members:

Barney Lau Tai Chiau	Chairman, Independent
Lim Hua Min	Member, Non-Independent
Law Song Keng <sup>(1)</sup>	Member, Independent

<sup>(1)</sup> Mr Law Song Keng was re-designated as Non-Independent Non-Executive Director of the Company and ceased to be the Lead Independent Director with effect from 1 January 2022.

Note:

With effect from 1 January 2022, the Executive Resource and Compensation Committee ("ERCC") comprises 3 Non-Executive Directors. Although there is no majority of independent directors which is recommended in the 2018 Code, the Chairman of ERCC, Mr Barney Lau Tai Chiau, is independent and is the Lead Independent Director. The Board believes that based on the composition of the current ERCC, with the Chairman being independent and all members being Non-Executive Directors, there is appropriate and sufficient level of independence as well as adequate safeguards and checks in place to ensure that decision making process by the ERCC is independent.



# CORPORATE GOVERNANCE REPORT

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The Executive Resource and Compensation Committee functions under the terms of reference as approved by the Board. Under the terms of reference, the Executive Resource and Compensation Committee (in respect of its function as a nominating committee):

- (i) assists the Board to assess the effectiveness of the Board as a whole as well as the contribution of the directors to the effectiveness of the Board;
- (ii) reviews the succession plans for directors, in particular, the appointment and/or replacement of the Chairman and the Group CEO and key management personnel;
- (iii) establishes a formal process for the Group on the appointment of directors, re-nomination and re-election of directors;
- (iv) considers and determines the independence of the directors, at least annually;
- (v) recommends to the Board on all Board appointments and re-appointments and approves appointments of key management personnel; and
- (vi) reviews the training and professional development programme for directors.

## **Criteria and Process for Nomination and Selection of New Directors**

The Company has put in place a formal process for the selection of new directors to increase transparency of the nominating process in identifying and evaluating nominees for directors.

The Executive Resource and Compensation Committee assists the Board in reviewing the composition of the Board and making the appropriate recommendations to the Board.

The Executive Resource and Compensation Committee leads the process as follows:

- (i) the Committee will consider the benefits of all aspects of diversity, and will evaluate the desired balance and diversity of skills, knowledge, gender and experience for the Board and, in the light of such evaluation, determines the role and the desirable competencies and attributes for a particular appointment;
- (ii) various sources may be used to look for potential candidates;
- (iii) the Committee meets with the short-listed candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and
- (iv) the Committee makes recommendations to the Board for approval.

In assessing a potential candidate, the Executive Resource and Compensation Committee would take into account factors such as the candidate's integrity and reputation, attributes, capabilities, qualifications and past experience.

All proposed appointment of potential new directors is reviewed by the Executive Resource and Compensation Committee before the recommendation is put up to the Board for its approval.

# CORPORATE GOVERNANCE REPORT

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## **Directors' Time Commitments**

The Executive Resource and Compensation Committee assesses if a director is able to and has been adequately carrying out his duties as a director of the Company, taking into account the director's number of listed company board representations and other principal commitments.

To address the time commitments of directors who sit on multiple boards, the meeting dates of the Board and Board committees are scheduled in advance at the beginning of each calendar year.

All directors are aware of their time commitment obligations. For the financial year ended 31 December 2021, each director signed a confirmation that, having regard to all his commitments, he has devoted sufficient time and attention to the affairs of the Company. The Executive Resource and Compensation Committee believes that putting a numerical limit on the number of listed board directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

The Executive Resource and Compensation Committee is of the view that the current qualitative assessment coupled with the annual confirmation of time commitment by directors is sufficient. Accordingly, the Board has not set a numerical limit on the maximum number of listed board representations a director can hold.

The Executive Resource and Compensation Committee is satisfied that all directors have discharged their duties adequately for the financial year ended 31 December 2021.

As at 31 December 2021, no alternate director has been appointed to the Board.

## **Rotation and Re-election of Directors**

The directors submit themselves for re-nomination and re-election at regular intervals in accordance with Article 94 of the Company's Constitution which requires one-third of the directors for the time being to retire from office by rotation at each Annual General Meeting (or, if the number is not a multiple of three, the number nearest to but not less than one-third).

In accordance with Article 100 of the Company's Constitution, all new appointees to the Board, if not elected by the shareholders at the Annual General Meeting, will only hold office until the next Annual General Meeting after the date of their appointment whereupon they will seek re-election at the Annual General Meeting.

For the forthcoming Annual General Meeting, Mr Lim Hua Min and Mr Barney Lau Tai Chiau will be retiring by rotation under Article 94 of the Company's Constitution. At the recommendation of the Executive Resource and Compensation Committee and as approved by the Board, Mr Lim Hua Min and Mr Barney Lau Tai Chiau will be seeking re-election at the forthcoming Annual General Meeting.

The detailed information on Mr Lim Hua Min and Mr Barney Lau Tai Chiau can be found on pages 183 to 186.



# CORPORATE GOVERNANCE REPORT

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## BOARD PERFORMANCE

### Principle 5

*The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

#### Board Evaluation

The Board has implemented a process carried out by the Executive Resource and Compensation Committee for assessing the effectiveness of the Board and its Board committees. The performance criteria for the board evaluation are in respect of board size and composition, board processes, board information and accountability, board performance in relation to discharging their responsibilities as set out in their respective terms of reference. In the beginning of each year, the Executive Resource and Compensation Committee conducts a self-assessment process that involves the completion of evaluation questionnaires on issues which include Board and Board committee performance, effectiveness, processes and composition. In the assessment process, the Executive Resource and Compensation Committee also takes into consideration the directors' inputs during the Board/Board Committee meetings and their contributions to the decision process offered by their different expertise and perspectives based on their background, industry, business knowledge and experience. The collated results are reviewed by the Executive Resource and Compensation Committee before they are submitted to the Board for discussion and determination of any areas for further improvements. Following the review, the Board is of the view that the Board and its Board committees are operating effectively.

## REMUNERATION MATTERS

### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

#### Principle 6

*The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

The Executive Resource and Compensation Committee also performs the role of a remuneration committee.

Pursuant to the terms of reference, the Executive Resource and Compensation Committee reviews and approves the remuneration packages for each director and the key management personnel, and also decides on policies relating to remuneration and incentive programs (including employees benefits and bonuses) for the employees of the Group. In reviewing the remuneration framework, the Executive Resource and Compensation Committee takes into consideration industry practices and benchmarks to ensure that its remuneration and compensation package are competitive. The Committee, if it requires, may seek expert advice on executive compensation matters from professional firms. During the financial year ended 31 December 2021, the Committee did not require the service of an expert adviser on executive compensation matters.

The Executive Resource and Compensation Committee also reviews the terms of compensation and employment for executive directors and key management personnel at the time of their employment including considering the Company's obligations in the event of termination of services. The service contracts of the Group Chief Executive Officer/Executive Director and key management personnel do not contain onerous removal clauses.

# CORPORATE GOVERNANCE REPORT

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## LEVEL AND MIX OF REMUNERATION

### **Principle 7**

*The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

### **Remuneration Policy**

The Group's remuneration policy is directed towards the attraction, retention and motivation of talent to achieve the Group's business objectives. The remuneration framework aims to foster a strong performance-oriented culture within an appropriate overall risk management framework. The Group subscribes to linking executive remuneration to corporate and individual performance, hence the remuneration framework ensures that rewards and incentives relate directly to the performance of individuals, the operations and functions in which they work for which they are responsible, and the overall performance of the Group.

### **Remuneration of Executive Director and Key Management Personnel**

The remuneration package of the Group Chief Executive Officer/Executive Director and key management personnel comprises of a fixed component which is benchmarked against the financial services industry and a variable component which is linked to the performance of the Group as well as the individual performance.

The variable component of the remuneration package is mainly in the form of cash-based variable bonuses which reward employees that commensurate with the performance of the Company. The performance-related variable cash bonus pool is computed based on guidelines approved by the Executive Resource and Compensation Committee. There were no share-based awards under long-term incentive scheme during the financial year ended 31 December 2021.

Based on the current mix of fixed and variable compensation components and design of the variable cash bonus pool formula, the remuneration of executives is aligned with the interests of shareholders and other stakeholders.

Having reviewed and considered the variable components of the Group Chief Executive Officer/Executive Director and key management personnel and the principles behind the formulation of the variable cash bonus pool, the Executive Resource and Compensation Committee is of the view that there is currently no requirement to institute contractual provisions in the terms of employment to reclaim the variable component of their remuneration paid in prior years.

### **Remuneration of Non-Executive Director**

For the Non-Executive Directors, they are remunerated based on a framework of basic director fees and committee fees which is formulated taking into account factors such as responsibilities, level of contribution and time spent. The framework is reviewed by the Executive Resource and Compensation Committee and endorsed by the Board.

The directors' fees payable to the Non-Executive Directors are subject to shareholders' approval at the Annual General Meeting. The Group Chief Executive Officer/Executive Director does not receive director's fees.

The Company does not have any share-based compensation schemes or any long-term scheme involving the offer of shares in place to encourage independent directors to hold shares in the Company.



# CORPORATE GOVERNANCE REPORT

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## DISCLOSURE ON REMUNERATION

### Principle 8

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

#### Disclosure of Remuneration of the Directors

A breakdown showing the level and mix of each individual director's remuneration payable for the financial year ended 31 December 2021 is as follows:

<b>Remuneration Band</b>	<b>Number of Directors</b>	
	<b>FYE 31 Dec 2021</b>	<b>FYE 31 Dec 2020</b>
\$500,000 to below \$750,000	1	0
\$250,000 to below \$500,000	0	2
Below \$250,000	5	6
Total	<b>6</b>	<b>8</b>

<b>Remuneration Band/ Directors of Company</b>	<b>Directors' Fees<sup>(1)</sup></b>	<b>Fixed Pay</b>	<b>Annual Wage Supplement and Variable Bonus</b>	<b>Allowances &amp; Others</b>	<b>Total</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
(i) <b>\$500,000 to below \$750,000</b>					
Randy Sim Cheng Leong	–	49	51	–	100
(ii) <b>\$250,000 to below \$500,000</b>					
–	–	–	–	–	–
(iii) <b>Below \$250,000</b>					
Mr Lim Hua Min	100	–	–	–	100
Mr Law Song Keng	100	–	–	–	100
Mr Tam Chee Chong	100	–	–	–	100
Mr Barney Lau Tai Chiau	100	–	–	–	100
Mr Tan Hai Leng Eugene <sup>(2)</sup>	100	–	–	–	100

<sup>(1)</sup> Directors' Fees refer to fees for the financial year ended 31 December 2021, subject to approval by shareholders at the forthcoming AGM

<sup>(2)</sup> Mr Tan Hai Leng Eugene resigned as a director of the Company and ceased to be the Chairman of Risk Management Committee with effect from 17 February 2022

# CORPORATE GOVERNANCE REPORT

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## **Key Management Personnel's Remuneration**

A breakdown of the compensation for the Group's key management personnel (who are not directors or the Group Chief Executive Officer of the Company) as at 31 December 2021 into remuneration bands of \$250,000 is as follows:

<b>Remuneration Band*</b>	<b>FYE 31 Dec 2021</b>	<b>FYE 31 Dec 2020</b>
\$750,000 to below \$1,000,000	0	1
\$500,000 to below \$750,000	1	0
\$250,000 to below \$500,000	5	3
Below \$250,000	1	3
<b>Total</b>	<b>7</b>	<b>7</b>

\* The quantification of the remuneration band is based on exchange rate prevailing during the respective financial years.

In aggregate, the total remuneration paid to the above key management personnel of the Group (who are not directors or the Group Chief Executive Officer of the Company) is \$2.6 million for the financial year ended 31 December 2021.

The 2018 Code recommends that the report should set out the names of at least the top five key management personnel (who are not directors or the Group Chief Executive Officer of the Company) as well as full disclosure of the remuneration figure for each director, the Group Chief Executive Officer and the top five key management personnel. Given the competitive industry conditions, the Board, after weighing the advantages and disadvantages, feels that it is in the interests of the Company that the names of the key management personnel are not disclosed and the remuneration of the Group Chief Executive Officer/Executive Director, the Non-Executive Directors and the key management personnel be disclosed in bands of \$250,000.

During the financial year ended 31 December 2021, there was no employee who was a substantial shareholder or an immediate family member of a director or the Group Chief Executive Officer or a substantial shareholder of the Company and whose remuneration exceeds \$100,000 during the year.

Currently, the Company does not have any employee share schemes.

## **ACCOUNTABILITY & AUDIT**

### **RISK MANAGEMENT AND INTERNAL CONTROLS**

#### **Principle 9**

*The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

#### **Accountability**

The Company recognises the importance of providing the Board with accurate and relevant information on a timely basis. Therefore, Management provides all the members of the Board with management accounts on the performance of the Group on a monthly basis.

The Board takes adequate steps through the establishment of appropriate internal policies to ensure compliance with legislative and regulatory requirements, including requirements under the SGX-ST Listing Manual.

# CORPORATE GOVERNANCE REPORT

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## **Risk Management and Internal Controls**

The Board has oversight responsibility for risk management and internal controls of the Group assisted by the Audit Committee and the Risk Management Committee<sup>1</sup>.

The Audit Committee reviews the adequacy and effectiveness of the internal control system that includes financial, operational, compliance and information technology controls established by management, with the assistance of the internal and external auditors. Any significant internal control weaknesses noted during their audits are highlighted to the Audit Committee and the internal auditors assist in monitoring that necessary actions are taken by management.

The Board, considering the current Group's business and portfolio size that has grown over the years, established the Risk Management Committee in financial year 2020 as part of the Group's further effort to strengthen its risk management processes and framework.

## **Risk Management Committee**

As at 31 December 2021, the Risk Management Committee comprises 4 members:

Tan Hai Leng Eugene	Chairman, Non-Independent
Lim Hua Min	Member, Non-Independent
Law Song Keng <sup>(1)</sup>	Member, Independent
Randy Sim Cheng Leong	Member, Non-Independent

<sup>(1)</sup> Mr Law Song Keng was re-designated as Non-Independent Non-Executive Director of the Company with effect from 1 January 2022.

*Note:*

With effect from 24 February 2022, the Risk Management Committee was merged with Audit Committee to form the Audit & Risk Committee. The Audit & Risk Committee comprises – Chairman: Mr Tam Chee Chong and Members: Mr Barney Lau Tai Chiau and Mr Law Song Keng.

The Risk Management Committee functions under the terms of reference approved by the Board which sets out its duties and responsibilities. The role of the Risk Management Committee includes but not limited to:

- (i) review and approve the risk management frameworks, policies and strategies for effective risk management of various risk exposures arising from all business activities and business operations;
- (ii) review and recommend risk tolerance levels (risk appetite statement, risk limits, regulatory capital limits) for the Board's approval;
- (iii) oversee the cultivation of a strong risk culture that promotes risk awareness and sound risk-taking decisions;
- (iv) review the adequacy of risk frameworks, policies, strategies and resources governing the risk management process and reviews management's performance;
- (v) review the scope, effectiveness, objectivity and independence of the risk management; and
- (vi) review reports to monitor and be updated on the Company's risk exposure, risk culture, internal controls and the effectiveness of the risk management system.

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<sup>1</sup> With effect from 24 February 2022, the Risk Management Committee was merged with Audit Committee to form the Audit & Risk Committee.

# CORPORATE GOVERNANCE REPORT

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Management is responsible for maintaining a sound system of risk management and internal controls. Risk assessment and evaluation is an ongoing process which forms an integral part of the Group's business cycle. The Group has in general adopted a standard procedure in managing risks. This includes the identification and evaluation of priority risks and a monitoring mechanism to respond to changes within both the enterprise and the business environment. In order to ensure smooth running of the risk management process, key business objectives have been communicated by management to the heads of the various departments in the Group. The Group's operating units are aware of their responsibilities for the internal control systems and the role they play in ensuring that the financial results are properly stated in accordance with statutory requirements and the Group's policies.

## **Board's Commentary on adequacy and effectiveness of internal controls**

The Board has received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer that, for the financial year ended 31 December 2021, the Group's financial records have been properly maintained, and the financial statements give a true and fair view of the Group's operations and finances.

The Board has also received assurance from the Group Chief Executive Officer and key management personnel who are responsible that as at 31 December 2021, the Group's risk management and internal control systems are effective and adequate to address the risks which the Group considers relevant and material to its operations.

Based on the risk management framework and the system of internal controls established and maintained by the Group, information furnished to the Board, the internal and external audits conducted and the reviews performed by management, the Board, with the concurrence of the Audit Committee and the Risk Management Committee, is of the opinion that the Group's system of risk management and internal controls addressing financial, operational, compliance and information technology risks was adequate and effective to meet the Group's current business objectives as at 31 December 2021.

The Board notes that all internal control systems contain its inherent limitations and no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities. Hence, the system of internal controls can only provide reasonable, but not absolute, assurance against material financial misstatement or loss.

## **AUDIT COMMITTEE**

### **Principle 10**

*The Board has an Audit Committee which discharges its duties objectively.*

### **Composition of the Audit Committee**

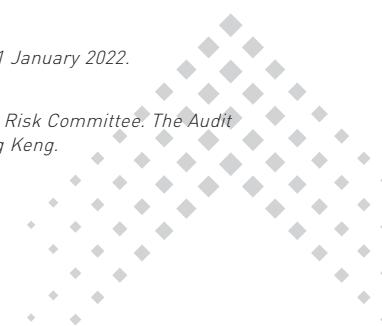
As at 31 December 2021, the Audit Committee comprises 3 members:

Tam Chee Chong	Chairman, Independent
Law Song Keng <sup>(1)</sup>	Member, Independent
Barney Lau Tai Chiau	Member, Independent

<sup>(1)</sup> Mr Law Song Keng was re-designated as Non-Independent Non-Executive Director of the Company with effect from 1 January 2022.

Note:

With effect from 24 February 2022, the Risk Management Committee was merged with Audit Committee to form the Audit & Risk Committee. The Audit & Risk Committee comprises – Chairman: Mr Tam Chee Chong and Members: Mr Barney Lau Tai Chiau and Mr Law Song Keng.



# CORPORATE GOVERNANCE REPORT

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The Audit Committee members collectively have recent and relevant accounting or related financial management expertise or experience. The Board is of the view that the members of the Audit Committee have the requisite experience and expertise to discharge the functions of the Audit Committee.

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the Audit Committee.

## **Authority and Duties of the Audit Committee**

The Audit Committee functions under the terms of reference approved by the Board which sets out its duties and responsibilities. The role of the Audit Committee includes:

- (i) review of significant financial reporting issues and judgments so as to ensure integrity of the financial statements of the Group;
- (ii) review of the announcements relating to the Group's financial performance;
- (iii) review of the adequacy and effectiveness of the Group's internal controls systems;
- (iv) review of the assurance from the Group Chief Executive Officer and the Group Chief Financial Officer on the financial records and financial statements;
- (v) make recommendations to the Board on the appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors;
- (vi) review of the adequacy, effectiveness, independence, scope and results of the external audit and the internal audit function;
- (vii) review of any interested person transactions (as defined in Chapter 9 of SGX-ST Listing Manual); and
- (viii) review of the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

The Audit Committee is authorised to investigate any matters within its terms of reference, with full access to and co-operation by the management. The Audit Committee also has full discretion to invite any director or executive officer to attend its meetings and reasonable resources to carry out its functions.

In the course of the year, at Audit Committee meetings, the external auditor, KPMG LLP briefed the Audit Committee members on developments in accounting and governance standards as well as issues which have a direct impact on financial statements.

In performing its functions, the Audit Committee met with the internal and external auditors, without the presence of management, and reviewed the overall scope of both the internal and external audits, and the assistance given by management to the auditors.

## **Review of Financial Statements**

In the review of the financial statements for the financial year ended 31 December 2021, the Audit Committee discussed with management and the external auditors on significant issues and assumptions that impact the financial statements, including the assurance from the Group Chief Executive Officer and the Group Chief Financial Officer on the financial records and financial statements. The most significant matters have also been included in the Independent Auditors' Report to the members of the Company under "Key Audit Matters", namely (i) valuation of loan and factoring receivables; (ii) valuation of unquoted investments; (iii) valuation of insurance contract provisions; and (iv) valuation of deferred tax assets. Based on its review as well as discussion with management and the external auditors, the Audit Committee is satisfied that those matters, including the four Key Audit Matters, have been properly dealt with and recommended the Board to approve the financial statements for the financial year ended 31 December 2021 and the Board has approved them.

# CORPORATE GOVERNANCE REPORT

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## **Review of Independence of External Auditor**

The Audit Committee also undertook the annual review of the independence of external auditors through discussions with the external auditors as well as reviewing all the non-audit services provided by the external auditors and the fees payable to them. The Audit Committee is satisfied that the non-audit services performed by them would not affect the independence of the external auditors.

A breakdown of the fees of audit and non-audit services paid to the external auditors for the financial year ended 31 December 2021 is found in note 35 of the financial statement on page 122 of this Annual Report.

The Board and the Audit Committee are of the view that it is timely to effect a change of auditors for the forthcoming financial year ending 31 December 2022. Following evaluation of the proposals from various established audit firms and after due deliberations, the Board, at the recommendation of the Audit Committee, recommends that Messrs Ernst & Young LLP be appointed as the external auditors of the Company at the forthcoming Annual General Meeting, in place of Messrs KPMG LLP. Details of the proposed change of auditors are further set out in the Appendix dated 4 April 2022 to the Annual Report 2021.

## **Internal Audit**

The Group has an in-house internal audit function that is independent of the activities it audits. The Internal Audit department was set up to ensure internal controls are adequate and to monitor the performance and effective application of the internal audit procedures with regards to these controls. In the course of their work, the internal auditors' activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors have full access to the Group's documents, records and personnel necessary for the purpose of their duties.

The internal auditors report functionally to the Chairman of the Audit Committee on audit matters and to the Group Chief Executive Officer on administrative matters.

## **Adequacy of the Internal Audit Function**

The Audit Committee ensures that the internal audit function has adequate resources, is staffed with persons with relevant qualification and expertise and has appropriate standing within the Group. The Audit Committee, on an annual basis, assesses the effectiveness of the internal auditors, whose primary line of reporting is to the Audit Committee on audit matters, by examining:

- (i) the scope of the internal auditors' work;
- (ii) the quality of their reports, including major findings on internal audit during the year and Management's responses thereto, difficulties encountered during the course of the audit, significant changes to the audit programme and compliance with relevant professional internal audit standards;
- (iii) the audit programme and the internal audit charter;
- (iv) the hiring, removal, evaluation and compensation of the Head of Internal Audit;
- (v) their relationship with the external auditors; and
- (vi) their independence of the areas reviewed.

## **Whistleblowing Policy**

The Company has in place a whistleblowing framework, endorsed by the Audit Committee, which provides the mechanisms where employees may, in confidence, raise concerns of any improprieties, including in relation to financial report, to the Audit Committee Chairman. Details of the whistleblowing policy, together with the communication channels have been made available to all employees. The whistleblowing framework has a well-defined process which

# CORPORATE GOVERNANCE REPORT

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ensures independent investigation of issues/concerns raised and appropriate follow-up action, and provides assurance that employees will be protected from reprisal within the limits of the law or victimisation for whistleblowing in good faith. Anonymous reporting will also be attended to and anonymity honoured. The whistleblowing policy and procedures are reviewed by the Audit Committee from time to time to ensure that they remain relevant. The Audit Committee reports to the Board on such matters at the Board meetings. Should the Audit Committee receive reports relating to serious offences and/or criminal activities in the Group, the Audit Committee and the Board have access to the appropriate external advice where necessary. There was no reported incident pertaining to whistleblowing during the financial year ended 31 December 2021 and until the date of this Annual Report.

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

#### **Principle 11**

*The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

To facilitate shareholders' ownership rights, the Board ensures that all material information is disclosed on a comprehensive, accurate and timely basis.

All shareholders are entitled to attend the Annual General Meeting and are afforded the opportunity to participate effectively. All shareholders are given the chance to raise relevant questions and to communicate their views in the Annual General Meeting. The Company's Constitution allows shareholders who are not "Relevant Intermediaries" (as defined in the Companies Act) to appoint not more than two proxies to attend, speak and vote in his place at general meetings of shareholders. Under the new multiple proxies regime, "Relevant Intermediaries" such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund Board, are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors to be appointed as proxies to participate at general meetings.

All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, were clearly explained by the scrutineers at such general meetings.

#### **Conduct of Shareholder Meetings**

Shareholders are informed of shareholdings' meetings through published notices and reports or circulars made available to all shareholders. Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. The Annual General Meeting procedures provide shareholders the opportunity to raise relevant questions relating to each resolution tabled for approval. Opportunities are given to shareholders to participate, engage and openly communicate their views on matters relating to the Group to the directors and the external auditors.

Voting in absentia by mail, electronic mail or fax may only be possible after careful study to ensure that the integrity of the information and authentication of identity of shareholders through the web are not compromised.

The Company conducts electronic poll voting for all the resolutions passed at the shareholders' meetings for greater transparency in the voting process. Before commencement of the proceedings at the shareholders' meetings, the

# CORPORATE GOVERNANCE REPORT

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independent scrutineer appointed by the Company will disclose the voting and vote tabulation procedures. Votes cast for, or against, each resolution will be tallied and displayed live-on-screen to shareholders at the meeting. The total numbers and percentage of votes cast for or against the resolutions are also announced after the meetings via SGXNet.

All directors, in particular the Chairpersons of the Board Committees and the external auditors attend Annual General Meetings to address any questions which may be raised by the shareholders at such meetings.

Minutes of shareholder meetings which include substantive comments or queries from shareholders and responses from the Chairman, board members and Management are available on the Company's corporate website. The Company ensures that there are separate resolutions at general meetings for each substantially separate issue and avoids the "bundling" of separate resolutions.

The Company aims to pay a sustainable and growing dividend over time, consistent with long-term growth prospects. Dividends will be declared on an annual basis, taking into consideration the Group's financial performance, cash position, cash flow generated from operations, projected capital requirements for business growth, general global economic conditions and other factors as the Board may deem appropriate. As a guide, the Company endeavours to pay annual dividends up to 30% of its net profit after tax.

## **Conduct of Annual General Meeting in 2021 ("2021 AGM") amidst current Covid-19 pandemic**

Due to prevailing Covid-19 restrictions, shareholders were not able to attend the 2021 AGM in person. Instead, the Company held the 2021 AGM by electronic means and shareholders were invited to participate in the virtual 2021 AGM by (a) observing and/or listening to the AGM proceedings via live audio-visual webcast or live audio-only stream; (b) submitting questions in advance of the 2021 AGM; and (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the 2021 AGM.

## **Conduct of Annual General Meeting in 2022 ("2022 AGM")**

As a precautionary measure due to the current Covid-19 situation in Singapore, shareholders will not be able to attend 2022 AGM in person. Instead, the Company will be holding its 2022 AGM by electronic means on 22 April 2022 and shareholders are invited to participate at its 2022 AGM by (a) observing and/or listening to the 2022 AGM proceedings via live audio-visual webcast or live audio-only stream; (b) submitting questions in advance of the 2022 AGM; and (c) appointing the Chairman of the Meeting as proxy to vote on their behalf at the 2022 AGM. Details of the steps for pre-registration, submission of questions and voting at the 2022 AGM by shareholders, including CPF and SRS investors, are set out in a separate announcement released on SGXNET on 4 April 2022. In view of the constantly evolving Covid-19 situation in Singapore, the Company may be required to change its arrangements for the AGM at short notice and shareholders should check SGXNET for the latest updates on the status of the 2022 AGM.

## **ENGAGEMENT WITH SHAREHOLDERS**

### **Principle 12**

*The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

The Board strives for timeliness in its disclosures to shareholders and the public and it is the Board's policy to keep shareholders informed of material developments that would have an impact on the Company or the Group through announcements via SGXNET. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, an announcement will be released to the public via SGXNet.

# CORPORATE GOVERNANCE REPORT

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During the financial year ended 31 December 2021, the Board provided shareholders with half-yearly and annual financial reports. Results for the half-year were released to the shareholders within 45 days of the reporting period while the full-year results were released to the shareholders within 60 days of the financial year-end. In presenting the annual financial statements and announcements of financial results to the shareholders, the Board aims to provide a balanced and understandable assessment of the Group's financial performance and prospects.

At general meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, Board members and management. The Company encourages and values shareholders' participation at the general meetings.

In addition, the Group also uses other channels where appropriate for communication with the shareholders, such as press releases, regularly updated corporate website, annual reports, analyst briefings and shareholders' meetings. The Company also notifies shareholders in advance of the date of release of its financial results through announcements via SGXNET and posting them on the corporate website.

The latest Annual Reports, financial results and company announcements are posted on the corporate website following the release to the market. The corporate website has a clearly dedicated "Investor Relations" link, which enables shareholders to raise their queries or concerns.

## MANAGING STAKEHOLDERS RELATIONSHIPS

### ENGAGEMENT WITH STAKEHOLDERS

#### **Principle 13**

*The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

The Group's key stakeholders are those who materially impact its strategy or are directly impacted by it. They comprise our shareholders/investors, customers, employees, business partners and community.

The Group has regularly engaged its material stakeholders through various means to have an understanding of the matters that they are most concerned with. This would help us define our strategic priorities and guide our initiatives.

During the financial year ended 31 December 2021, having considered the environmental, social and governance issues, the Group mapped out the key areas of focus in relation to the management of the respective stakeholder relationships. Please refer to the Sustainability Report on page 17 to 19.

#### **Code on Dealings in Securities**

The Company has issued a Code on Dealings in IFS Securities (the "Internal Code") to directors and key employees (including employees with access to price-sensitive information in relation to the Company's shares) of the Company, setting out a code of conduct on dealings in the Company's shares by these persons in line with the best practices set out in Rule 1207(19) of the SGX-ST Listing Manual. The guidelines under the Internal Code, inter alia, provide that officers (i) should not deal in the Company's shares on short-term considerations; and (ii) should not deal in the Company's shares during the "black-out" period commencing one month before the announcement of the Company's half-year and full-year financial results, and ending on the date of announcement.

# ADDITIONAL INFORMATION

## Interested Persons Transactions

The transactions entered into during the financial year are as follow:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
	12 months 31 Dec 2021 S\$'000	12 months 31 Dec 2020 S\$'000
<b>Credit Facility Granted</b>		
Phillip Credit Pte Ltd	34	294
	34	294

## Material Contracts Involving Directors' Interest

Saved as disclosed in the notes to the financial statements, there were no material contracts entered into by the Group involving the interest of the directors





## FINANCIAL REPORT

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# DIRECTORS' STATEMENT

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We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2021.

In our opinion:

- (a) the financial statements set out on pages 52 to 175 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

## Directors

The directors in office at the date of this statement are as follows:

Lim Hua Min  
 Barney Lau Tai Chiau  
 Law Song Keng  
 Tam Chee Chong  
 Tan Hai Leng Eugene [Resigned on 17 February 2022]  
 Randy Sim Cheng Leong

## Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
<b>Ultimate holding company</b>		
<b>Phillip Assets Pte. Ltd.</b>		
<b>Lim Hua Min</b>		
– ordinary shares	39,100,000	39,100,000
<b>IFS Capital Limited – Company</b>		
<b>Lim Hua Min</b>		
– ordinary shares		
– deemed interests	226,586,029	226,586,029
<b>Tan Hai Leng Eugene</b>		
– ordinary shares	200,000	200,000
<b>Randy Sim Cheng Leong</b>		
– ordinary shares	1,0500,000	1,0500,000
<b>IFS Factors (Malaysia) Sdn. Bhd. – Subsidiary</b>		
<b>Randy Sim Cheng Leong</b>		
– ordinary shares	1	1

# DIRECTORS' STATEMENT

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Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2022.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for the salaries, bonuses and fees and those benefits that are disclosed in this statement and in notes 35 and 40 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit 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.

## Audit Committee\*

The members of the Audit Committee during the year and at the date of this statement comprise the following Non-Executive Directors:

Tam Chee Chong (Chairman)	Independent
Law Song Keng	Independent**
Barney Lau Tai Chiau	Independent

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held six meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- half year financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

\* With effect from 24 February 2022, the Risk Management Committee was merged with Audit Committee to form Audit & Risk Committee.

\*\* Mr Law Song Keng was re-designated as Non-Independent Non-Executive Director of the Company with effect from 1 January 2022.

# DIRECTORS' STATEMENT

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The Audit Committee is satisfied with the independence and objectivity of the external auditors, KPMG LLP. The Audit Committee has recommended to the Board of Directors that Ernst & Young LLP, be nominated for appointment as the incoming external auditors of the Company in the financial year 2022 in place of the retiring auditors, KPMG LLP, at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712, 715 and 716 of the SGX Listing Manual.

## Auditors

The retiring auditors, KPMG LLP, will not be seeking re-appointment.

On behalf of the Board of Directors

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**Randy Sim Cheng Leong**

*Director*

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**Lim Hua Min**

*Director*

**Singapore**

25 March 2022



# INDEPENDENT AUDITORS' REPORT

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Members of the Company

IFS Capital Limited

## **Report on the audit of the financial statements**

### *Opinion*

We have audited the financial statements of IFS Capital Limited ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 175.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### *Basis for opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Valuation of loans and factoring receivables (\$313.1 million)</b> (Refer to Notes 10, 15 and 41 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
Provision of loans and factoring financing is the principal activity of the Group. Loans and factoring receivables are the most significant financial statement captions in the Group's consolidated statement of financial position. The Group's loans and factoring receivables have exposures in Singapore, Thailand, Malaysia and Indonesia. While the portfolio in Indonesia exhibits higher credit risk, the size of this portfolio is relatively small, as compared to the portfolios in Singapore and Thailand.	<p>We have involved our accounting specialists in the assessment of the Group's application of the ECL model under SFRS(I) 9 and overall reasonableness of the impairment valuation, in light of the COVID-19 pandemic. Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Evaluated the reasonableness of the methodology, assumptions and estimates used in the ECL model for alignment with SFRS(I) 9 requirements;</li> </ul>

# INDEPENDENT AUDITORS' REPORT

Valuation of loans and factoring receivables (\$313.1 million) (Continued)  
 (Refer to Notes 10, 15 and 41 to the financial statements)

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The application of the expected credit loss ("ECL") model under SFRS(I) 9 <i>Financial Instruments</i> and the determination of ECL for the loans and factoring receivables involve significant management judgement. There is a risk that the measurement of ECL allowances for the Group's loans and factoring receivables is inappropriate.</p>	<ul style="list-style-type: none"> <li>• Discussed the most recent development in the credit risk assessment with focus on sectors that are vulnerable to the COVID-19 pandemic, such as retail and construction, and reviewed the resulting changes to the ECL model with the refreshed forward looking elements;</li> <li>• Tested operating effectiveness of controls for credit reviews and assessed the appropriateness of management's internal credit quality grading model for loans and factoring receivables;</li> <li>• Independently re-performed the impairment computations on selected accounts and compared with management's computation, including testing of the inputs to the ECL model such as the probability of default, agreed payment plans, payment track records and the valuation of the collaterals held by the Group; and</li> <li>• Assessed the adequacy and completeness of the Group's disclosures on the credit risk in respect of the loans and factoring receivables in the financial statements against SFRS(I) 7.</li> </ul>
<p>Findings:</p> <ul style="list-style-type: none"> <li>• Based on the work performed, we found the ECL allowances provided for the loans and factoring receivables to be reasonable.</li> <li>• We also found the disclosures on the valuation of loans and factoring receivables to be materially in accordance with the relevant requirements.</li> </ul>	



# INDEPENDENT AUDITORS' REPORT

Valuation of unquoted investments (\$1.6 million) (Refer to Notes 9 and 41 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's investments are a significant financial statement caption in the Group's consolidated statement of financial position, and comprise debt securities, unquoted convertible loans and quoted and unquoted equity securities.</p> <p>There is a risk that the assessment of the carrying value does not accurately reflect its fair value as at the reporting date. The risk is not uniform for all investment types and is greatest for the unquoted convertible loans. These are hard-to-value structured financial instruments with embedded derivatives and are subjected to management estimates and judgements.</p>	<p>We have assessed the valuation methodology applied and the assumptions used in the valuation models to determine the fair value of unquoted investments. Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>Evaluated the appropriateness of the valuation model and the reasonableness of inputs used;</li> <li>Considered the implication of the COVID-19 pandemic and challenged the Group's key judgements and assumptions used in the determination of the fair value of unquoted investments by corroborating these with external sources and industry information where possible; and</li> <li>Assessed the adequacy of the disclosures made by the Group in relation to their description of the assumptions, estimates made and the sensitivity of the valuation of the unquoted investments to changes in those assumptions and estimates.</li> </ul> <p><b>Findings:</b></p> <ul style="list-style-type: none"> <li>In respect of the unquoted convertible loan, we found that the Group's cash flow forecast was reasonably supported, and the discount rate used was balanced in comparison with market data.</li> <li>Overall, we found the Group's disclosures of the assumptions and estimates made for valuing level 3 financial instruments and the sensitivity analysis to changes in those assumptions and estimates to be materially in accordance with relevant requirements.</li> </ul>

# INDEPENDENT AUDITORS' REPORT

Valuation of deferred tax assets (\$3.2 million)  
 [Refer to Note 12 to the financial statements]

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group has significant deferred tax assets amounting to \$3.2 million arising mainly from unutilised tax losses as of 31 December 2021. There is inherent uncertainty involved in forecasting future taxable profits, which determines the extent to which deferred tax assets are or are not recognised.</p>	<p>We have assessed the forecasts of future taxable profits prepared by management and the basis used to determine the realisation of deferred tax assets. Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the Group's budgeting process upon which the forecasts are based;</li> <li>• Challenged management's key assumptions used in the forecasts, including the projected revenue growth rate, projected gross profit margin and discount rates, against the Group's historical performance and planned activities;</li> <li>• Considered the management's assessment of the Group's taxable position, and applied our knowledge and experience of the relevant tax legislation; and</li> <li>• Assessed the adequacy of the disclosures made by the Group in relation to the deferred tax assets recognised.</li> </ul> <p>Findings:</p> <ul style="list-style-type: none"> <li>• There were assumptions applied by management which trend towards projecting an optimistic forecast of the taxable profits of specific Group entities. However, given the continual availability of such tax losses and the planned activities, there is reasonable basis for the recognition of deferred taxes on their unutilised tax losses.</li> <li>• We found that Note 12 gives appropriate disclosure in respect of the deferred tax assets recognised.</li> </ul>



# INDEPENDENT AUDITORS' REPORT

<b>Valuation of insurance contract provisions (\$10.6 million, net of reinsurance)            [Refer to Note 13 to the financial statements]</b>	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's general insurance operations are conducted through its subsidiary, ECICS Limited (ECICS).</p> <p>Valuation of insurance contract provisions is inherently judgemental and subjective.</p> <p>There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately be required to pay as claims.</p> <p>The valuation of insurance contract liabilities is dependent on estimates including the ultimate settlement cost of claims reported, and claims incurred but not yet reported (IBNR) which is incorporated in ECICS's appointed actuary's valuation model. The estimates are determined based on historical claim experience, existing knowledge of events, the term and conditions of relevant policies and interpretation of circumstances.</p> <p>Using an inappropriate valuation method could result in material errors to the carrying value of insurance contract liabilities. In addition, changes in the assumptions used in calculation of the valuation could result in a material impact to the valuation of insurance contract liabilities and the related movements in profit or loss.</p>	<p>We have involved our internal actuarial specialists to assess the methodology applied and the assumptions used in the ECICS's appointed actuary's model to determine the adequacy of insurance contract provisions made for premium and claim liabilities. Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Evaluated the underwriting and claims processes;</li> <li>• Assessed the design and operating effectiveness of controls over approval and recording of premiums and claims;</li> <li>• Tested the completeness and accuracy of data used in the valuation of insurance contract liabilities;</li> <li>• Assessed the appointed actuary's competence, capability and objectivity by reviewing their resume and making enquiries;</li> <li>• Involved our actuarial specialists to evaluate the methodology, assumptions and estimates used in the ECICS's appointed actuary's model; and</li> <li>• Assessed the adequacy of the disclosure made by the Group in relation to the assumptions and estimates used and the sensitivity of the insurance contract provisions to changes in the assumptions and estimates.</li> </ul> <p><b>Findings:</b></p> <ul style="list-style-type: none"> <li>• We independently verified and agreed with management's assessment of the adequacy of provision for insurance claims.</li> <li>• We have assessed the methodology, assumptions and estimates used by ECICS's appointed actuary and we had no concerns over the actuary's competence, capability and objectivity.</li> <li>• We found that the assumptions and estimates used by ECICS's appointed actuary were balanced.</li> <li>• We found that Note 42 gives appropriate disclosure of the assumptions and estimates made by the Group and the sensitivity of the valuation of insurance contract provisions to changes in those assumptions and estimates.</li> </ul>

# INDEPENDENT AUDITORS' REPORT

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## *Other information*

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' statement, Chairman's message, Group financial highlights, Performance at a glance, Board of Directors, Group management team, Our journey, Corporate structure, Corporate social responsibility, Sustainability report, Corporate governance report, Additional information, Statistics of shareholdings, Notice of Annual General Meeting, Additional Information on Directors Seeking Re-election, Proxy form and Corporate information ("the Reports") prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of management and directors 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 Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



# INDEPENDENT AUDITORS' REPORT

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As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# INDEPENDENT AUDITORS' REPORT

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## **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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Hong Cho Hor Ian.

**KPMG LLP**

*Public Accountants and  
Chartered Accountants*

**Singapore**

25 March 2022



# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	4	<b>1,535</b>	1,929	<b>231</b>	247
Intangible assets	5	<b>505</b>	769	<b>423</b>	637
Investment properties	6	<b>2,319</b>	2,730	—	—
Subsidiaries	7	—	—	<b>95,133</b>	86,663
Other investments	9	<b>12,745</b>	18,819	<b>5,214</b>	54
Loans, advances, hire purchase and leasing receivables	10	<b>18,164</b>	82,332	<b>11,709</b>	75,837
Deferred tax assets	12	<b>3,179</b>	3,692	—	—
Right-of-use assets	38	<b>1,753</b>	2,525	<b>1,149</b>	1,834
		<b>40,200</b>	112,796	<b>113,859</b>	165,272
<b>Current assets</b>					
Reinsurers' share of insurance contract provisions	13	<b>4,026</b>	4,988	—	—
Insurance receivables	14	<b>536</b>	1,497	—	—
Trade and other receivables	15	<b>230,338</b>	297,580	<b>83,441</b>	163,260
Property held for sale		<b>360</b>	292	—	—
Other investments	9	<b>13,226</b>	12,554	—	444
Cash and cash equivalents	18	<b>112,563</b>	51,720	<b>79,941</b>	24,897
		<b>361,049</b>	368,631	<b>163,382</b>	188,601
		<b>401,249</b>	481,427	<b>277,241</b>	353,873
<b>Total assets</b>					
<b>Equity</b>					
Share capital	20	<b>137,302</b>	137,302	<b>137,302</b>	137,302
Other reserves	21	(1,498)	2,505	—	—
Accumulated profits		<b>43,151</b>	35,943	<b>48,276</b>	43,190
		<b>178,955</b>	175,750	<b>185,578</b>	180,492
<b>Equity attributable to owners of the Company</b>					
Non-controlling interests	22	<b>17,305</b>	17,886	—	—
		<b>196,260</b>	193,636	<b>185,578</b>	180,492
<b>Total equity</b>					
<b>Non-current liabilities</b>					
Interest-bearing borrowings	23	<b>25,250</b>	13,538	<b>17,767</b>	3,745
Employee benefits	24	<b>1,558</b>	1,504	—	—
Deferred tax liabilities	12	<b>109</b>	142	<b>90</b>	123
Lease liabilities	38	<b>1,048</b>	1,837	<b>489</b>	1,192
		<b>27,965</b>	17,021	<b>18,346</b>	5,060
<b>Current liabilities</b>					
Trade and other payables	25	<b>15,025</b>	14,203	<b>9,827</b>	8,805
Insurance payables	27	<b>1,304</b>	1,635	—	—
Interest-bearing borrowings	23	<b>143,153</b>	233,350	<b>61,818</b>	158,834
Insurance contract provisions for:					
– gross unexpired risks	13	<b>4,212</b>	5,985	—	—
– gross insurance claims	13	<b>10,455</b>	14,108	—	—
Lease liabilities	38	<b>827</b>	766	<b>703</b>	666
Current tax payable		<b>2,048</b>	723	<b>969</b>	16
		<b>177,024</b>	270,770	<b>73,317</b>	168,321
		<b>204,989</b>	287,791	<b>91,663</b>	173,381
		<b>401,249</b>	481,427	<b>277,241</b>	353,873

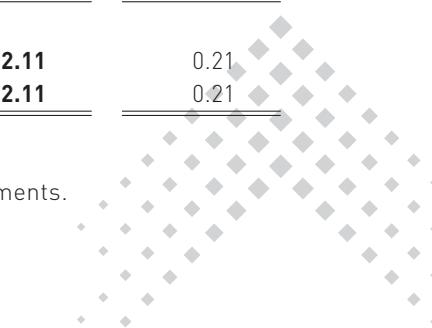
The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2021

	Note	2021 \$'000	2020 \$'000
Interest income	28	<b>30,821</b>	26,980
Interest expense	29	(3,925)	(5,984)
<b>Net interest income</b>		<b>26,896</b>	20,996
Gross written premiums		<b>4,494</b>	6,188
Change in gross provision for unexpired risks	13	<b>1,773</b>	753
Gross earned premium revenue		<b>6,267</b>	6,941
Written premiums ceded to reinsurers		(663)	(1,115)
Reinsurers' share of change in provision for unexpired risks	13	(206)	(996)
Reinsurance premium expense		(869)	(2,111)
<b>Net earned premium revenue (i)</b>	30	<b>5,398</b>	4,830
Fee and commission income	31	<b>6,380</b>	6,497
Net investment income	32	<b>785</b>	709
Other income	33	<b>914</b>	461
<b>Sub-total (ii)</b>		<b>8,079</b>	7,667
<b>Non-interest income (i) + (ii)</b>		<b>13,477</b>	12,497
Grant income		<b>19</b>	1,491
<b>Income before operating expenses</b>		<b>40,392</b>	34,984
Business development expenses		(457)	(514)
Commission expenses		(1,100)	(1,596)
Staff costs		(16,021)	(14,436)
General and administrative expenses		(7,324)	(6,707)
<b>Operating expenses</b>		<b>(24,902)</b>	(23,253)
Change in gross provision for insurance claims	13	<b>3,653</b>	751
Reinsurers' share of change in provision for insurance claims	13	(756)	1,451
Gross claims paid	13	(4,386)	(21,964)
Reinsurers' share of claims paid	13	-	12,913
<b>Net claims incurred</b>	30	<b>(1,489)</b>	(6,849)
<b>Operating profit before allowances</b>		<b>14,001</b>	4,882
Recognition of allowances for loan losses and impairment of other assets	34	(1,312)	(2,345)
<b>Profit before tax</b>	35	<b>12,689</b>	2,537
Tax expense	36	(3,040)	(176)
<b>Profit for the year</b>		<b>9,649</b>	2,361
<b>Profit attributable to:</b>			
Owners of the Company		<b>7,951</b>	795
Non-controlling interests		<b>1,698</b>	1,566
<b>Profit for the year</b>		<b>9,649</b>	2,361
<b>Earnings per share</b>			
Basic earnings per share (cents)	37	<b>2.11</b>	0.21
Diluted earnings per share (cents)	37	<b>2.11</b>	0.21

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2021

	Note	2021 \$'000	2020 \$'000
<b>Profit for the year</b>		<b>9,649</b>	2,361
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Defined benefit plan remeasurements	9	36	
	9	36	
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences of foreign operations	(5,490)	(1,434)	
	(5,490)	(1,434)	
	(5,481)	(1,398)	
<b>Other comprehensive income for the year, net of tax</b>			
<b>Total comprehensive income for the year</b>		<b>4,168</b>	963
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	3,957	(326)	
Non-controlling interests	211	1,289	
<b>Total comprehensive income for the year</b>		<b>4,168</b>	963

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Note	Share capital \$'000	Capital reserve \$'000	Translation reserve \$'000	Accumulated profits \$'000	Total \$'000	\$'000
<b>At 1 January 2021</b>		<b>137,302</b>	<b>108</b>	<b>2,397</b>	<b>35,943</b>	<b>175,750</b>	<b>17,886</b>
<b>Total comprehensive income for the year</b>							<b>193,636</b>
Profit for the year		-	-	-	7,951	7,951	1,698
<i>Other comprehensive income</i>							
Foreign currency translation differences		-	-	(4,003)	-	(4,003)	(1,487)
Defined benefit plan remeasurements		-	-	-	9	9	-
<i>Total other comprehensive income</i>		-	-	(4,003)	9	(3,994)	(1,487)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>(4,003)</b>	<b>7,960</b>	<b>3,957</b>	<b>211</b>
<b>Transactions with owners, recognised directly in equity</b>							<b>4,168</b>
<i>Contributions by and distributions to owners</i>							
Dividends paid to owners of the Company	21	-	-	-	(752)	(752)	-
<b>Total contributions by and distributions to owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(752)</b>	<b>(752)</b>	<b>-</b>
<b>Changes in ownership interests in subsidiaries</b>							<b>(752)</b>
Dividends paid by a subsidiary company to non-controlling interests	22	-	-	-	-	(792)	(792)
<b>Total changes in ownership interests in subsidiaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(792)</b>	<b>(792)</b>
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(752)</b>	<b>(752)</b>	<b>(1,544)</b>
<b>At 31 December 2021</b>		<b>137,302</b>	<b>108</b>	<b>(1,606)</b>	<b>43,151</b>	<b>178,955</b>	<b>17,305</b>
							<b>196,260</b>

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

## Attributable to owners of the Company

	Note	Share capital \$'000	Capital reserve \$'000	Translation reserve \$'000	Accumulated profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>At 1 January 2020</b>		137,302	108	3,546	38,052	179,008	17,945	196,953
<b>Total comprehensive income for the year</b>		-	-	-	795	795	1,566	2,361
Profit for the year								
<i>Other comprehensive income</i>								
Foreign currency translation differences		-	-	(1,149)	-	(1,149)	(285)	(1,434)
Defined benefit plan remeasurements		-	-	-	25	25	11	36
Tax on other comprehensive income		-	-	-	3	3	(3)	-
<b>Total other comprehensive income</b>		-	-	(1,149)	28	(1,121)	(277)	(1,398)
<b>Total comprehensive income for the year</b>		-	-	(1,149)	823	(326)	1,289	963
<b>Transactions with owners, recognised directly in equity</b>								
<i>Contributions by and distributions to owners</i>								
Dividends paid to owners of the Company	21	-	-	-	(2,932)	(2,932)	-	(2,932)
<b>Total contributions by and distributions to owners</b>		-	-	-	(2,932)	(2,932)	-	(2,932)
<b>Changes in ownership interests in subsidiaries</b>								
Dividends paid by a subsidiary company to non-controlling interests	22	-	-	-	-	-	(1,348)	(1,348)
<b>Total changes in ownership interests in subsidiaries</b>		-	-	-	-	-	(1,348)	(1,348)
<b>Total transactions with owners</b>		-	-	-	(2,932)	(2,932)	(1,348)	(4,280)
<b>At 31 December 2020</b>		137,302	108	2,397	35,943	175,750	17,886	193,636

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	Note	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Profit for the year		<b>9,649</b>	2,361
Adjustments for:			
Amortisation of			
– intangible assets	5	<b>276</b>	321
– debt securities	32	<b>26</b>	14
Net foreign exchange gain		(4,139)	(1,378)
Depreciation of property, plant and equipment	4	<b>375</b>	390
Depreciation of investment properties	6	<b>192</b>	202
Depreciation of right-of-use assets	38	<b>824</b>	787
(Gain)/Loss on disposal of debt securities	32	(2)	66
Gain on disposal of property, plant and equipment	33	(31)	(15)
Net change in fair value of financial assets through profit or loss	32	<b>578</b>	528
Recognition of allowance for impairment on debt securities at amortised cost	34	<b>405</b>	305
Provision for insurance liabilities, net of reinsurers' share			
– unexpired risks	13	(1,567)	244
– insurance claims	13	(2,897)	(2,202)
Interest income	28	<b>(30,821)</b>	(26,980)
Interest income from investments and fixed deposits	32	(789)	(909)
Dividend income from investments	32	(543)	(376)
Interest expense	29	<b>3,925</b>	5,984
Interest expense on lease liability	38	<b>109</b>	140
Intangible assets written off	5	<b>81</b>	–
Tax expense	36	<b>3,040</b>	176
<b>Operating cash flows before changes in working capital</b>		<b>(21,309)</b>	(20,342)
<b>Changes in working capital:</b>			
Factoring receivables		<b>(25,502)</b>	44,483
Factoring amounts owing to clients		<b>7,491</b>	(9,754)
Loans, advances, hire purchase and leasing receivables		<b>149,864</b>	(9,910)
Insurance and other receivables		<b>846</b>	166
Trade, other and insurance payables		<b>554</b>	(900)
<b>Cash generated from operations</b>		<b>111,944</b>	3,743
Interest received		<b>31,610</b>	27,889
Interest paid		(3,925)	(5,984)
Taxes paid, net		(1,315)	(1,985)
<b>Net cash from operating activities</b>		<b>138,314</b>	23,663

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	Note	2021 \$'000	2020 \$'000
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		<b>31</b>	15
Purchase of property, plant and equipment	4	(63)	(181)
Purchase of intangible assets	5	(98)	(103)
Purchase of investments		(3,491)	(7,276)
Proceeds from disposal of investments		<b>7,941</b>	18,860
Dividends received from investments		<b>543</b>	376
<b>Net cash from investing activities</b>		<b>4,863</b>	11,691
<b>Cash flows from financing activities</b>			
Dividends paid to owners of the Company		(752)	(2,932)
Dividends paid to non-controlling interests		(792)	(1,348)
Repayment of interest-bearing borrowings, net of proceeds from drawdowns	23	(78,485)	(15,410)
Repayment of lease liabilities		(895)	(845)
<b>Net cash used in financing activities</b>		<b>(80,924)</b>	<b>(20,535)</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January		<b>62,253</b>	14,819
Effect of exchange rate fluctuations on cash held		<b>51,720</b>	37,191
<b>Cash and cash equivalents at 31 December</b>	18	<b>(1,410)</b>	<b>(290)</b>
		<b>112,563</b>	<b>51,720</b>

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 25 March 2022.

## 1 DOMICILE AND ACTIVITIES

IFS Capital Limited (the "Company") is a company incorporated in Singapore and has its registered office at 10 Eunos Road 8, #09-04 Singapore Post Centre, Singapore 408600.

The financial statements of the Group as at and for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The immediate and ultimate holding company is Phillip Assets Pte. Ltd., a company incorporated in Singapore.

The principal activities of the Company are those relating to the provision of commercial, alternative and structured finance businesses such as factoring services, working capital, asset based financing and the provision of alternative and structured financial solutions offered to clients to address either equity or debt capital requirements. The principal activities of the subsidiaries are detailed in Note 7.

## 2 BASIS OF PREPARATION

### 2.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)"). The changes to significant accounting policies are described in Note 2.5.

The assets and liabilities of the Group which relate to the insurance business carried on in Singapore are subject to the requirements of the Insurance Act, Chapter 142 ("Insurance Act"). Such assets and liabilities are accounted for in the books of the insurance funds established under the Insurance Act. The net assets of the Group held in the insurance funds must be sufficient to meet the solvency requirements stipulated in Section 18 of the Insurance Act at all times. Assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 and the Group continues to be able to meet the solvency requirements of Section 18 of the Insurance Act.

### 2.2 BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

### 2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.4 USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant judgements, assumptions and estimation in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and may have a significant risk of resulting in a material adjustment within the next financial year are included in Note 42.

#### **Measurement of fair values**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Finance Department led by the Group Chief Finance Officer has overall responsibility for all significant fair value measurements, including Level 3 fair values, where applicable. Review significant unobservable inputs and valuation adjustments on quarterly basis.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1** : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** : 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 3** : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 41.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.5 CHANGES IN ACCOUNTING POLICIES

#### New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2021:

- *COVID-19-Related Rent Concessions (Amendments to SFRS(I) 16)*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16)*

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on opening equity balances as a result of retrospective application.

These amendments to standards and interpretations does not have a material effect on the financial statements.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in Note 2.5, which addressed changes in accounting policies.

### 3.1 BASIS OF CONSOLIDATION

#### (i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 BASIS OF CONSOLIDATION (CONTINUED)

#### (i) Business combinations (Continued)

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Where share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### (ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 BASIS OF CONSOLIDATION (CONTINUED)

#### *(iii) Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### *(iv) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### *(v) Subsidiaries in the separate financial statements*

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any accumulated impairment losses.

## 3.2 FOREIGN CURRENCY

#### *Foreign currency transactions*

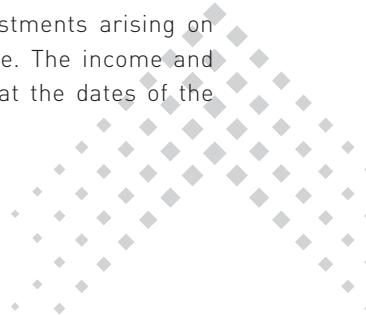
Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Singapore dollars at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Singapore dollars at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income ("OCI"):

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedge is effective.

#### *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 FOREIGN CURRENCY (CONTINUED)

#### *Foreign operations* (Continued)

Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

### 3.3 FINANCIAL INSTRUMENTS

#### (i) *Recognition and initial measurement*

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (ii) *Classification and subsequent measurement*

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 FINANCIAL INSTRUMENTS (CONTINUED)

#### (ii) *Classification and subsequent measurement* (Continued)

##### ***Financial assets at amortised cost***

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### ***Equity investments at FVOCI***

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

##### ***Financial assets at FVTPL***

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

##### ***Financial assets: Business model assessment***

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 FINANCIAL INSTRUMENTS (CONTINUED)

#### *(ii) Classification and subsequent measurement* (Continued)

##### **Financial assets: Business model assessment** (Continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

##### **Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

##### **Non-derivative financial assets: Subsequent measurement and gains and losses**

###### **Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

###### **Financial assets at amortised cost**

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 FINANCIAL INSTRUMENTS (CONTINUED)

#### (ii) *Classification and subsequent measurement* (Continued)

##### ***Non-derivative financial assets: Subsequent measurement and gains and losses*** (Continued)

###### ***Equity investments at FVOCI***

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

###### ***Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses***

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings, bank overdrafts, and trade and other payables.

#### (iii) *Derecognition*

###### ***Financial assets***

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 FINANCIAL INSTRUMENTS (CONTINUED)

#### (iii) *Derecognition* (Continued)

##### *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### (iv) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### (v) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

#### (vi) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### (vii) *Intra-group financial guarantees in the separate financial statements*

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially measured at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 PROPERTY, PLANT AND EQUIPMENT

#### *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

#### *Subsequent costs*

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### *Depreciation*

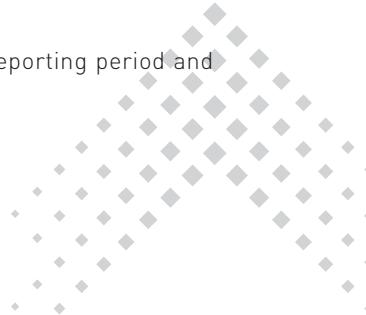
Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if the component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset.

The estimated useful lives for the current and comparative years are as follows:

• Freehold residential properties	50 years
• Freehold office properties	19 and 40 years
• Renovations	5 years
• Office equipment, furniture and fittings	2 to 6 years
• Computer equipment	3 to 5 years
• Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### *Reclassification to investment property*

When the use of a property changes from owner-occupied to investment property, the property is reclassified accordingly.

## 3.5 INTANGIBLE ASSETS AND GOODWILL

#### *Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1(i).

#### *Subsequent measurement*

Goodwill is measured at cost less any accumulated impairment losses.

#### *Membership rights*

Corporate club membership is stated at cost less any accumulated impairment losses.

#### *Other intangible assets*

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

#### *Amortisation*

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line and reducing balance basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- |                     |              |
|---------------------|--------------|
| • Computer software | 3 to 5 years |
| • Customer lists    | 5 years      |
| • Copyrights        | 5 years      |

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 INVESTMENT PROPERTY

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods and services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other costs directly attributable to bringing the investment property to a working condition for its intended use.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

### 3.7 LEASES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

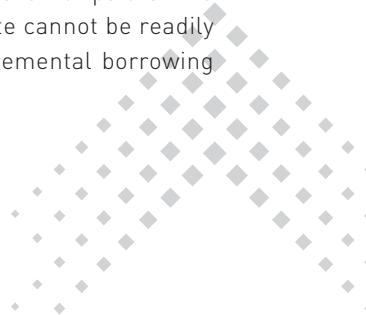
#### (i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 LEASES (CONTINUED)

#### (i) As a lessee (Continued)

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 LEASES (CONTINUED)

#### (ii) As a lessor (Continued)

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease (see Note 3.8(i)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'. Rental income from sub-leased property is recognised as "other income".

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

## 3.8 IMPAIRMENT

#### (i) Non-derivative financial assets

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months), financial instrument for which 12-month ECL is recognised are referred to as 'Stage 1 financial instrument'; or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset. Financial instrument for which a lifetime ECL is recognised but which are not credit impaired are referred to as 'Stage 2 financial instrument'.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.8 IMPAIRMENT (CONTINUED)

#### (i) ***Non-derivative financial assets*** (Continued)

##### ***General approach***

The Group applies the general approach to provide for ECL on all financial instruments at amortised cost, except for purchased or originated financial assets that are credit-impaired on initial recognition. Under the general approach, loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Group assessed whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

##### ***Measurement of ECL***

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.8 IMPAIRMENT (CONTINUED)

#### (i) ***Non-derivative financial assets*** (Continued)

##### ***General approach*** (Continued)

###### *Restructured financial assets*

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- \* If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

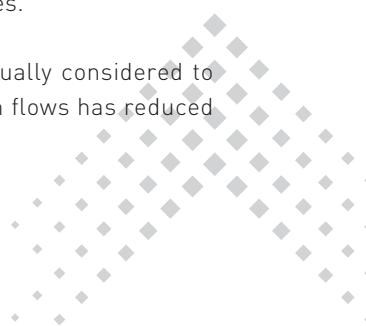
###### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.8 IMPAIRMENT (CONTINUED)

#### (i) ***Non-derivative financial assets*** (Continued)

##### ***General approach*** (Continued)

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets.

##### *Write-off*

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### (ii) ***Non-financial assets***

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **3.8 IMPAIRMENT (CONTINUED)**

#### **(iii) Non-financial assets** (Continued)

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro-rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **3.9 ASSETS HELD FOR SALE**

Assets that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale (held for distribution) are generally measured at the lower of their carrying amount and fair value less costs to sell (fair value less costs to distribute).

### **3.10 CLASSIFICATION OF INSURANCE CONTRACTS**

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

#### ***Motor insurance***

Motor insurance policies cover private cars and commercial vehicles. Risks covered under motor insurance are related to losses or damages to the insured vehicle, death or injuries to third parties, damages to third party property and personal accident.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 CLASSIFICATION OF INSURANCE CONTRACTS (CONTINUED)

#### ***Bond and guarantee insurance contracts***

Risks covered under the guarantee business are related to the client's performance capabilities to meet the requirements of projects or contracts, for which the Group issues bonds and guarantees on behalf of the clients.

The major classes of bonds and guarantees issued include Performance Bond, Advance Payment Bond, Contract Tender Bond/Bid Bond, Qualifying Certificate Bond, Customs Bond, Foreign Worker Bond, Tenancy/Rental Bond, Account Payment Bond and Employment Agency License Bond.

The Group also provides financial guarantees guaranteeing the payment obligations of our clients under a loan agreement, bond or any debt instrument.

#### ***Maid insurance***

The Group provides coverage for domestic maids against personal accidents, hospitalisation and surgical expenses and issuance of security bond to the Ministry of Manpower of Singapore.

#### ***Engineering insurance***

Engineering insurance provides economic safeguard to the risks of accidental losses or damages to property faced by the ongoing construction project, installation project, and machines and equipment in project operation. The coverage also includes indemnity towards liability to third party whose property might be damaged or bodily injury sustained as a result of the construction works.

#### ***Property insurance***

Property insurance is a policy that indemnifies the owner or user of property, its contents and loss of income in the event of damage or losses.

#### ***Casualty insurance***

Casualty insurance is a policy that covers losses caused by injuries to persons and legal liability imposed on the insured for such injury or for damage to property of others.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 RECOGNITION AND MEASUREMENT OF INSURANCE CONTRACTS

#### ***Premiums and provision for unexpired risks***

Gross written premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums written do not include an estimate for pipeline premiums.

For bonds and guarantees, maid insurance, engineering insurance, work injury compensation insurance, motor insurance, property insurance and casualty insurance, premiums are recognised upon inception of risk.

The provision for unexpired risks includes unearned premiums calculated on a daily pro-rata basis on the net written premiums over the policy period for all insurance policies. An additional provision for unexpired risks is made where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums in relation to such policies. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together.

#### ***Fees and other charges to policyholders***

Administration fees are charged to policyholders for the cost of processing and issuing bonds and guarantees. These are recognised in profit or loss immediately.

#### ***Claims incurred and provision for insurance claims***

Claims incurred comprise claims paid during the financial year, net of subrogation recoveries, and changes in the provision for outstanding claims.

Provision for insurance claims comprises provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and a provision for adverse deviation ("PAD"). Provision for insurance claims is assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provision for insurance claims is discounted where there is a particularly long period from incident to claims settlement and where there exists a suitable claims pattern from which to calculate the discount.

Whilst the management considers that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed annually.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 RECOGNITION AND MEASUREMENT OF INSURANCE CONTRACTS (CONTINUED)

#### ***Reinsurance***

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net losses. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Reinsurance premium expense, reinsurers' share of claims incurred and reinsurance commission income are presented in profit or loss and statement of financial position on a gross basis.

Reinsurance assets comprise reinsurers' share of insurance contract provisions and balances due from reinsurance companies. The amounts recognised as reinsurers' share of insurance contract provisions are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Balances due from reinsurance companies in respect of claims paid are included within insurance receivables on the statement of financial position.

Reinsurance assets are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

#### ***Commission expense***

Commission expenses are fees paid to intermediaries upon acquiring new and renewal of insurance business.

For all insurance policies, commission expenses are not amortised on a pro-rata basis over the period of the contracts.

#### ***Commission income***

Commission income comprises reinsurance and profit commissions received or receivable which do not require the Group to render further service. Commission income is not deferred and amortised on a pro-rata basis over the period of the contracts but are recognised in full on the effective commencement or renewal dates of the policies.

#### ***Claim recoveries***

Claim recoveries represent actual subrogation recoveries received from policyholders during the year.

#### ***Insurance receivables and payables***

Insurance receivables and insurance payables are recognised when due. These include amounts due to and from insurance and reinsurance contract holders. They are measured on initial recognition at the fair value of the consideration receivables or payable. Subsequent to initial recognition, receivables and payables are measured at amortised cost, using the effective interest rate method. Insurance receivables and insurance payables are derecognised based on the same derecognition criteria as financial assets and liabilities respectively, as described in Note 3.3.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 RECOGNITION AND MEASUREMENT OF INSURANCE CONTRACTS (CONTINUED)

#### *Insurance receivables and payables* (Continued)

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable and recognises that impairment loss in the profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets, as described in Note 3.8.

The Group does not measure insurance receivables in accordance with SFRS(I) 9 *Financial Instruments* as rights and obligations arising under an insurance contract are accounted in accordance with SFRS(I) 4 *Insurance Contracts*.

#### *Liability adequacy test*

The liability of the Group under insurance contracts is tested for adequacy by comparing the expected future contractual cash flows with the carrying amount of the insurance contract provisions for gross unexpired risks and gross insurance claims. Where an expected shortfall is identified, additional provisions are made for unexpired risks or insurance claims and the deficiency is recognised in profit or loss.

## 3.12 EMPLOYEE BENEFITS

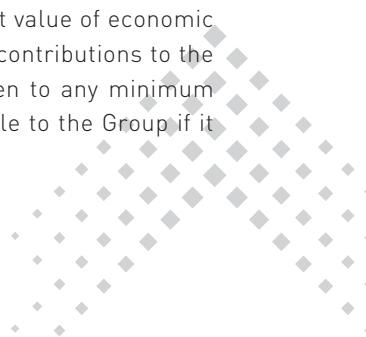
#### *Defined contributions plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to statutory defined contribution pension plan are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

#### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 EMPLOYEE BENEFITS (CONTINUED)

#### ***Defined benefit plans*** (Continued)

Remeasurements of the net defined benefit liability comprise actuarial gains and losses. The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

#### ***Short-term employee benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 3.13 PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### 3.14 FINANCE INCOME AND FINANCE COST

Finance income comprises interest income, dividend income, gains on disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income.

#### ***Interest income***

Interest income on loans, advances, hire purchase, leasing receivables and factoring receivables is recognised in profit or loss on an accrual basis, taking into account the effective yield of the assets.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 FINANCE INCOME AND FINANCE COST (CONTINUED)

#### *Interest income from debt securities and bank deposits*

Interest income from debt securities and bank deposits are recognised as it accrues in profit or loss using the effective interest method.

#### *Dividend income*

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

#### *Finance costs*

Finance costs comprise interest expense on borrowings and are recognised in profit or loss at amortised cost using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### 3.15 REVENUErecognition

Revenue from provision of services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised services.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 REVENUErecognition (CONTINUED)

The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO.

#### ***Fee and commission income***

Fee and commission income related to the loan and factoring financing services of the Group are recognised when the services are rendered.

#### ***Rental income***

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### ***Management fees***

Management fees are recognised on an accrual basis.

#### ***Insurance contracts***

Revenue recognition from insurance contracts is explained in Note 3.11.

### 3.16 GOVERNMENT GRANTS

An unconditional government grant related to a biological asset is recognised in profit or loss as other income' when the grant becomes receivable.

Other government grants related to assets are initially recognised as deferred income at fair value when there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 LEASE PAYMENTS

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specified asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

### 3.18 TAX

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.18 TAX (CONTINUED)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### 3.19 DEPOSITS RELATING TO COLLATERAL OF CLIENTS

Deposits relating to collateral of the Group's insurance subsidiary's clients are held in a fiduciary capacity on behalf of the Group's clients and are excluded from the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.20 EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

### 3.21 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. All operating segment's operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 4 PROPERTY, PLANT AND EQUIPMENT

Group	Cost	Office				Motor vehicles \$'000	Total \$'000
		Freehold residential properties \$'000	Freehold office properties \$'000	Renovations \$'000	Equipment, furniture and fittings \$'000		
<b>At 1 January 2021</b>							
Additions	183	3,290	-	491	1,452	1,260	607
Disposals	-	-	-	-	10	37	16
Write-offs	-	-	-	-	-	-	(102)
Effect of movements in exchange rates	-	(206)	-	(2)	(89)	(12)	(12)
<b>At 31 December 2021</b>	<b>183</b>	<b>3,084</b>	<b>439</b>	<b>1,373</b>	<b>1,254</b>	<b>488</b>	<b>6,871</b>
<b>Accumulated depreciation and impairment</b>							
<b>At 1 January 2021</b>	<b>129</b>	<b>1,958</b>	<b>319</b>	<b>1,398</b>	<b>1,091</b>	<b>459</b>	<b>5,354</b>
Depreciation for the year	3	177	56	19	58	62	375
Disposals	-	-	-	-	-	(102)	(102)
Write-offs	-	-	-	-	(12)	-	(12)
Effect of movements in exchange rates	-	(135)	(1)	(88)	(28)	(27)	(279)
<b>At 31 December 2021</b>	<b>132</b>	<b>2,000</b>	<b>374</b>	<b>1,329</b>	<b>1,109</b>	<b>392</b>	<b>5,336</b>
<b>Carrying amounts</b>							
<b>At 1 January 2021</b>	<b>54</b>	<b>1,332</b>	<b>172</b>	<b>54</b>	<b>169</b>	<b>148</b>	<b>1,929</b>
<b>At 31 December 2021</b>	<b>51</b>	<b>1,084</b>	<b>115</b>	<b>44</b>	<b>145</b>	<b>96</b>	<b>1,535</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

Group	Cost	Office				Total \$'000
		Freehold residential properties \$'000	Freehold office properties \$'000	Renovations \$'000	Equipment, furniture and fittings \$'000	
	<b>At 1 January 2020</b>	183	3,331	432	1,467	1,221
Additions	—	—	61	5	60	616
Disposals	—	—	—	—	—	55
Write-offs	—	—	—	—	(13)	(55)
Effect of movements in exchange rates	—	(41)	(2)	(20)	(8)	(13)
	<b>At 31 December 2020</b>	183	3,290	491	1,452	1,260
		<b>183</b>	<b>3,290</b>	<b>491</b>	<b>1,452</b>	<b>1,260</b>
		<b>183</b>	<b>3,290</b>	<b>491</b>	<b>1,452</b>	<b>1,260</b>
	<b>Accumulated depreciation and impairment</b>					
	<b>At 1 January 2020</b>	126	1,795	272	1,382	1,057
Depreciation for the year	3	184	48	34	54	453
Disposals	—	—	—	—	—	67
Write-offs	—	—	—	—	(13)	(55)
Effect of movements in exchange rates	—	(21)	(1)	(18)	(7)	(13)
	<b>At 31 December 2020</b>	129	1,958	319	1,398	1,091
		<b>129</b>	<b>1,958</b>	<b>319</b>	<b>1,398</b>	<b>1,091</b>
	<b>Carrying amounts</b>					
	<b>At 1 January 2020</b>	57	1,536	160	85	164
	<b>At 31 December 2020</b>	54	1,332	172	54	169
		<b>54</b>	<b>1,332</b>	<b>172</b>	<b>54</b>	<b>169</b>



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold residential properties \$'000	Renovations \$'000	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Company Cost</b>						
<b>At 1 January 2021</b>	<b>183</b>	<b>152</b>	<b>138</b>	<b>379</b>	<b>17</b>	<b>869</b>
Additions	-	-	3	31	16	50
Disposal	-	-	-	-	(17)	(17)
Write-offs	-	-	-	(12)	-	(12)
<b>At 31 December 2021</b>	<b>183</b>	<b>152</b>	<b>141</b>	<b>398</b>	<b>16</b>	<b>890</b>
 <b>Accumulated depreciation</b>						
<b>At 1 January 2021</b>	<b>129</b>	<b>51</b>	<b>124</b>	<b>301</b>	<b>17</b>	<b>622</b>
Depreciation for the year	3	29	8	25	1	66
Disposal	-	-	-	-	(17)	(17)
Write-offs	-	-	-	(12)	-	(12)
<b>At 31 December 2021</b>	<b>132</b>	<b>80</b>	<b>132</b>	<b>314</b>	<b>1</b>	<b>659</b>
 <b>Carrying amounts</b>						
<b>At 1 January 2021</b>	<b>54</b>	<b>101</b>	<b>14</b>	<b>78</b>	<b>-</b>	<b>247</b>
<b>At 31 December 2021</b>	<b>51</b>	<b>72</b>	<b>9</b>	<b>84</b>	<b>15</b>	<b>231</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Cost	Freehold residential properties \$'000	Renovations \$'000	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>At 1 January 2020</b>	183	91	137	366	17	794	
Additions	-	61	1	26	-	-	88
Write-offs	-	-	-	(13)	-	-	(13)
<b>At 31 December 2020</b>	<b>183</b>	<b>152</b>	<b>138</b>	<b>379</b>	<b>17</b>	<b>869</b>	
 <b>Accumulated depreciation</b>							
<b>At 1 January 2020</b>	125	31	117	291	17	581	
Depreciation for the year	4	20	7	23	-	-	54
Write-offs	-	-	-	(13)	-	-	(13)
<b>At 31 December 2020</b>	<b>129</b>	<b>51</b>	<b>124</b>	<b>301</b>	<b>17</b>	<b>622</b>	
 <b>Carrying amounts</b>							
<b>At 1 January 2020</b>	<b>58</b>	<b>60</b>	<b>20</b>	<b>75</b>	<b>-</b>	<b>213</b>	
<b>At 31 December 2020</b>	<b>54</b>	<b>101</b>	<b>14</b>	<b>78</b>	<b>-</b>	<b>247</b>	



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2021, the Group's properties held as property, plant and equipment consist of the following:

<b>Location</b>	<b>Title</b>	<b>Description of properties</b>
#14-06 Seaview Tower, Ocean Palms Klebang Besar, Malacca, Malaysia	Freehold	Residential apartment
1168/55 Lumpini Tower #20-00, Units B, C, D, E & F Rama IV Road, Tungmahamek, Sathorn, Bangkok, Thailand	Freehold	5 units – Offices Floor area: 14,396 sq ft

## 5 INTANGIBLE ASSETS

	<b>Computer software \$'000</b>	<b>Customer lists \$'000</b>	<b>Membership rights \$'000</b>	<b>Copyrights \$'000</b>	<b>Total \$'000</b>
<b>Group Cost</b>					
<b>At 1 January 2021</b>	<b>5,573</b>	<b>1,131</b>	<b>24</b>	<b>-</b>	<b>6,728</b>
Additions	98	-	-	-	98
Write-off	(851)	-	-	-	(851)
Effect of movements in exchange rates	(42)	-	(2)	-	(44)
<b>At 31 December 2021</b>	<b>4,778</b>	<b>1,131</b>	<b>22</b>	<b>-</b>	<b>5,931</b>
<b>Accumulated amortisation and impairment loss</b>					
<b>At 1 January 2021</b>	<b>4,810</b>	<b>1,131</b>	<b>18</b>	<b>-</b>	<b>5,959</b>
Amortisation charge for the year	276	-	-	-	276
Write-off	(770)	-	-	-	(770)
Effect of movements in exchange rates	(38)	-	(1)	-	(39)
<b>At 31 December 2021</b>	<b>4,278</b>	<b>1,131</b>	<b>17</b>	<b>-</b>	<b>5,426</b>
<b>Carrying amounts</b>					
<b>At 1 January 2021</b>	<b>763</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>769</b>
<b>At 31 December 2021</b>	<b>500</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>505</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 5 INTANGIBLE ASSETS (CONTINUED)

	<b>Computer software \$'000</b>	<b>Customer lists \$'000</b>	<b>Membership rights \$'000</b>	<b>Copyrights \$'000</b>	<b>Total \$'000</b>
<b>Group Cost</b>					
<b>At 1 January 2020</b>					
Additions	5,483	1,131	24	1,180	7,818
Write-off	103	–	–	–	103
Effect of movements in exchange rates	–	–	–	(1,180)	(1,180)
<b>At 31 December 2020</b>	<b>5,573</b>	<b>1,131</b>	<b>24</b>	<b>–</b>	<b>6,728</b>
<b>Accumulated amortisation and impairment loss</b>					
<b>At 1 January 2020</b>					
Amortisation charge for the year	4,499	1,131	18	1,180	6,828
Write-off	321	–	–	–	321
Effect of movements in exchange rates	–	–	–	(1,180)	(1,180)
<b>At 31 December 2020</b>	<b>4,810</b>	<b>1,131</b>	<b>18</b>	<b>–</b>	<b>5,959</b>
<b>Carrying amounts</b>					
<b>At 1 January 2020</b>					
<b>At 31 December 2020</b>	<b>984</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>990</b>
<b>At 31 December 2020</b>					
				<b>Computer software 2021 \$'000</b>	<b>2020 \$'000</b>
<b>Company Cost</b>					
<b>At 1 January</b>					
Additions	2,533	–	–	–	2,438
Write off	19	–	–	–	95
<b>At 31 December</b>	<b>(790)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>At 31 December</b>	<b>1,762</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,533</b>
<b>Accumulated amortisation</b>					
<b>At 1 January</b>					
Amortisation charge for the year	1,896	–	–	–	1,665
Write off	211	–	–	–	231
<b>At 31 December</b>	<b>(768)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>At 31 December</b>	<b>1,339</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,896</b>
<b>Carrying amounts</b>					
<b>At 1 January</b>					
<b>At 31 December</b>	<b>637</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>773</b>
<b>At 31 December</b>	<b>423</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>637</b>

The amortisation charge for the year is included in "General and administrative expenses" in the consolidated statement of profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 6 INVESTMENT PROPERTIES

	Group	2021 \$'000	2020 \$'000
<b>Cost</b>			
<b>At 1 January</b>		<b>3,851</b>	3,913
Effects of movements in exchange rates		(318)	(62)
<b>At 31 December</b>		<b>3,533</b>	3,851
<b>Accumulated depreciation</b>			
<b>At 1 January</b>		<b>1,121</b>	932
Depreciation for the year		192	202
Effects of movements in exchange rates		(99)	(13)
<b>At 31 December</b>		<b>1,214</b>	1,121
<b>Carrying amounts</b>			
<b>At 1 January</b>		<b>2,730</b>	2,981
<b>At 31 December</b>		<b>2,319</b>	2,730
<b>Fair value</b>			
<b>At 1 January</b>		<b>5,194</b>	5,804
<b>At 31 December</b>		<b>5,062</b>	5,194

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used by an independent valuer.

As at 31 December 2021, the Group's investment properties consist of the following:

<b>Location</b>	<b>Title</b>	<b>Description of properties</b>
1168/73 Lumpini Tower #25-00 Units C, D, E & F Rama IV Road, Tungmahamek, Sathorn, Bangkok, Thailand	Freehold	4 units – Office Floor area: 11,492 sq ft
1168/53-54 Lumpini Tower #20-00 Units A Rama IV Road, Tungmahamek, Sathorn, Bangkok, Thailand	Freehold	1 unit – Office Floor area: 4,549 sq ft

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 7 SUBSIDIARIES

	Company	
	2021 \$'000	2020 \$'000
Quoted ordinary shares, at cost	<b>9,048</b>	9,048
Unquoted ordinary shares, at cost	<b>85,707</b>	85,207
Quasi-equity loan	<b>10,970</b>	3,000
	<b>105,725</b>	97,255
Allowance for impairment	<b>(10,592)</b>	(10,592)
	<b>95,133</b>	86,663

### Quasi-equity Loan

Quasi-equity loan represents an interest-free loan provided by the Company to its subsidiary, PT. IFS Capital Indonesia, which is not expected to be repaid in the foreseeable future.

In 2021, there is no movement in allowance for impairment loss on subsidiaries (2020: Nil).

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the investee and in the insurance industry in Singapore.

	2021	2020
Forecast years	<b>5</b>	5
Discount rate	<b>4.4%, 10.9%</b>	6.2%, 8.2%
Terminal value growth rate	<b>3.2%, 5.9%</b>	3.0%, 5%



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 7 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Company name	Principal place of business/ country of incorporation	Proportion of ownership interest			
		2021		2020	
Direct and indirect subsidiaries	Group's effective interest %	Held by Company %	Held by Subsidiary %	Group's effective interest %	Held by Company %
ECICS Limited	Singapore	100	100	-	100
IFS Asset Management Private Limited	Singapore	100	100	-	100
IFS Capital Assets Private Limited	Singapore	100	100	-	100
IFS Consumer Services Private Limited	Singapore	100	100	-	100
IFS Ventures Private Limited	Singapore	100	-	100	100
IFSAM VCC	Singapore	100	-	100	-
Lendingpot Private Limited	Singapore	100	-	100	-
Multiply Capital Limited	Singapore	100	25	75	100
IFS Capital (Malaysia) Sdn. Bhd.	Malaysia	70*	-	70*	25
IFS Factors (Malaysia) Sdn. Bhd.	Malaysia	30*	-	30**	70*
PT. IFS Capital Indonesia	Indonesia	85*	-	85*	85*
IFS Capital Holdings (Thailand) Limited	Thailand	100	-	100	100
IFS Capital (Thailand) Public Company Limited	Thailand	73.1	<b>36.5</b>	73.1	36.5

+ Consolidation is prepared based on 100% beneficial interest.

\* Although the Group owns less than half of the voting power of IFS Factors (Malaysia) Sdn. Bhd. ("IFS Factors"), the Group has power over IFS Factors' exposure or rights to variable returns from its involvement with IFS Factors and ability to use its power to affect those returns. Consequently, the Group consolidates the results of IFS Factors.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 7 SUBSIDIARIES (CONTINUED)

The principal activities of the subsidiaries are as follows:

	<b>Name of subsidiaries</b>	<b>Principal activities</b>
<sup>1</sup>	ECICS Limited	Direct general insurer under the Insurance Act, Chapter 142
<sup>1</sup>	IFS Asset Management Private Limited	Fund management activities
<sup>1</sup>	IFS Capital Assets Private Limited	Working capital, asset-based financing, venture capital investments and private equity investments
<sup>1</sup>	IFS Consumer Services Private Limited	Money lending
<sup>1</sup>	IFS Ventures Private Limited	Venture capital investments
<sup>1</sup>	Lendingpot Private Limited	Web portal and online loan market place
<sup>1</sup>	Multiply Capital Limited	Factoring and credit agency services
<sup>2</sup>	IFS Capital (Malaysia) Sdn. Bhd.	Hire purchase financing, business debt factoring and provision of other related services
<sup>2</sup>	IFS Factors (Malaysia) Sdn. Bhd.	Hire purchase financing, business debt factoring, provision of other related services, focusing on government related projects
<sup>3</sup>	IFS Capital Holdings (Thailand) Limited	Investment holding
<sup>3</sup>	IFS Capital (Thailand) Public Company Limited	Factoring, hire purchase and leasing business
<sup>4</sup>	PT. IFS Capital Indonesia	Factoring of onshore and offshore short-term trade receivables, direct financing, operating leases and consumer financing
	IFSAM VCC	Invest in private equity fund

<sup>1</sup> Audited by KPMG LLP Singapore

<sup>2</sup> Audited by other member firms of KPMG International

<sup>3</sup> Audited by Deloitte Touche Tohmatsu Jaiyos Co., Ltd., Thailand

<sup>4</sup> Audited by KAP Tanubrata Sutanto Fahmi Bambang & Rekan (an Indonesian Partnership, a member of BDO International Limited)

KPMG LLP Singapore is the auditor of all Singapore-incorporated subsidiaries of the Group. The only significant foreign-incorporated subsidiary, IFS Capital (Thailand) Public Company Limited, is audited by Deloitte Touche Tohmatsu Jaiyos Co., Ltd., Thailand. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

The Company complies with SGX Listing Manual Rule 716 as the Board of Directors and Audit Committee are satisfied that the appointment of different auditors for its listed significant Thailand-incorporated subsidiary would not compromise the standard and effectiveness of the Company's audit.

On 29 November 2021, IFS Asset Management Private Limited acquired management shares of IFSAM VCC. IFSAM VCC was incorporated on 31 May 2021 and remains unaudited as at balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 8 LOANS TO SUBSIDIARIES

	Note	Company	
		2021 \$'000	2020 \$'000
Trade		<b>3,842</b>	46,342
Non-trade		<b>389</b>	328
		<b>4,231</b>	46,670
Allowance for impairment		<b>(1,904)</b>	(1,875)
		<b>2,327</b>	44,795
Due within 12 months	15	<b>2,327</b>	44,795

The movements in allowance for impairment loss on loan to a subsidiary (trade) during the year are as follows:

	Company	
	2021 \$'000	2020 \$'000
At 1 January	<b>1,875</b>	1,856
Allowance made during the year	<b>29</b>	19
At 31 December	<b>1,904</b>	1,875

The loans to subsidiaries (trade) are unsecured and interest-bearing. The loans to subsidiaries (non-trade) are unsecured and non-interest bearing.

Effective interest rates and repricing analysis:

<b>Company</b>	<b>Weighted average effective interest rate %</b>	<b>Total 2021 \$'000</b>	<b>Weighted average effective interest rate %</b>	<b>Total 2020 \$'000</b>
Loans to subsidiaries				
- variable rate	3.5%	<b>1,257</b>	2.6	43,796
- non-interest bearing	-	<b>1,070</b>	-	999
		<b>2,327</b>		44,795

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 9 OTHER INVESTMENTS

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Non-current</b>					
Amortised cost					
– Quoted debt securities	(a)	<b>12,520</b>	17,124	–	–
		<b>12,520</b>	17,124	–	–
Allowance for impairment loss		<b>(12)</b>	(1,606)	–	–
		<b>12,508</b>	15,518	–	–
Mandatorily at FVTPL					
– Unquoted equity securities	(b)	<b>237</b>	1,801	<b>14</b>	54
– Unquoted convertible loans	(c)	–	1,500	–	–
– Unquoted private credit fund	(c)	–	–	<b>5,200</b>	–
		<b>12,745</b>	18,819	<b>5,214</b>	54
<b>Current</b>					
Amortised cost					
– Quoted debt securities	(a)	<b>4,025</b>	2,782	–	–
Allowance for impairment loss		<b>(2,000)</b>	–	–	–
		<b>2,025</b>	2,782	–	–
Mandatorily at FVTPL					
– Quoted equity securities	(d)	<b>4,611</b>	5,221	–	444
– Quoted perpetual securities	(d)	<b>5,252</b>	4,551	–	–
– Unquoted convertible loans	(b)	<b>1,338</b>	–	–	–
		<b>13,226</b>	12,554	–	444
Total		<b>25,971</b>	31,373	<b>5,214</b>	498

- (a) Debt securities classified as at amortised cost (2020: at amortised cost) of the Group have stated interest rates at 1.02% to 4.25% (2020: 0.25% to 4.6%) and mature in years from 2021 to 2050.
- (b) Unquoted convertible loans contain embedded equity conversion options. They are non-interest bearing and expected to mature in 2022 (2020: 2022).
- (c) Unquoted private credit fund is a sub-fund of IFSAM VCC, a wholly owned subsidiary of IFS Capital Limited. As such, the private credit fund has been consolidated in the group financials as IFS Capital Limited has controlling interest as at balance sheet date.
- (d) Perpetual securities at FVTPL have stated interest rates of 2.85% to 5.65% (2020: 2.85% to 5.65%).

The maximum credit exposure to credit risk of the investments at the reporting date is the carrying amount.

Information about the Group's and Company's exposures to credit and market risk and fair value measurement is included in Note 41.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 9 OTHER INVESTMENTS (CONTINUED)

The weighted average effective interest rates per annum of debt securities at the reporting date and the periods in which they mature are as follows:

***Effective interest rates and repricing analysis:***

	Weighted average effective interest rate %	Fixed interest rate maturing			
		within 1 year \$'000	more than 1 year \$'000	Total \$'000	
<b>Group</b>					
<b>31 December 2021</b>					
Debt securities at amortised cost	3.0	2,025	12,508	14,533	
Perpetual securities at FVTPL	4.3	5,252	-	5,252	
		<b>7,277</b>	<b>12,508</b>	<b>19,785</b>	
<b>31 December 2020</b>					
Debt securities at amortised cost	3.0	2,782	15,518	18,300	
Perpetual securities at FVTPL	4.3	4,551	-	4,551	
		<b>7,333</b>	<b>15,518</b>	<b>22,851</b>	

## 10 LOANS, ADVANCES, HIRE PURCHASE AND LEASING RECEIVABLES

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Hire purchase and leasing receivables	11	<b>9,806</b>	26,482	-	-
Less:					
Deposits on leasing receivables		(3,267)	(3,861)	-	-
		<b>6,539</b>	22,621	-	-
Loans and advances		<b>103,715</b>	237,157	<b>79,886</b>	185,382
		<b>110,254</b>	259,778	<b>79,886</b>	185,382
Allowances for expected credit loss					
- hire purchase receivables		(2)	(2)	-	-
- leasing receivables		(944)	(376)	-	-
- loans and advances		(7,673)	(7,908)	(3,573)	(3,822)
		<b>(8,619)</b>	<b>(8,286)</b>	<b>(3,573)</b>	<b>(3,822)</b>
	41	<b>101,635</b>	251,492	<b>76,313</b>	181,560
Due within 12 months	15	<b>83,471</b>	169,160	<b>64,604</b>	105,723
Due after 12 months		<b>18,164</b>	82,332	<b>11,709</b>	75,837
		<b>101,635</b>	<b>251,492</b>	<b>76,313</b>	<b>181,560</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 10 LOANS, ADVANCES, HIRE PURCHASE AND LEASING RECEIVABLES (CONTINUED)

The movements in allowances for expected credit loss on loans, advances, hire purchase and leasing receivables during the year are as follows:

	Note	Group	2021 \$'000	2020 \$'000	Company	2021 \$'000	2020 \$'000
At 1 January			<b>8,286</b>	10,002		<b>3,822</b>	3,888
Translation adjustment			(76)	(93)		–	–
Allowance made/(reversed) during the year	34		<b>606</b>	514	<b>(175)</b>	(18)	(48)
Allowance utilised during the year			(197)	(2,137)	(74)		
At 31 December			<b>8,619</b>	8,286	<b>3,573</b>	3,822	

### *Effective interest rates and repricing analysis:*

	Weighted average effective interest rate %	Fixed interest rate maturing				
		Floating rate \$'000	within 1 year \$'000	in 1 to 5 years \$'000	Total \$'000	
<b>Group</b>						
<b>31 December 2021</b>						
Loans, advances, hire purchase and leasing receivables						
– fixed rate	9.3	–	21,262	13,172	34,434	
– variable rate	7.1	67,201	–	–	67,201	
		<b>67,201</b>	<b>21,262</b>	<b>13,172</b>	<b>101,635</b>	
<b>31 December 2020</b>						
Loans, advances, hire purchase and leasing receivables						
– fixed rate	9.6	–	60,913	7,699	68,612	
– variable rate	7.2	182,880	–	–	182,880	
		<b>182,880</b>	<b>60,913</b>	<b>7,699</b>	<b>251,492</b>	
<b>Company</b>						
<b>31 December 2021</b>						
Loans, advances, hire purchase and leasing receivables						
– fixed rate	5.1	–	9,124	8,983	18,107	
– variable rate	6.9	58,206	–	–	58,206	
		<b>58,206</b>	<b>9,124</b>	<b>8,983</b>	<b>76,313</b>	
<b>31 December 2020</b>						
Loans, advances, hire purchase and leasing receivables						
– fixed rate	5.3	–	5,761	4,109	9,870	
– variable rate	7.1	171,690	–	–	171,690	
		<b>171,690</b>	<b>5,761</b>	<b>4,109</b>	<b>181,560</b>	

Variable rate loans and advances are repriced at intervals of three or six months (2020: three or six months).

The above loans, advances, hire purchase and leasing receivables are reflected net of expected credit loss allowance for doubtful receivables.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 11 HIRE PURCHASE AND LEASING RECEIVABLES

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Gross receivables		<b>10,410</b>	29,082	-	-
Unearned income		<b>(604)</b>	(2,600)	-	-
	10	<b>9,806</b>	26,482	-	-
Due within 12 months		<b>4,715</b>	16,476	-	-
Due after 12 months		<b>5,091</b>	10,006	-	-
		<b>9,806</b>	26,482	-	-

Expected credit loss on hire purchase and leasing receivables are disclosed in Note 10.

## 12 DEFERRED TAX ASSETS AND LIABILITIES

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislation, except for unutilised tax losses of the Malaysia incorporated subsidiaries which will expire in 2028.

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Loans, advances, hire purchase and leasing receivables	<b>(303)</b>	(545)	-	-
Factoring receivables	<b>(688)</b>	(757)	-	-
Employee benefits	<b>(290)</b>	(286)	-	-
Unutilised tax losses and capital allowances	<b>(1,960)</b>	(2,151)	-	-
Property, plant and equipment	-	-	<b>169</b>	186
Defined benefit plan	<b>(18)</b>	(17)	-	-
Other investments	-	-	<b>20</b>	20
Deferred tax (assets)/liabilities	<b>(3,259)</b>	(3,756)	<b>189</b>	206
Set-off of tax	<b>80</b>	64	<b>(80)</b>	(64)
<b>Net deferred tax (assets)/liabilities</b>	<b>(3,179)</b>	(3,692)	<b>109</b>	142
<b>Company</b>				
Property, plant and equipment	-	-	<b>90</b>	123

# NOTES TO THE FINANCIAL STATEMENTS

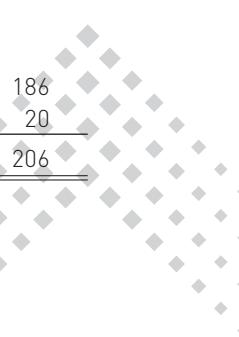
YEAR ENDED 31 DECEMBER 2021

## 12 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The movements in temporary differences during the year are as follows:

	Balance as at 1/1/2021 \$'000	Recognised in profit or loss (Note 36) \$'000	Recognised in other comprehensive income \$'000	Exchange differences \$'000	Balance as at 31/12/2021 \$'000
<b>Group</b>					
<b>Deferred tax assets</b>					
Loans, advances, hire purchase and leasing receivables	(545)	203	-	39	(303)
Factoring receivables	(757)	9	-	60	(688)
Employee benefits	(286)	(29)	-	25	(290)
Defined benefit plan	(17)	-	-	(1)	(18)
Unutilised tax losses and capital allowances	(2,151)	169	-	22	(1,960)
	<u>(3,756)</u>	<u>352</u>	<u>-</u>	<u>145</u>	<u>(3,259)</u>
<b>Deferred tax liabilities</b>					
Property, plant and equipment	186	(17)	-	-	169
Other investments	20	-	-	-	20
	<u>206</u>	<u>(17)</u>	<u>-</u>	<u>-</u>	<u>189</u>

	Balance as at 1/1/2020 \$'000	Recognised in profit or loss (Note 36) \$'000	Recognised in other comprehensive income \$'000	Exchange differences \$'000	Balance as at 31/12/2021 \$'000
<b>Group</b>					
<b>Deferred tax assets</b>					
Loans, advances, hire purchase and leasing receivables	(611)	56	-	10	(545)
Factoring receivables	(638)	(130)	-	11	(757)
Employee benefits	(278)	(20)	8	4	(286)
Defined benefit plan	(10)	1	(8)	-	(17)
Unutilised tax losses and capital allowances	(2,377)	222	-	4	(1,960)
	<u>(3,914)</u>	<u>129</u>	<u>-</u>	<u>29</u>	<u>(3,259)</u>
<b>Deferred tax liabilities</b>					
Property, plant and equipment	206	(20)	-	-	186
Defined benefit plan	98	[78]	-	-	20
Other investments	304	(98)	-	-	206



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 12 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The movements in temporary differences during the year are as follows:

	Balance as at 1/1/2021 \$'000	Recognised in profit or loss \$'000	Balance as at 31/12/2021 \$'000
<b>Company</b>			
<b>Deferred tax liabilities</b>			
Property, plant and equipment	123	(33)	90

	Balance as at 1/1/2020 \$'000	Recognised in profit or loss \$'000	Balance as at 31/12/2020 \$'000
<b>Company</b>			
<b>Deferred tax liabilities</b>			
Property, plant and equipment	147	(24)	123

### *Unrecognised deferred tax assets*

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2021 \$'000	2020 \$'000
Unutilised tax losses	21,686	17,466

Deferred tax assets have not been recognised in respect of these tax losses because it is not probable that sufficient future taxable profit will be available against which the specific Group entities can utilise the benefits.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 13 INSURANCE CONTRACT PROVISIONS

<b>Group</b>	2021			2020		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Provision for unexpired risks	4,212	(576)	3,636	5,985	(782)	5,203
Provision for claims	10,455	(3,450)	7,005	14,108	(4,206)	9,902
	<b>14,667</b>	<b>(4,026)</b>	<b>10,641</b>	<b>20,093</b>	<b>(4,988)</b>	<b>15,105</b>

*Analysis of movements in provision for unexpired risks*

<b>Group</b>	2021			2020		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
At 1 January	5,985	(782)	5,203	6,738	(1,778)	4,960
Premium written	4,498	(663)	3,835	6,190	(1,115)	5,075
Premium earned	(6,271)	869	(5,402)	(6,943)	2,111	(4,832)
At 31 December	<b>4,212</b>	<b>(576)</b>	<b>3,636</b>	<b>5,985</b>	<b>(782)</b>	<b>5,203</b>

*Analysis of movements in provision for insurance claims*

<b>Group</b>	2021			2020		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
At 1 January	14,108	(4,206)	9,902	14,859	(2,756)	12,103
Claims (paid)/recovered	(4,386)	-	(4,386)	(21,964)	12,913	(9,051)
Claims incurred/ (reversed)	733	756	1,489	21,213	(14,363)	6,850
At 31 December	<b>10,455</b>	<b>(3,450)</b>	<b>7,005</b>	<b>14,108</b>	<b>(4,206)</b>	<b>9,902</b>

*Analysis of the estimated timing of cash outflows (undiscounted) relating to provision for insurance claims*

	<b>Group</b>	
	2021 \$'000	2020 \$'000
Less than 1 year	3,945	6,307
Between 1-5 years	3,060	3,595
	<b>7,005</b>	<b>9,902</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 14 INSURANCE RECEIVABLES

	Group	2021 \$'000	2020 \$'000
Receivables arising from insurance contracts		<b>672</b>	1,653
Reinsurance contract receivables		<b>111</b>	121
		<b>783</b>	1,774
Allowance for doubtful receivables		<b>(247)</b>	(277)
		<b>536</b>	1,497

Insurance receivables are non-interest bearing.

The movements in allowance for impairment of doubtful receivables during the year are as follows:

	Note	Group	2021 \$'000	2020 \$'000
At 1 January			<b>277</b>	108
Allowance provided during the year	34		<b>(30)</b>	169
At 31 December			<b>247</b>	277

## 15 TRADE AND OTHER RECEIVABLES

	Note	Group	Company	2021 \$'000	2020 \$'000
	Note	2021 \$'000	2021 \$'000	2020 \$'000	2020 \$'000
Loans, advances, hire purchase and leasing receivables	10	<b>83,471</b>	169,160	<b>64,604</b>	105,723
Factoring receivables	16	<b>145,656</b>	127,324	<b>12,616</b>	8,772
Amount owing by non-controlling shareholders		<b>96</b>	96	<b>3,681</b>	3,681
Loans to subsidiaries	8	-	-	<b>2,327</b>	44,795
Deposits and other receivables	17	<b>669</b>	605	<b>5</b>	121
<b>Loans and receivables</b>		<b>229,892</b>	297,185	<b>83,233</b>	163,092
Prepayment		<b>446</b>	395	<b>208</b>	168
		<b>230,338</b>	297,580	<b>83,441</b>	163,260

The amount owing by non-controlling shareholders is unsecured and interest-free. The loans to subsidiaries (trade) are unsecured and interest-bearing. The loans to subsidiaries (non-trade) are unsecured and non-interest bearing.

Effective interest rates and repricing analysis for loans, advances, hire purchase and leasing receivables and factoring receivables are as set out in Notes 10 and 16 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 16 FACTORING RECEIVABLES

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Factoring receivables	41	<b>199,531</b>	174,062	<b>18,564</b>	15,210
Less:					
Factoring amounts owing to clients		(44,174)	(36,683)	(5,943)	(6,318)
		<b>155,357</b>	137,379	<b>12,621</b>	8,892
Allowance for doubtful receivables	15	(9,701)	(10,055)	(5)	(120)
		<b>145,656</b>	127,324	<b>12,616</b>	8,772

The movements in allowances for expected credit loss on factoring receivables during the year are as follows:

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At 1 January		<b>10,055</b>	11,660	<b>120</b>	237
Allowance made/(reversed) during the year	34	<b>93</b>	1,028	(12)	(88)
Allowance utilised during the year		(126)	(2,431)	(103)	(29)
Translation adjustment		(321)	(202)	-	-
At 31 December		<b>9,701</b>	10,055	<b>5</b>	120

The weighted average interest rates of factoring receivables, net of factoring amounts owing to clients included in trade and other payables of \$5,167,000 for the Group and Company (2020: Group and Company: \$3,008,000) (refer to Note 25), and allowance for doubtful receivables at the reporting date, and the periods in which they reprice are as follows:

<b>Group</b>		<b>Weighted average effective interest rate %</b>	<b>Weighted average effective interest rate %</b>	
			Total 2021 \$'000	Total 2020 \$'000
Factoring receivables, net				
- variable rate		8.7	<b>140,489</b>	8.8
			<b>140,489</b>	124,316
<b>Company</b>				
Factoring receivables, net				
- variable rate	7.4		<b>7,749</b>	7.5
			<b>7,749</b>	5,764

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 17 DEPOSITS AND OTHER RECEIVABLES

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Deposits		<b>27</b>	21	<b>5</b>	5
Tax recoverable		<b>1</b>	1	–	–
Accrued interest receivables		<b>165</b>	200	–	–
Other receivables:					
Gross receivables		<b>1,322</b>	1,180	<b>446</b>	668
Allowances for expected credit loss		<b>(846)</b>	(797)	<b>(446)</b>	(552)
Other receivables, net		<b>476</b>	383	–	116
	15	<b>669</b>	605	<b>5</b>	121

The movements in allowances for expected credit loss during the year are as follows:

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At 1 January		<b>797</b>	553	<b>552</b>	393
Allowance made during the year	34	<b>237</b>	301	<b>18</b>	164
Allowance utilised during the year		<b>(186)</b>	(55)	<b>(124)</b>	(5)
Translation adjustments		<b>(2)</b>	(2)	–	–
At 31 December		<b>846</b>	797	<b>446</b>	552

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash at banks and in hand	<b>66,462</b>	40,380	<b>43,634</b>	16,711
Fixed deposits	<b>46,101</b>	11,340	<b>36,307</b>	8,186
Cash and cash equivalents in the consolidated statement of cash flows	<b>112,563</b>	51,720	<b>79,941</b>	24,897

*Effective interest rates and repricing analysis:*

	Weighted average effective interest rate %	Floating rate \$'000	Fixed interest rate maturing within 1 year \$'000	Non-interest bearing \$'000	Total \$'000			
<b>Group</b>								
<b>31 December 2021</b>								
Cash at banks and in hand	0.1	<b>50,220</b>	–	<b>16,242</b>	<b>66,462</b>			
Fixed deposits	0.4	<b>3,307</b>	<b>42,794</b>	–	<b>46,101</b>			
		<b>53,527</b>	<b>42,794</b>	<b>16,242</b>	<b>112,563</b>			
<b>31 December 2020</b>								
Cash at banks and in hand	0.1	29,533	–	10,847	40,380			
Fixed deposits	0.3	1,248	10,092	–	11,340			
		<b>30,781</b>	<b>10,092</b>	<b>10,847</b>	<b>51,720</b>			
<b>Company</b>								
<b>31 December 2021</b>								
Cash at banks and in hand	0.2	<b>35,794</b>	–	<b>7,840</b>	<b>43,634</b>			
Fixed deposits	0.4	–	<b>36,307</b>	–	<b>36,307</b>			
		<b>35,794</b>	<b>36,307</b>	<b>7,840</b>	<b>79,941</b>			
<b>31 December 2020</b>								
Cash at banks and in hand	0.1	12,471	–	4,240	16,711			
Fixed deposits	0.2	–	8,186	–	8,186			
		<b>12,471</b>	<b>8,186</b>	<b>4,240</b>	<b>24,897</b>			



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 19 DEPOSITS RELATING TO COLLATERAL OF CLIENTS

The Group has clients' monies placed as fixed deposits of \$2,563,000 (2020: \$5,693,000) held as collaterals for guarantees issued on behalf of policyholders. The fair value of the cash collateral as at reporting dates approximate their carrying amounts. These amounts have been excluded from both cash at bank and other payables in the statement of financial position.

## 20 SHARE CAPITAL

	<b>Group and Company</b>	<b>No. of shares</b>	
	<b>2021</b>	<b>2020</b>	
<b>Fully paid ordinary shares, with no par value</b>			
At 1 January and 31 December	<b><u>375,969,665</u></b>	<b><u>375,969,665</u></b>	

### *Issue of ordinary shares*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### *Capital management*

Except for the regulated insurance, fund management and lending business in Indonesia, other subsidiaries of the Group are not regulated by externally imposed capital requirements. The capital of these regulated entities are separately managed to comply with the capital requirements required by the respective regulator.

The minimum paid up share capital required for the insurance business as stipulated by the local regulator is \$25 million. The regulated insurance subsidiary has to comply with the Risk Based Capital Adequacy Requirement ("CAR") as prescribed by the Monetary Authority of Singapore ("MAS") (subject to the financial resource of the subsidiary not being less than \$5 million). The regulated insurance subsidiary is in compliance with all externally imposed capital requirements during the year.

The regulated insurance subsidiary manages and ensures adequacy of its capital resources requirement in accordance with the computation of risk charge on insurance risk, investment risks and interest rate sensitivity and foreign currency mismatch between assets and liabilities and concentration risks as stipulated under the Insurance (Valuation and Capital) (Amendment) Regulation 2020. In addition, stress tests are conducted to understand the sensitivity of the key assumptions in the regulated insurance subsidiary's capital to the effects of plausible stress scenarios and evaluate how the regulated insurance subsidiary can continue to maintain adequate capital under such scenarios.

The minimum base capital required for the fund management business as stipulated by the local regulator is \$250,000. The regulated fund management subsidiary has to comply with the base capital as prescribed by MAS. Base capital is the sum of paid-up ordinary share capital, paid-up irredeemable and non-cumulative preference share capital, statutory reserves and any unappropriated profit or loss in the latest audited accounts, less any interim loss in the latest accounts of the subsidiary and any dividend that has been declared since the latest audited accounts. The subsidiary is in compliance with all externally imposed capital requirements during the year.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 20 SHARE CAPITAL (CONTINUED)

### *Capital management* (Continued)

The minimum equity required for the lending business in Indonesia as stipulated by the local regulator is at least IDR 100 billion of equity and a minimum equity-to-paid up capital of 50%. The subsidiary is in compliance with all externally imposed capital requirements as at balance sheet date.

The Group's policy is to maintain a strong capital base so as to maintain market confidence and to sustain future development of the business as well as to ensure that the minimum required capital of its regulated subsidiaries is maintained at all times.

The Board of Directors monitors the return on equity, which the Group defines as profit after tax divided by total average shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the leverage ratio as well as the level of dividends to ordinary shareholders. The leverage ratio is defined as total consolidated liabilities divided by the total consolidated tangible net assets.

The Group's strategy is to maintain a leverage ratio of less than 5.5 times and dividend distribution of at least 30% of the earnings each year.

There were no changes to the Group's approach to capital management during the year.

## 21 OTHER RESERVES

The other reserves of the Group comprise the following balances:

	<b>Group</b>	
	<b>2021</b> \$'000	<b>2020</b> \$'000
Capital reserve		
– Statutory reserve	1,604	1,604
– Other capital reserve	(1,496)	(1,496)
	108	108
Translation reserve	(1,606)	2,397
	(1,498)	2,505

### *Statutory reserve*

The statutory reserve relates to the statutory legal reserve transferred from accumulated profits in accordance with the foreign jurisdiction in which one of the Group's subsidiaries operates.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 21 OTHER RESERVES (CONTINUED)

### *Other capital reserve*

The other capital reserve represents the effect of 25.07% dilution from 98.2% to 73.13% of the Group's shareholding interest in IFS Capital (Thailand) Public Company Limited following its initial public offer of 120 million new shares at an offer price of THB1.35 per share on 5 August 2010. As the change did not result in a loss of control, the effect of the dilution as computed was recognised directly in equity.

### *Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the functional currency of the Company.

### *Dividends*

The following dividends were declared and paid by the Company:

	2021 \$'000	2020 \$'000
<i>Dividends paid</i> A first and final one-tier tax exempt dividend of 0.2 cents per ordinary share (2020: 0.78 cents per ordinary share) paid in respect of previous financial year ended 31 December	<u>752</u>	<u>2,932</u>

### *Dividends proposed*

A first and final one-tier tax exempt dividend of 0.78 (2020: 0.2) cents per ordinary share in respect of the financial year ended 31 December 2021 was proposed, subject to the approval of the Shareholders at the Annual General Meeting. The dividend has not been provided in these financial statements and there is no income tax consequence.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 22 NON-CONTROLLING INTERESTS

The following subsidiary has material non-controlling interests:

Company name	Principal Place of business/ Country of incorporation	Operating segment	Ownership interests held by non-controlling interests	
			2021 %	2020 %
IFS Capital (Thailand) Public Company Limited	Thailand	Factoring, hire purchase and leasing	26.9	26.9

The following summarises the financial information for IFS Capital (Thailand) Public Company Limited, prepared in accordance with SFRS(I)s, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The information is before inter-company eliminations.

### IFS Capital (Thailand) Public Company Limited

	2021 \$'000	2020 \$'000
Revenue	14,500	14,595
Profit	6,318	5,826
Other comprehensive income	(5,544)	(1,066)
<b>Total comprehensive income</b>	<b>774</b>	<b>4,760</b>
Attributable to NCI:		
– Profit	1,698	1,566
– Other comprehensive income	(1,487)	(286)
<b>– Total comprehensive income</b>	<b>211</b>	<b>1,280</b>
Non-current assets	6,749	8,363
Current assets	150,330	141,853
Non-current liabilities	(8,975)	(11,218)
Current liabilities	(83,706)	(72,436)
<b>Net assets</b>	<b>64,398</b>	<b>66,562</b>
<b>Net assets attributable to NCI</b>	<b>17,305</b>	<b>17,886</b>
Cash flows (used in)/from operating activities	(15,519)	34,341
Cash used in investing activities	(49)	(10)
Cash from/(used in) financing activities	13,218	(33,181)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,350)</b>	<b>1,150</b>
<b>Dividends paid to non-controlling interests during the year*</b>	<b>792</b>	<b>1,348</b>

\* Included in cash flows from financing activities.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 23 INTEREST-BEARING BORROWINGS

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Payable:				
Within 12 months	<b>143,153</b>	233,350	<b>61,818</b>	158,834
Between 1 and 5 years	<b>25,250</b>	13,538	<b>17,767</b>	3,745
	<b>168,403</b>	246,888	<b>79,585</b>	162,579

The interest-bearing borrowings comprise:

	Note	2021		2020	
		Face Value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
<b>Group</b>					
Unsecured short-term bank loans	(a)	<b>112,488</b>	<b>112,488</b>	216,467	216,467
Unsecured long-term bank loans	(b)	<b>38,442</b>	<b>38,442</b>	22,273	22,273
Unsecured EFS loans	(c)	<b>17,473</b>	<b>17,473</b>	8,148	8,148
		<b>168,403</b>	<b>168,403</b>	246,888	246,888
<b>Company</b>					
Unsecured short-term bank loans	(a)	<b>39,367</b>	<b>39,367</b>	149,740	149,740
Unsecured long-term bank loans	(b)	<b>22,745</b>	<b>22,745</b>	4,691	4,691
Unsecured EFS loans	(c)	<b>17,473</b>	<b>17,473</b>	8,148	8,148
		<b>79,585</b>	<b>79,585</b>	162,579	162,579

- (a) The unsecured short-term bank loans bear nominal interest rates ranging from 1.3% to 3.6% (2020: 1.3% to 9.8%) per annum and are repayable in 2022. For the Group, these include subsidiaries' bank loans denominated in Malaysian Ringgit, Indonesian Rupiah and Thai Baht.
- (b) The unsecured long-term bank loans bear nominal interest rates 2.6% to 3.5 % (2020: 4%) per annum and are repayable monthly or quarterly between 2022 to 2026 (2020: 2021 to 2025). For the Group, these include subsidiaries' bank loans denominated in Thai Baht.
- (c) These represent unsecured advances from Enterprise Singapore to fund loans and advances extended by the Company to borrowers under the Enterprise Financing Scheme ("EFS"). Credit risk for loans and advances made under these schemes are shared by the providers of these borrowings and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 23 INTEREST-BEARING BORROWINGS (CONTINUED)

### Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities granted by the banks to subsidiaries. Such utilised banking facilities amounted to \$2,173,000 as at 31 December 2021 (2020: \$6,540,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantees.

### *Effective interest rates and repricing analysis:*

	<b>Weighted average effective interest rate %</b>	<b>Floating rate \$'000</b>	<b>Fixed interest rate maturing</b>		<b>Total \$'000</b>			
			<b>within 1 year \$'000</b>	<b>in 1 to 5 years \$'000</b>				
<b>Group</b>								
<b>31 December 2021</b>								
Unsecured short-term bank loans	1.6	112,488	-	-	112,488			
Unsecured long-term bank loans	3.0	15,697	4,978	17,767	38,442			
Unsecured EFS loans	5.0	-	17,473	-	17,473			
		<b>128,185</b>	<b>22,451</b>	<b>17,767</b>	<b>168,403</b>			
<b>31 December 2020</b>								
Unsecured short-term bank loans	1.9	216,467	-	-	216,467			
Unsecured long-term bank loans	2.9	17,582	946	3,745	22,273			
Unsecured EFS loans	5.4	-	8,148	-	8,148			
		<b>234,049</b>	<b>9,094</b>	<b>3,745</b>	<b>246,888</b>			
<b>Company</b>								
<b>31 December 2021</b>								
Unsecured short-term bank loans	1.5	39,367	-	-	39,367			
Unsecured long-term bank loans	3.2	-	4,978	17,767	22,745			
Unsecured EFS loans	5.0	-	17,473	-	17,473			
		<b>39,367</b>	<b>22,451</b>	<b>17,767</b>	<b>79,585</b>			
<b>31 December 2020</b>								
Unsecured short-term bank loans	1.8	149,740	-	-	149,740			
Unsecured long-term bank loans	3.2	-	946	3,745	4,691			
Unsecured EFS loans	5.4	-	8,148	-	8,148			
		<b>149,740</b>	<b>9,094</b>	<b>3,745</b>	<b>162,579</b>			

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 23 INTEREST-BEARING BORROWINGS (CONTINUED)

### *Reconciliation of movements of liabilities to cash flows arising from financing activities*

	Interest-bearing borrowings \$'000	Lease liabilities \$'000	Total \$'000
Balance at 1 January 2021	<b>246,888</b>	2,603	<b>249,491</b>
Changes from financing cash flow:			
Proceeds	16,092	-	16,092
Repayments	(87,421)	(889)	(88,310)
Translation adjustments	(7,156)	(6)	(7,162)
Total changes from financing cash flow	<b>(78,485)</b>	(895)	<b>(79,380)</b>
Other changes:			
Additions	-	58	58
Interest expenses	-	109	109
Total other changes	-	167	167
Balance at 31 December 2021	<b>168,403</b>	1,875	<b>170,278</b>
Balance at 1 January 2020	262,298	2,849	265,147
Changes from financing cash flow:			
Proceeds	14,640	-	14,640
Repayments	(28,147)	(837)	(28,984)
Translation adjustments	(1,903)	(8)	(1,911)
Total changes from financing cash flow	<b>(15,410)</b>	(845)	<b>(16,255)</b>
Other changes:			
Additions	-	459	459
Interest expenses	-	140	140
Total other changes	-	599	599
Balance at 31 December 2020	<b>246,888</b>	2,603	<b>249,491</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 24 EMPLOYEE BENEFITS

Two foreign subsidiaries of the Group provide for employee benefits under each respective country. In Thailand, severance pay under the Thai Labour Protection Act and long service awards are payable to employees. In Indonesia, post-employment benefits are provided for its employees when their services are terminated due to retirement. The foreign subsidiaries of the Group calculated the provision for employee benefits by using the actuarial technique.

In respect of the actuarial assumptions of Thailand, the principal actuarial assumptions at the reporting date are as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
Discount rate at 31 December	<b>1.44%</b>	1.44%
Resignation rate based on age group of employees	<b>2%, 9% &amp; 25%</b>	2%, 9% & 25%
Future salary increases	<b>4.0%</b>	4.0%

In respect of the actuarial assumptions of Indonesia, the principal actuarial assumptions at the reporting date are as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
Discount rate at 31 December	<b>7.55%</b>	7.83%
Future salary increases	<b>5%</b>	5.0%

Provision for employee benefits for the year ended 31 December consists of the following:

	<b>Note</b>	<b>Group</b>	
		<b>2021 \$'000</b>	<b>2020 \$'000</b>
At 1 January		<b>1,504</b>	1,429
Provision for severance pay and long service awards	35	<b>212</b>	203
Remeasurements:			
– Experience assumptions		<b>(9)</b>	(36)
Benefits paid during the year		<b>(27)</b>	(69)
Translation adjustments		<b>(122)</b>	(23)
At 31 December		<b>1,558</b>	1,504

An amount of \$212,000 (2020: \$203,000) in respect of the defined benefit provisions was recognised in "General and administrative expenses" in the consolidated statement of profit or loss for the year ended 31 December 2021, see Note 35.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 24 EMPLOYEE BENEFITS (CONTINUED)

### *Sensitivity analysis*

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/[decreased] as a result of a change in the respective assumptions by one percent.

Group	Defined benefit obligation			
	2021		2020	
	1 percent increase \$'000	1 percent decrease \$'000	1 percent increase \$'000	1 percent decrease \$'000
Discount rate	(144)	168	(144)	167
Future salary increases	<u>160</u>	<u>(140)</u>	<u>146</u>	<u>(127)</u>

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

## 25 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Factoring amounts owing to clients	16	<b>5,167</b>	3,008	<b>5,167</b>	3,008
Trade payables		<b>171</b>	223	<b>159</b>	208
Other payables and accruals	26	<b>9,687</b>	10,972	<b>4,501</b>	5,589
		<b>15,025</b>	14,203	<b>9,827</b>	8,805

### **Group and Company**

Trade payables, other payables and accruals are non-interest bearing financial liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 26 OTHER PAYABLES AND ACCRUALS

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Accrued operating expenses		<b>7,019</b>	6,283	<b>3,441</b>	2,448
Clients' deposits		<b>2,428</b>	3,986	<b>866</b>	2,648
Accrued interest payable		<b>240</b>	703	<b>194</b>	493
	25	<b>9,687</b>	10,972	<b>4,501</b>	5,589

## 27 INSURANCE PAYABLES

	Group	
	2021 \$'000	2020 \$'000
Payables arising from insurance contracts	<b>505</b>	775
Payables arising from reinsurance contracts	<b>799</b>	860
	<b>1,304</b>	1,635

## 28 INTEREST INCOME

	Group	
	2021 \$'000	2020 \$'000
Loans, advances, hire purchase, leasing receivables and factoring receivables	<b>30,821</b>	26,980

## 29 INTEREST EXPENSE

	Group	
	2021 \$'000	2020 \$'000
Banks and ENTERPRISE Singapore	<b>3,875</b>	5,934
Unwinding of discount for loans	<b>50</b>	50
	<b>3,925</b>	5,984



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 30 STATEMENT OF PROFIT OR LOSS OF INSURANCE SUBSIDIARY – ECICS LIMITED (AFTER INTERCOMPANY ELIMINATION)

	Note	Group	2021 \$'000	2020 \$'000
Gross written premiums			<b>4,494</b>	6,188
Change in gross provision for unexpired risks	13		<b>1,773</b>	753
Gross earned premium revenue			<b>6,267</b>	6,941
Written premiums ceded to reinsurers			<b>(663)</b>	(1,115)
Reinsurers' share of change in provision for unexpired risks	13		<b>(206)</b>	(996)
Reinsurance premium expenses			<b>(869)</b>	(2,111)
<b>Net earned premium revenue</b>			<b>5,398</b>	4,830
<b>Other revenue</b>				
Commission income			<b>81</b>	183
Investment income			<b>931</b>	339
Other income			<b>1</b>	–
Grant income			<b>–</b>	420
			<b>1,013</b>	942
<b>Net income before claims and expenses</b>			<b>6,411</b>	5,772
<b>Claims and expenses</b>				
Change in gross provision for insurance claims	13		<b>3,653</b>	751
Reinsurers' share of change in provision for insurance claims	13		<b>(756)</b>	1,451
Gross claims paid	13		<b>(4,386)</b>	(21,964)
Reinsurers' share of claims paid	13		<b>–</b>	12,913
<b>Net claims incurred</b>	13		<b>(1,489)</b>	(6,849)
Commission expenses			<b>(1,100)</b>	(1,596)
Distribution expenses			<b>(7)</b>	(34)
Administration expenses			<b>(905)</b>	(1,033)
Staff costs			<b>(2,555)</b>	(2,034)
Allowance for impairment of insurance and investment			<b>(375)</b>	(473)
<b>Total claims and expenses</b>			<b>(6,431)</b>	(12,019)
<b>Net loss before tax for the year</b>			<b>(20)</b>	(6,247)

The statement of profit or loss reflects the credit, maid insurance, engineering and work injury compensation, bonds and guarantee, property, casualty and motor insurance businesses of the insurance subsidiary, ECICS Limited, that are consolidated in the Group's profit or loss. All intra-group transactions relating to credit premium income and expenses are eliminated on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 31 FEE AND COMMISSION INCOME

	Group	2021 \$'000	2020 \$'000
Fee income		<b>6,299</b>	6,314
Underwriting commission income		<b>81</b>	183
		<b>6,380</b>	<b>6,497</b>

The fee income are service fees from provision of loans to the customers, received/receivable on the disbursement of the loans, subject to the loan agreements.

## 32 NET INVESTMENT INCOME

	Group	2021 \$'000	2020 \$'000
Exchange gain		<b>55</b>	32
Dividend income		<b>543</b>	376
Gain/(Loss) on disposal of debt securities		<b>2</b>	(66)
Net change in fair value of financial assets through profit or loss		<b>(578)</b>	(528)
Interest income from bonds, fixed deposits and others		<b>789</b>	909
Amortisation of debt securities at amortised cost		<b>(26)</b>	(14)
		<b>785</b>	<b>709</b>

## 33 OTHER INCOME

	Group	2021 \$'000	2020 \$'000
Recoveries – loans, advances and receivables <sup>#</sup>		<b>92</b>	88
Gain on disposal of property, plant and equipment		<b>31</b>	15
Others		<b>791</b>	358
		<b>914</b>	<b>461</b>

# Represents excess amount of loans, advances and receivables recovered.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 34 RECOGNITION OF ALLOWANCES FOR LOAN LOSSES AND IMPAIRMENT OF OTHER ASSETS

	Note	2021 \$'000	2020 \$'000	Group
In respect of:				
Trade and other receivables				
– loans, advances, hire purchase, leasing and factoring receivables	10,16	(699)	(1,542)	
– insurance and other receivables	14,17	(207)	(470)	
– debt securities at amortised cost		(405)	(305)	
– debts written off		(1)	(28)	
		<b>(1,312)</b>	<b>(2,345)</b>	

## 35 PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Note	2021 \$'000	2020 \$'000	Group
Amortisation of intangible assets	5	<b>276</b>	321	
Depreciation of property, plant and equipment	4	<b>375</b>	390	
Depreciation of investment property	6	<b>192</b>	202	
Depreciation of Right-of-use assets	38	<b>824</b>	787	
Exchange (gain)/loss				
– Investment income		<b>(54)</b>	32	
– others		<b>(92)</b>	166	
Audit fees				
– auditors of the Company		<b>405</b>	365	
– other member firms of KPMG International		<b>24</b>	24	
– other auditors		<b>141</b>	132	
Non-audit fees				
– other member firms of KPMG International		<b>3</b>	3	
– other auditors		<b>3</b>	3	
Directors' fees		<b>420</b>	384	
Interest expense and fees paid to corporations in which the directors have interests	40	<b>235</b>	529	
Contributions to defined contribution plans included in staff costs		<b>1,435</b>	1,195	
Provision for severance pay and long service awards	24	<b>212</b>	203	
Operating lease expense		<b>28</b>	72	

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 36 TAX EXPENSE

	Note	2021 \$'000	2020 \$'000	Group
<b>Current tax expense</b>				
Current year		(2,705)	(1,559)	
Over provided in prior years		-	1,414	
		(2,705)	(145)	
<b>Deferred tax expense</b>				
Movements in temporary differences	12	(335)	(31)	
		(3,040)	(176)	
<b>Reconciliation of effective tax rate</b>				
Profit before tax		12,689	2,537	
Tax using Singapore tax rate of 17% (2020:17%)		(2,157)	(431)	
Effect of tax rates in foreign jurisdictions		(179)	(225)	
Non-deductible expenses		(234)	(204)	
Tax exempt income		82	69	
Income not subject to tax		67	26	
Over provided in prior years		-	1,414	
Deferred tax asset not recognised		(621)	(825)	
Others		2	-	
		(3,040)	(176)	

In 2020, current tax expense over provided in prior year arose mainly from utilisation of tax losses for the previous financial year transferred between group entities under the Group Relief in Singapore. Such transfer was approved and accounted for in the current financial year.

## 37 EARNINGS PER SHARE

	2021 \$'000	2020 \$'000	Group
<b>Basic and diluted earnings per share</b>			
Basic earnings per share is based on:			
Net profit attributable to ordinary shareholders	7,951	795	
<b>Number of shares</b>			
Issued ordinary shares at beginning and end of the year	375,969,665	375,969,665	



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 38 LEASES

### Leases as lessee (SFRS(I) 16)

The Group entities lease in office premises. The leases run for a period of 3 – 15 years, two of which have an option to renew the lease for another 3 – 5 years. Lease payments are renegotiated to reflect market rentals upon the renewal. The Group entities are restricted from entering into any sub-lease arrangements.

Information about leases for which the Group is a lessee is presented below.

#### Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property:

	2021		2020	
	Group \$'000	Company \$'000	Group \$'000	Company \$'000
Balance at 1 January – initial recognition	<b>2,525</b>	<b>1,834</b>	2,839	2,020
Additions during the year	<b>58</b>	–	479	479
Depreciation charge for the year	(824)	(685)	(787)	(665)
Translation adjustments	(6)	–	(6)	–
<b>Balance at 31 December</b>	<b>1,753</b>	<b>1,149</b>	<b>2,525</b>	<b>1,834</b>
<b>Lease liabilities</b>				
Balance at 1 January – initial recognition	<b>2,603</b>	<b>1,858</b>	2,849	2,007
Additions during the year	<b>58</b>	–	460	460
Interest expense on lease liabilities	<b>109</b>	<b>54</b>	140	76
Repayments	(889)	(720)	(837)	(685)
Translation adjustments	(6)	–	(9)	–
<b>Balance at 31 December</b>	<b>1,875</b>	<b>1,192</b>	<b>2,603</b>	<b>1,858</b>
Payable within 12 months	<b>827</b>	<b>703</b>	766	666
Payable after 12 months	<b>1,048</b>	<b>489</b>	1,837	1,192
	<b>1,875</b>	<b>1,192</b>	<b>2,603</b>	<b>1,858</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 38 LEASES (CONTINUED)

### Amounts recognised in profit or loss

	Group	2021 \$'000	2020 \$'000
<b>Leases under SFRS(I) 16</b>			
Interest on lease liabilities		109	140
Depreciation of right-of-use assets		<u>824</u>	<u>787</u>

### Amounts recognised in statement of cash flows

	2021 \$'000	2020 \$'000
<b>Total cash outflow for leases</b>	<u>895</u>	<u>845</u>

### Extension options

Two office leases held by the Company and one subsidiary contain an extension option exercisable by the Company and the subsidiary each, up to one year before the end of the non-cancellable contract period. The extension option held is exercisable only by the Company/the subsidiary and not by the lessor. The Company assessed at the date of initial application of SFRS(I) 16 and did not consider it is reasonably certain to exercise the option and as such, did not include the extension period of another 5 years in the calculation of the right-of-use assets and the lease liabilities. The subsidiary assessed and considers it is reasonably certain to exercise the option and accordingly included the extension period of another 3 years in the calculation of the right-of-use assets and the lease liabilities.

### Leases as lessor

The Group leases out its investment properties (see Note 6).

### Operating lease commitment

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2021 \$'000	2020 \$'000
<b>Operating leases under SFRS(I) 16</b>		
Less than one year	89	133
One to two years	90	33
Two to three years	<u>29</u>	-
<b>Total</b>	<u>208</u>	<u>166</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 39 CONTINGENT LIABILITIES AND COMMITMENTS

### *Contingent liabilities*

As at 31 December, the Group have bankers guarantees issued on behalf of customers as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Bankers guarantees	<b>1,979</b>	1,904
	<b>1,979</b>	<b>1,904</b>

## 40 SIGNIFICANT RELATED PARTIES TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

### *Key management personnel compensation*

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Short-term benefits	<b>2,711</b>	2,397
Post-employment benefits	<b>125</b>	129
	<b>2,836</b>	<b>2,526</b>

Key management personnel refers to the Group Chief Executive Officer, Chief Executive Officers and Country Head equivalent of the subsidiaries, and Senior Management of the Company, who have the authority and responsibility for planning, directing and controlling the activities of the Group and the Company.

Remuneration comprise salary, allowances, bonuses (comprises annual wage supplement and performance bonus), employers' contributions to defined contribution plans and other benefits including severance and retirement benefits provided for a key management personnel of an overseas subsidiary as required under the country's labour regulations.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 40 SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONTINUED)

### *Other related parties transactions*

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	<b>Group</b>	
	<b>2021</b> \$'000	<b>2020</b> \$'000
<b>Related parties</b>		
Interest charges on borrowings	<b>34</b>	294
Professional and brokerage fees incurred	<b>108</b>	120
Custodian fee	<b>27</b>	44
Fund management fees incurred	<b>66</b>	71
Rental income	<b>(18)</b>	-

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT

Accepting and managing risk is central to the business of being a financial services provider and is an important part of the Group's overall business strategy. The Group has adopted formal risk management policies and procedures which are approved by the Board of Directors. These risk management guidelines set out both procedures as well as quantitative limits to minimise risks arising from the Group's exposures to such factors. The main financial and insurance risks that the Group is exposed to and how they are being managed are set out below.

### *Credit risk*

The principal risk to which the Group is exposed is credit risk in connection with its loans, factoring, bond, guarantee and insurance activities. Credit risk is the potential financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its financial and contractual obligations, as and when they fall due. Management has established credit and insurance processes and limits to manage these risks including performing credit reviews of its customers and counterparties, risk-sharing and obtaining collaterals as security where considered necessary.

Other credit risks represent the loss that would be recognised if counterparties in connection with insurance, reinsurance, investment and banking transactions failed to perform as contracted. Credit evaluations are performed on all new brokers, reinsurers, financial institutions and other counterparties.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### ***Credit risk*** (Continued)

Credit risk in respect of the Group's lending activities is managed and monitored in accordance with defined credit policies and procedures. Significant credit risk strategies and policies are approved, and reviewed periodically by the Board of Directors. These include setting authority limits for approving credit facilities and establishing limits on single client, related entities, and industry exposures to ensure the broad diversification of credit risk and to avoid undue concentration. These policies are delegated to and disseminated under the guidance and control of the Group Chief Risk Officer. A delegated credit approval authority limit structure, approved by the Board of Directors, is as follows:

- The Independent Credit Department and senior management staff assess, review and make decisions on credit risks of the Group within the authority limits imposed by the Board;
- The Credit Risk Management Department independently assesses the creditworthiness and risk profile of the obligors and formulates credit policies and procedures for the Group;
- The Client Survey Department conducts audits on new factoring clients and sometimes, loan clients before account activation and for existing ones, on a periodic basis;
- Daily monitoring of accounts is handled by Client Relationship and Business Development Teams together with Operations Department and Credit Risk Management Department;
- The Internal Audit function provides independent assurance to senior management and the Audit Committee concerning compliance with credit processes, policies and the adequacy of internal controls; and
- Established limits and actual levels of exposure are regularly reviewed and reported to the Board of Directors on a periodic basis.

Credit risk arising on loans to customers under the Enterprise Financing Scheme are under risk-sharing arrangements with Enterprise Singapore, with the risk-sharing ranging from 50% to 90% (2020: 50% to 90%) of the funds disbursed.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Credit risk* (Continued)

#### (ii) *Credit quality analysis*

The following table sets out information about the credit quality of loans, advances, hire purchase, leasing and factoring receivables measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms 'Stage 1', 'Stage 2', and 'Stage 3' is included in Note 3.8.

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
<b>Group</b>				
<b>2021</b>				
<b>Loans advances, hire purchase, and leasing receivables at amortised cost</b>				
Grade 1-10	<b>83,924</b>	<b>478</b>	<b>-</b>	<b>84,402</b>
Grade 11: Special mention	-	<b>4,074</b>	-	<b>4,074</b>
Grade 12: Substandard	-	-	<b>6,702</b>	<b>6,702</b>
Grade 13: Doubtful	-	-	<b>3,459</b>	<b>3,459</b>
Grade 14: Loss	-	-	<b>11,617</b>	<b>11,617</b>
	<b>83,924</b>	<b>4,552</b>	<b>21,778</b>	<b>110,254</b>
Loss allowance	<b>(498)</b>	<b>(85)</b>	<b>(8,036)</b>	<b>(8,619)</b>
Carrying amount	<b>83,426</b>	<b>4,467</b>	<b>13,742</b>	<b>101,635</b>
<b>Factoring receivables at amortised cost</b>				
Grade 1-10	<b>171,960</b>	<b>16,056</b>	<b>-</b>	<b>188,016</b>
Grade 11: Special mention	-	<b>1,482</b>	-	<b>1,482</b>
Grade 12: Substandard	-	-	<b>206</b>	<b>206</b>
Grade 13: Doubtful	-	-	<b>69</b>	<b>69</b>
Grade 14: Loss	-	-	<b>9,758</b>	<b>9,758</b>
	<b>171,960</b>	<b>17,538</b>	<b>10,033</b>	<b>199,531</b>
Loss allowance	<b>(6)</b>	<b>(15)</b>	<b>(9,680)</b>	<b>(9,701)</b>
Carrying amount	<b>171,954</b>	<b>17,523</b>	<b>353</b>	<b>189,830</b>



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Credit risk* (Continued)

#### (ii) *Credit quality analysis* (Continued)

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
<b>Group</b>				
<b>2020</b>				
<b>Loans advances, hire purchase, and leasing receivables at amortised cost</b>				
Grade 1-10	167,549	-	-	167,549
Grade 11: Special mention	-	12,215	-	12,215
Grade 12: Substandard	-	-	60,913	60,913
Grade 13: Doubtful	-	-	7,282	7,282
Grade 14: Loss	-	-	11,819	11,819
	167,549	12,215	80,014	259,778
Loss allowance	(686)	(253)	(7,347)	(8,286)
Carrying amount	<u>166,863</u>	<u>11,962</u>	<u>72,667</u>	<u>251,492</u>
<b>Factoring receivables at amortised cost</b>				
Grade 1-10	146,980	-	-	146,980
Grade 11: Special mention	-	15,136	-	15,136
Grade 12: Substandard	-	-	1,163	1,163
Grade 13: Doubtful	-	-	28	28
Grade 14: Loss	-	-	10,755	10,755
	146,980	15,136	11,946	174,062
Loss allowance	(4)	(12)	(10,039)	(10,055)
Carrying amount	<u>146,976</u>	<u>15,124</u>	<u>1,907</u>	<u>164,007</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Credit risk* (Continued)

#### (ii) *Credit quality analysis* (Continued)

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
<b>Company</b>				
<b>2021</b>				
<b>Loans advances, hire purchase, and leasing receivables at amortised cost</b>				
Grade 1-10	<b>66,024</b>	-	-	<b>66,024</b>
Grade 11: Special mention	-	<b>4,045</b>	-	<b>4,045</b>
Grade 12: Substandard	-	-	<b>6,466</b>	<b>6,466</b>
Grade 13: Doubtful	-	-	-	-
Grade 14: Loss	-	-	<b>3,351</b>	<b>3,351</b>
	<b>66,024</b>	<b>4,045</b>	<b>9,817</b>	<b>79,886</b>
Loss allowance	<b>(201)</b>	<b>(29)</b>	<b>(3,343)</b>	<b>(3,573)</b>
Carrying amount	<b>65,823</b>	<b>4,016</b>	<b>6,474</b>	<b>76,313</b>
<b>Factoring receivables at amortised cost</b>				
Grade 1-10	<b>17,887</b>	-	-	<b>17,887</b>
Grade 11: Special mention	-	<b>590</b>	-	<b>590</b>
Grade 12: Substandard	-	-	<b>44</b>	<b>44</b>
Grade 13: Doubtful	-	-	<b>43</b>	<b>43</b>
Grade 14: Loss	-	-	-	-
	<b>17,887</b>	<b>590</b>	<b>87</b>	<b>18,564</b>
Loss allowance	<b>(1)</b>	<b>(4)</b>	-	<b>(5)</b>
Carrying amount	<b>17,886</b>	<b>586</b>	<b>87</b>	<b>18,559</b>



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Credit risk* (Continued)

#### (II) *Credit quality analysis* (Continued)

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
<b>Company</b>				
<b>2020</b>				
<b>Loans advances, hire purchase, and leasing receivables at amortised cost</b>				
Grade 1-10	109,977	-	-	109,977
Grade 11: Special mention	-	7,562	-	7,562
Grade 12: Substandard	-	-	60,799	60,799
Grade 13: Doubtful	-	-	3,735	3,735
Grade 14: Loss	-	-	3,309	3,309
	<u>109,977</u>	<u>7,562</u>	<u>67,843</u>	<u>185,382</u>
Loss allowance	(330)	(54)	(3,438)	(3,822)
Carrying amount	<u>109,647</u>	<u>7,508</u>	<u>64,405</u>	<u>181,560</u>
<b>Factoring receivables at amortised cost</b>				
Grade 1-10	8,849	-	-	8,849
Grade 11: Special mention	-	4,648	-	4,648
Grade 12: Substandard	-	-	1,054	1,054
Grade 13: Doubtful	-	-	-	-
Grade 14: Loss	-	-	659	659
	<u>8,849</u>	<u>4,648</u>	<u>1,713</u>	<u>15,210</u>
Loss allowance	(1)	(6)	(113)	(120)
Carrying amount	<u>8,848</u>	<u>4,642</u>	<u>1,600</u>	<u>15,090</u>

#### (a) *Factoring receivables*

The Group's credit risk exposures on factoring receivables comprise the following types of risks: recourse and non-recourse factoring. The receivables represent the debts that were factored to the Group by its clients of which the Group may provide funding up to 90% of the eligible debts.

The "recourse" factoring relates to debts for which the Group and the Company do not bear the risk of non-payment from the customers. Conversely, in the "non-recourse" factoring, the Group and the Company bear any bad debt risk that may arise. The Group reinsures part of the debts under non-recourse factoring with external reinsurers.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Credit risk* (Continued)

#### (ii) *Credit quality analysis* (Continued)

##### (a) *Factoring receivables* (Continued)

The breakdown by type of factoring risk is as follows:

	Note	Factoring receivables			
		Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Recourse		<b>192,036</b>	169,094	<b>11,069</b>	10,713
Non-recourse		<b>7,495</b>	4,968	<b>7,495</b>	4,497
	16	<b>199,531</b>	174,062	<b>18,564</b>	15,210

##### (b) *Insurance receivables*

The ageing of past due and impaired insurance receivables at the reporting date are as follows:

	Group	
	2021 \$'000	2020 \$'000
91 – 180 days	<b>143</b>	250
More than 181 days	<b>109</b>	794
	<b>252</b>	1,044

Analysis of receivables that were not past due nor impaired at the reporting date is as follows:

	Note	Group	
		2021 \$'000	2020 \$'000
Acceptable risks		<b>284</b>	453
Total insurance receivables	14	<b>536</b>	1,497



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### **Credit risk** (Continued)

#### (ii) **Credit quality analysis** (Continued)

##### (c) *Guarantees*

The maximum exposure of the Company in respect of the intra-group financial guarantee is disclosed in Note 23. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

##### (d) *Debt securities (including perpetual securities whose coupon payments cannot be deferred)*

The Group invests in debt securities (including perpetual securities whose coupon payments cannot be deferred) and limits its exposure by only investing in debt securities issued by corporates and financial institutions that are deemed to be of reasonable credit quality. As at 31 December 2021, substantially all of these corporates and financial institutions or their respective holding companies are listed on stock exchanges in Singapore or elsewhere. The Group monitors credit risk on an on-going basis.

Investments in debt securities are subject to adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal. Such issuer's ability to meet its debt obligations may also be adversely affected by specific projected business forecast, or the unavailability of additional financing.

The Group does not expect any counterparty to fail to meet their obligations as and when they fall due within the next 12 months. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Group limits its exposure to credit risk on investments held by investing only in liquid debt securities that provide attractive long-term yield and at acceptable credit quality. The aim is to provide a stable stream of positive income on the respective investments.

The Group uses general approach for assessment of ECL for debt securities. 12-month and lifetime probabilities of default are based on historical data supplied by Moody's or its equivalents for each credit rating.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## Credit risk (Continued)

### II) Credit quality analysis (Continued)

#### (d) Debt securities (including perpetual securities whose coupon payments cannot be deferred) (Continued)

The following table presents an analysis of the credit quality of debt investments at amortised cost and FVTPL. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and, in latter case, whether they were credit-impaired.

	Group	At amortised cost						At amortised cost					
		2021			2020			2021			2020		
		FVTPL \$'000	12-month ECL \$'000	Lifetime ECL-not credit- impaired \$'000	FVTPL \$'000	12-month ECL \$'000	Lifetime ECL-not credit- impaired \$'000	FVTPL \$'000	12-month ECL \$'000	Lifetime ECL-not credit- impaired \$'000	FVTPL \$'000	12-month ECL \$'000	Lifetime ECL-not credit- impaired \$'000
BBB- to AAA													
BB- to BB+		-	-	-	-	-	-	-	-	-	-	-	-
B- to B+		-	-	-	-	-	-	-	-	-	-	-	-
C to CCC+		-	-	-	-	-	-	-	-	-	-	-	-
D		-	-	-	-	-	-	-	-	-	-	-	-
Not rated		<u>1,338</u>	-	<u>2,000</u>	-	-	<u>1,500</u>	-	-	<u>2,000</u>	-	-	-
Gross carrying amounts	<b>6,590</b>	<b>14,567</b>	<b>2,000</b>	-	-	<b>6,051</b>	<b>17,936</b>	<b>2,000</b>	-	<b>17,877</b>	<b>423</b>	-	-
Loss allowance	-	(12)	(2,000)	-	-	-	(29)	(1,577)	-	-	-	-	-
Amortised cost	-	(22)	-	-	-	-	(30)	-	-	-	-	-	-
Carrying amount	<b>6,590</b>	<b>14,533</b>	<b>-</b>	-	-	<b>6,051</b>	<b>17,877</b>	<b>423</b>	-	-	-	-	-



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### **Credit risk** (Continued)

#### (II) **Credit quality analysis** (Continued)

##### (e) *Deposit and other receivables*

The Group uses a similar approach for assessment of ECLs for these receivables to those used for cash and cash equivalents. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the credit risk of the exposures. The amount of the allowance is disclosed in Note 17.

##### (f) *Cash and cash equivalents*

The cash and cash equivalents are placed with bank and financial institution counterparties which are regulated.

The Group and the Company held cash and cash equivalents of \$112,563,000 and \$79,941,000 respectively at 31 December 2021 (2020: \$51,720,000 and \$24,897,000 respectively). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to A+, based on reputable agency ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

##### (g) *Loans to subsidiaries*

The Company held loans to its subsidiaries of \$4,231,000 (2020: \$46,670,000). These balances are amounts lent to subsidiaries for their working capital requirements. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the credit risk of the exposures. The amount of the allowance is disclosed in Note 8.

#### (III) **Amount arising from ECL**

##### **Inputs, assumptions and techniques used for estimating impairment**

See accounting policy in Note 3.8.

##### **Significant increase in credit risk**

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### **Credit risk** (Continued)

#### **(III) Amount arising from ECL** (Continued)

##### **Inputs, assumptions and techniques used for estimating impairment** (Continued)

###### **Significant increase in credit risk** (Continued)

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default ("PD") as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 60 days past due.

###### **Credit risk grades**

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### **Credit risk** (Continued)

#### **(III) Amount arising from ECL** (Continued)

##### **Credit risk grades** (Continued)

The table below provides an indicative mapping of how the Group's internal credit risk grades relate to PD.

The portfolio of the Group is comprised of loans and advances to small and medium enterprises.

<b>Grading</b>	<b>Range of PD</b>
Grades 1-10	0.32% to 34.65%
Grades 11: Special mention	34.65% to 100%
Grades 12-14: Substandard, doubtful, loss	100%

##### **Generating the term structure of PD**

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Group analyses the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

##### **Determining whether credit risk has increased significantly**

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. Such qualitative factors are based on its expert judgment and relevant historical experiences.

As a backstop, the Group considers that a significant increase credit risk occurs no later than when an asset is more than 60 days past due or, for a factoring account, if more than 50% of factored receivables are more than 60 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Credit risk* (Continued)

#### (III) *Amount arising from ECL* (Continued)

##### **Determining whether credit risk has increased significantly** (Continued)

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period (normally 6 months) during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when a financial instrument becomes 60 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

##### **Definition of default**

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### **Credit risk** (Continued)

#### **(III) Amount arising from ECL** (Continued)

##### **Determining whether credit risk has increased significantly** (Continued)

###### **Definition of default** (Continued)

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

###### **Incorporation of forward-looking information**

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Group formulates economic scenarios: external information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the International Monetary Fund. The key driver for credit risk identified and used in the Group's ECL model for the Group's loans and factoring receivables is GDP growth.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 to 9 years.

###### **Measurement of ECL**

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Credit risk* (Continued)

#### (III) *Amount arising from ECL* (Continued)

##### **Determining whether credit risk has increased significantly** (Continued)

###### **Measurement of ECL** (Continued)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Credit risk* (Continued)

#### (III) *Amount arising from ECL* (Continued)

##### **Loss allowance**

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
<b>Group</b>				
<b>2021</b>				
<b>Loans advances, hire purchase, and leasing receivables at amortised cost</b>				
Balance at 1 January	685	254	7,347	8,286
Net remeasurement of loss allowance	(194)	(120)	937	623
New financial assets originated or purchased	17	-	71	88
Financial assets that have been derecognised	(1)	(38)	(66)	(105)
Write off	-	-	(197)	(197)
Foreign exchange and other movements	(9)	(11)	(56)	(76)
Balance at 31 December	<u>498</u>	<u>85</u>	<u>8,036</u>	<u>8,619</u>
<b>Factoring receivables at amortised cost</b>				
Balance at 1 January	4	12	10,039	10,055
Net remeasurement of loss allowance	1	3	89	93
New financial assets originated or purchased	1	-	-	1
Write off	-	-	(126)	(126)
Foreign exchange and other movements	-	-	(322)	(322)
Balance at 31 December	<u>6</u>	<u>15</u>	<u>9,680</u>	<u>9,701</u>
<b>Debt investments</b>				
Balance at 1 January	29	1,577	-	1,606
Net remeasurement of loss allowance	(17)	423	-	406
Balance at 31 December	<u>12</u>	<u>2,000</u>	<u>-</u>	<u>2,012</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Credit risk* (Continued)

#### (III) *Amount arising from ECL* (Continued)

##### **Loss allowance** (Continued)

	<b>Stage 1</b> \$'000	<b>Stage 2</b> \$'000	<b>Stage 3</b> \$'000	<b>Total</b> \$'000
<b>Group</b>				
<b>2020</b>				
<b>Loans advances, hire purchase, and leasing receivables at amortised cost</b>				
Balance at 1 January	936	233	8,833	10,002
Net remeasurement of loss allowance	(242)	23	731	512
New financial assets originated or purchased	2	–	–	2
Financial assets that have been derecognised	–	–	(2,137)	(2,137)
Foreign exchange and other movements	(11)	(2)	(80)	(93)
Balance at 31 December	<u>685</u>	<u>254</u>	<u>7,347</u>	<u>8,286</u>
<b>Factoring receivables at amortised cost</b>				
Balance at 1 January	6	12	11,642	11,660
Net remeasurement of loss allowance	(2)	–	1,029	1,027
Financial assets that have been derecognised	–	–	(2,431)	(2,431)
Foreign exchange and other movements	–	–	(201)	(201)
Balance at 31 December	<u>4</u>	<u>12</u>	<u>10,039</u>	<u>10,055</u>
<b>Debt investments</b>				
Balance at 1 January	114	1,187	–	1,301
Net remeasurement of loss allowance	(85)	390	–	305
Balance at 31 December	<u>29</u>	<u>1,577</u>	<u>–</u>	<u>1,606</u>



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Credit risk* (Continued)

#### (III) *Amount arising from ECL* (Continued)

##### **Loss allowance** (Continued)

	<b>Stage 1 \$'000</b>	<b>Stage 2 \$'000</b>	<b>Stage 3 \$'000</b>	<b>Total \$'000</b>
<b>Company</b>				
<b>2021</b>				
<b>Loans advances, hire purchase, and leasing receivables at amortised cost</b>				
Balance at 1 January	331	53	3,438	3,822
Net remeasurement of loss allowance	(130)	(24)	(21)	(175)
Write off	-	-	(74)	(74)
Balance at 31 December	<u>201</u>	<u>29</u>	<u>3,343</u>	<u>3,573</u>
<b>Factoring receivables at amortised cost</b>				
Balance at 1 January	1	6	113	120
Net remeasurement of loss allowance	-	(2)	(10)	(12)
Write off	-	-	(103)	(103)
Balance at 31 December	<u>1</u>	<u>4</u>	<u>-</u>	<u>5</u>
<b>2020</b>				
<b>Loans advances, hire purchase, and leasing receivables at amortised cost</b>				
Balance at 1 January	425	80	3,383	3,888
Net remeasurement of loss allowance	(94)	(27)	103	(18)
Financial assets that have been derecognised	-	-	(48)	(48)
Balance at 31 December	<u>331</u>	<u>53</u>	<u>3,438</u>	<u>3,822</u>
<b>Factoring receivables at amortised cost</b>				
Balance at 1 January	1	5	231	237
Net remeasurement of loss allowance	-	1	(90)	(89)
Financial assets that have been derecognised	-	-	(28)	(28)
Balance at 31 December	<u>1</u>	<u>6</u>	<u>113</u>	<u>120</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### **Credit risk** (Continued)

#### (III) **Amount arising from ECL** (Continued)

##### **Loans with renegotiated terms**

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

#### (IV) **Concentration of credit risk**

The Group monitors concentration of credit risk by sectors.

For held to maturity investments in debt securities, the Group invests primarily in securities issued by the Singapore Government, Statutory Boards and high grade corporate bonds. Such investments require approval from two delegated authorities. The Group has put in place investment, counterparty and foreign currency limits in relation to its investment activities to ensure that there is no over-concentration to any one class of investment.

An analysis of concentration of credit risk of loans, investments and factoring receivables at the reporting date is shown below:

	<b>Loans, advances, hire purchase and leasing receivables – net</b> <b>(Note 10)</b>		<b>Investments – debt securities</b> <b>(Note 9)</b>	
	<b>2021</b> <b>\$'000</b>	<b>2020</b> <b>\$'000</b>	<b>2021</b> <b>\$'000</b>	<b>2020</b> <b>\$'000</b>
<b>Group</b>				
<b>Concentration by sector</b>				
Manufacturing	<b>7,685</b>	7,667	–	–
Services	<b>10,716</b>	6,987	<b>1,752</b>	1,171
Property	<b>80,111</b>	197,511	<b>8,306</b>	9,506
Financial services	–	–	<b>5,536</b>	5,801
Transport	<b>484</b>	2,773	–	1,751
Personnel	<b>201</b>	34,705	–	–
Others	<b>2,438</b>	1,849	<b>5,529</b>	6,122
	<b>101,635</b>	251,492	<b>21,123</b>	24,351
<b>Company</b>				
<b>Concentration by sector</b>				
Manufacturing	<b>870</b>	23	–	–
Services	<b>2,732</b>	1,327	–	–
Property	<b>71,182</b>	180,210	–	–
Others	<b>1,529</b>	–	–	–
	<b>76,313</b>	181,560	–	–

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Credit risk* (Continued)

#### (III) *Concentration of credit risk* (Continued)

	<b>Factoring receivables – gross (Note 16)</b>			
	<b>Group</b>	<b>Company</b>		
	<b>2021 \$'000</b>	<b>2020 \$'000</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>Concentration by sector</b>				
Manufacturing	<b>77,266</b>	77,768	<b>1,799</b>	1,462
Services	<b>105,447</b>	76,546	<b>13,479</b>	4,446
Transport	<b>15,215</b>	14,238	<b>1,991</b>	4,320
Others	<b>1,603</b>	5,510	<b>1,295</b>	4,982
	<b>199,531</b>	<u>174,062</u>	<b>18,564</b>	<u>15,210</u>

The maximum exposure to credit risk for loans, factoring receivables and investments at the reporting date by geographical region is shown below:

	<b>Loans, advances, hire purchase and leasing receivables – net (Note 10)</b>			
	<b>Group</b>	<b>Company</b>		
	<b>2021 \$'000</b>	<b>2020 \$'000</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Singapore	<b>81,973</b>	218,190	<b>76,313</b>	181,560
Southeast Asia	<b>19,662</b>	33,302	–	–
	<b>101,635</b>	<u>251,492</u>	<b>76,313</b>	<u>181,560</u>

	<b>Factoring receivables – net (Note 16)/(Note 25)</b>			
	<b>Group</b>	<b>Company</b>		
	<b>2021 \$'000</b>	<b>2020 \$'000</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Singapore	<b>7,449</b>	5,765	<b>7,449</b>	5,764
Southeast Asia	<b>133,040</b>	118,551	–	–
	<b>140,489</b>	<u>124,316</u>	<b>7,449</b>	<u>5,764</u>

	<b>Investments (Note 9)</b>			
	<b>Group</b>	<b>Company</b>		
	<b>2021 \$'000</b>	<b>2020 \$'000</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Singapore	<b>22,792</b>	25,138	<b>5,214</b>	498
Southeast Asia	–	521	–	–
Rest of Asia	<b>1,034</b>	2,549	–	–
Others	<b>2,145</b>	3,165	–	–
	<b>25,971</b>	<u>31,373</u>	<b>5,214</b>	<u>498</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

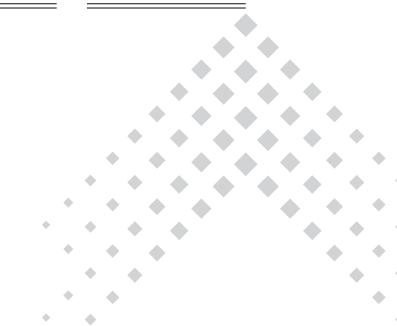
### *Credit risk* (Continued)

#### (IV) *Collateral*

The Group holds collateral against loans and advances to clients in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of the fair value are based on the value of collateral at the time of lending and generally are not updated except when the loan is individually assessed as impaired. Generally, collateral is not held against the Group's investment securities, and no such collateral was held as at 31 December 2021 and 31 December 2020.

An estimate fair value of collateral and other security enhancements held against financial assets is shown below:

	<b>Loans, advances, hire purchase and leasing receivables</b>			
	<b>Group</b>		<b>Company</b>	
	<b>2021</b> \$'000	<b>2020</b> \$'000	<b>2021</b> \$'000	<b>2020</b> \$'000
<b>Against individually impaired</b>				
Stage 3				
Properties	<b>35,154</b>	153,797	<b>18,320</b>	134,770
Equipment	<b>340</b>	471	—	—
Motor vehicles	<b>526</b>	228	—	—
Subtotal	<b>36,020</b>	154,496	<b>18,320</b>	134,770
<b>Against past due but not impaired</b>				
Stage 2				
Fixed/cash deposit	<b>265</b>	245	—	245
Properties	<b>13,700</b>	21,899	<b>13,700</b>	12,860
Equipment	<b>235</b>	1,238	—	—
Motor vehicles	<b>21</b>	3,585	—	3,306
Subtotal	<b>14,221</b>	26,967	<b>13,700</b>	16,411
<b>Against neither past due nor impaired</b>				
Stage 1				
Fixed/cash deposits	<b>1,315</b>	350	<b>123</b>	350
Properties	<b>172,607</b>	266,903	<b>155,008</b>	189,230
Equipment	<b>6,906</b>	8,922	—	—
Motor vehicles	<b>1,892</b>	9,080	—	—
Subtotal	<b>182,720</b>	285,255	<b>155,131</b>	189,580
Total	<b>232,961</b>	466,718	<b>187,151</b>	340,761



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Interest rate risk*

In carrying out its lending activities, the Group strives to meet client demands for products with various interest rate structures and maturities. Sensitivity to interest rate movements arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. As interest rates and yield curves change over time, the size and nature of these mismatches may result in a loss or gain in earnings.

The Group attempts to minimise the interest rate risks wherever possible over the tenor of the financing. Floating rate lending is matched by floating rate borrowings. For fixed rate loans, these are matched by shareholders' funds and fixed rate borrowings and, if economically feasible, of the same tenor and amount. However, gaps may arise due to prepayments or delays in drawdown by clients.

### *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect the Group's profit or loss.

### *Sensitivity analysis for variable rate instruments*

As at 31 December 2021, it is estimated that a general increase of 100 basis points (bp) in interest rates would have increased the Group's profit before tax by approximately \$1,330,000 (2020: \$1,039,000) and increased (2020: decreased) the Company's profit before tax by approximately \$598,000 (2020: \$401,000). A decrease in 100 bp in interest rates would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

### *Exposure to interest rate risk*

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Group		Company	
	Nominal amount		Nominal amount	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Fixed rate instruments</b>				
Financial assets	<b>73,720</b>	78,705	<b>54,414</b>	18,056
Financial liabilities	<b>(40,218)</b>	(12,839)	<b>(40,218)</b>	(12,839)
	<b>33,502</b>	65,866	<b>14,196</b>	5,217
<b>Variable rate instruments</b>				
Financial assets	<b>261,217</b>	337,976	<b>101,449</b>	189,866
Financial liabilities	<b>(128,185)</b>	(234,049)	<b>(41,694)</b>	(149,740)
	<b>133,032</b>	103,927	<b>59,755</b>	(40,126)

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages and projects its cash flow commitments on a regular basis and this involves monitoring the concentration of funding maturity at any point in time and ensuring that there are committed credit lines from banks for its funding requirements.

The following are the expected contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000
<b>Group</b>						
<b>31 December 2021</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	15,025	15,025	15,025	-	-	-
Insurance payables	1,304	1,304	1,304	-	-	-
Interest-bearing borrowings	168,403	172,031	120,104	19,043	13,218	19,666
Lease liabilities	1,875	1,875	449	453	665	308
Bankers guarantees	-	1,979	1,979	-	-	-
	<b>186,607</b>	<b>192,214</b>	<b>138,861</b>	<b>19,496</b>	<b>13,883</b>	<b>19,974</b>
<b>31 December 2020</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	14,203	14,203	14,203	-	-	-
Insurance payables	1,635	1,635	1,635	-	-	-
Interest-bearing borrowings	246,888	248,517	220,741	14,123	7,443	6,210
Lease liabilities	2,603	2,934	436	436	885	1,177
Bankers guarantees	-	1,904	1,904	-	-	-
	<b>265,329</b>	<b>269,193</b>	<b>238,919</b>	<b>14,559</b>	<b>8,328</b>	<b>7,387</b>



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Liquidity risk* (Continued)

	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000
<b>Company</b>						
<b>31 December 2021</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	9,827	9,827	9,827	-	-	-
Interest-bearing borrowings	79,585	81,273	42,396	14,969	7,190	16,718
Lease liabilities	1,192	1,228	365	368	495	-
	<b>90,604</b>	<b>92,328</b>	<b>52,588</b>	<b>15,337</b>	<b>7,685</b>	<b>16,718</b>
<b>31 December 2020</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	8,805	8,805	8,805	-	-	-
Interest-bearing borrowings	162,579	163,449	149,521	10,321	1,085	2,522
Lease liabilities	1,858	1,948	360	360	733	495
	<b>173,242</b>	<b>174,202</b>	<b>158,686</b>	<b>10,681</b>	<b>1,818</b>	<b>3,017</b>

### *Currency risk*

The Group operates in Southeast Asia with dominant operations in Singapore, Indonesia, Malaysia and Thailand. Entities in the Group also transact in currencies other than their respective functional currencies ("foreign currencies") such as United States Dollar ("USD"), Japanese Yen ("JPY"), Malaysian Ringgit ("MYR") and Thai Baht ("THB").

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk on investments, loans, advances and factoring receivables and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily USD, SGD, THB, MYR, Sterling Pound ("GBP"), Australian Dollar ("AUD") and JPY. If necessary, the Group may use derivative financial instruments to hedge its foreign currency risk.

Certain interest-bearing borrowings are denominated in foreign currencies that match cashflows generated by the underlying operations of the Group, primarily USD and JPY. This provides an economic hedge and no derivatives are entered into.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Currency risk* (Continued)

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when necessary to address short term imbalances.

The Group's investments in foreign subsidiaries are not hedged as these currency positions are considered to be non-monetary and long-term in nature.

The Group and Company's exposures to major foreign currency risks are as follows:

	USD \$'000	SGD \$'000	THB \$'000	GBP \$'000	AUD \$'000	JPY \$'000
<b>Group</b>						
<b>31 December 2021</b>						
Loans and advances, trade						
and other receivables	<b>3,986</b>	-	-	-	-	-
Other investments	<b>2,097</b>	-	-	-	-	-
Cash and cash equivalents	<b>4,032</b>	<b>5,543</b>	<b>1</b>	<b>16</b>	<b>42</b>	<b>11</b>
Insurance receivables	<b>58</b>	-	-	-	-	-
Trade and other payables	<b>(886)</b>	-	-	-	-	-
Interest-bearing borrowings	<b>(6,606)</b>	-	-	-	-	-
<b>Net currency exposure</b>	<b>2,681</b>	<b>5,543</b>	<b>1</b>	<b>16</b>	<b>42</b>	<b>11</b>
<b>31 December 2020</b>						
Loans and advances, trade						
and other receivables	7,117	-	-	-	-	1
Other investments	3,024	-	-	-	-	-
Cash and cash equivalents	4,497	-	1	16	44	203
Insurance receivables	84	-	-	-	-	-
Trade and other payables	(2,658)	-	-	-	-	-
Interest-bearing borrowings	(4,996)	-	-	-	-	-
<b>Net currency exposure</b>	<b>7,068</b>	-	<b>1</b>	<b>16</b>	<b>44</b>	<b>204</b>



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Currency risk* (Continued)

	USD \$'000	THB \$'000	MYR \$'000	GBP \$'000	AUD \$'000	JPY \$'000
<b>Company</b>						
<b>31 December 2021</b>						
Loans and advances, trade and other receivables	3,986	16	136	-	-	-
Cash and cash equivalents	3,408	1	-	16	42	11
Trade and other payables	(886)	-	-	-	-	-
Interest-bearing borrowings	(6,606)	-	-	-	-	-
<b>Net currency exposure</b>	<b>(98)</b>	<b>17</b>	<b>136</b>	<b>16</b>	<b>42</b>	<b>11</b>
<b>31 December 2020</b>						
Loans and advances, trade and other receivables	4,203	18	(13)	-	-	1
Cash and cash equivalents	3,932	1	-	16	44	203
Trade and other payables	(2,658)	-	-	-	-	-
Interest-bearing borrowings	(4,996)	-	-	-	-	-
<b>Net currency exposure</b>	<b>481</b>	<b>19</b>	<b>(13)</b>	<b>16</b>	<b>44</b>	<b>204</b>

### *Sensitivity analysis*

A 10 percent strengthening of the Singapore dollar, as indicated below, against the following currencies at the reporting date would have decreased equity and profit or loss before tax by the amounts shown below.

	Profit or loss	
	Group \$'000	Company \$'000
<b>2021</b>		
USD	(268)	10
SGD	(554)	-
THB	(*)	(2)
MYR	-	(14)
GBP	(2)	(2)
AUD	(4)	(4)
JPY	(1)	(1)
<b>2020</b>		
USD	(707)	(48)
THB	(*)	(2)
MYR	-	1
GBP	(2)	(2)
AUD	(4)	(4)
JPY	(20)	(20)

A 10 percent weakening of the Singapore dollar would have an equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Other market price risk*

The Group has equity interests in private companies as well as quoted equity shares which are subject to market risks such as fluctuations in market prices, economic risks, credit default risks and investment risks inherently arising from the nature of the venture capital business activities.

The Group's venture capital investments are managed internally. Venture capital investments are predominantly investments that the Group is looking to divest.

Investments in equity securities arise mainly from structured finance activities and they relate to those financial instruments in which embedded derivatives either in the form of the options or warrants are attached. Upon the maturity of the derivatives, the options or warrants are exercised and converted into equity with the moratorium period attached. As such, the Group has to hold these equities until the expiry of the moratorium before divesting. The Group has established policies and procedures to monitor and control its divestments.

For investments under the Insurance Fund, the Group has asset allocation guidelines which are reviewed periodically by the management and the Board of Directors. Under the asset allocation guidelines, limits are set in place for various asset classes such as equities, bonds and fixed/cash deposits.

### *Sensitivity analysis – market price risk*

For other investments carried at fair value, a 5 percent increase in the underlying equity prices at the reporting date would have increased equity and profit or loss after tax by the amounts shown below:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Profit or loss	192	219	1	21

A 5 percent decrease in the underlying equity prices at the reporting date would have had the equal but opposite effect to the amounts shown above.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost of effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

Compliance with Group standards is supported by a risk based plan approved by the Audit Committee on an annual basis and carried out by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, and reported to the Audit Committee on a periodic basis.

The Compliance Department of the Group updates management and the Board of Directors on the changes and development in the laws and regulations and assists management to check on the Group's compliance of the limits set by the Risk Management guidelines.

### *Insurance contract risk*

#### *Underwriting risk*

Underwriting risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover.

The principal underwriting risk to which the Group is exposed is credit risk in connection with its bond and guarantee underwriting activities. Management has established underwriting processes and limits to manage this risk including performing credit reviews of its customers and obtaining cash collateral as security where considered necessary.

#### *Pricing risk*

The underwriting function carries out qualitative and quantitative risk assessments on all clients before deciding on the risk acceptance. Policies in riskier segment or markets may be rejected or charged at a higher premium rate accompanied by stricter terms and conditions to commensurate the risks.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Insurance contract risk* (Continued)

#### *Concentration risk*

Concentration limits are set to avoid heavy concentration within a specific industry. Maximum limits are set on each guarantee facility limits and higher limits require special approval. There is also monthly monitoring and reporting of any heavy concentration of risk exposure towards any industry, and client limits. The client facility limits are reviewed on a regular basis to track any deterioration in their financial position that may result in a loss to the Group.

The main exposures of the Group's bond and guarantee insurance contracts are to the property and construction. The Group's concentration of risk relates mainly to customers in Singapore.

#### *Reinsurance outwards*

The Group participates in reinsurance treaties to cede risks to its reinsurers, which are internationally established firms with credit ratings and reviewed by the Board. Under the treaties, the Group undertakes to cede to its reinsurers between 80% to 92.5% of its total written premium as well as the same proportion of corresponding losses for 2021. Risks undertaken which do not fall within the treaty scope of cover are ceded to reinsurers on a facultative basis.

#### *Asset-liability management ("ALM")*

The ALM policy is designed to ensure financial assets are managed with maturity profile that matches the projected cash-flows for the Group's liabilities. In addition, the Group maintains at least 30% of claims liability in cash and cash equivalents to meet claims settlements as and when they arise.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Claims development table*

Claims development tables are disclosed to allow comparison of the outstanding claim provisions with those of prior years. In effect, the tables highlight the Group's ability to provide an estimate of the total value of claims. The top part of the table provides a review of current estimates of cumulative claims and demonstrates how the estimated claims have changed at subsequent reporting or accident year-ends. The estimate is increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimated cumulative claims.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Group believes that the provisions for insurance claims outstanding as at the reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

The analysis of claims development has been performed on a net basis after accounting for reinsurance and grossed up based on historical incurred net-to-gross loss experience as well as expected. There is no significant change in the approach adopted by the certifying actuary.

The claims information for the accident years below is based on the following:

Accident year:

- 2015 – 12 months ended 31 December 2015 and prior
- 2016 – 12 months ended 31 December 2016
- 2017 – 12 months ended 31 December 2017
- 2018 – 12 months ended 31 December 2018
- 2019 – 12 months ended 31 December 2019
- 2020 – 12 months ended 31 December 2020
- 2021 – 12 months ended 31 December 2021

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

*Claims development table* (Continued)

(i) Analysis of claims development – gross of reinsurance basis

Group	Gross loss development tables as at 31 December 2021 \$'000s
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Estimate of cumulative claims

Accident year	2015 and prior	2016	2017	2018	2019	2020	2021	Total
At end of accident year	<b>55,820</b>	<b>11,649</b>	<b>13,819</b>	<b>10,488</b>	<b>7,945</b>	<b>23,946</b>	<b>4,141</b>	
One year later	<b>19,769</b>	<b>11,798</b>	<b>14,105</b>	<b>9,868</b>	<b>6,422</b>	<b>23,461</b>		
Two years later	<b>16,430</b>	<b>11,627</b>	<b>14,188</b>	<b>9,703</b>	<b>5,343</b>			
Three years later	<b>14,326</b>	<b>11,708</b>	<b>13,632</b>	<b>8,658</b>				
Four years later	<b>13,047</b>	<b>11,801</b>	<b>13,276</b>					
Five years later	<b>13,131</b>	<b>11,861</b>						
Six years later	<b>13,055</b>	<b>11,861</b>	<b>13,276</b>	<b>8,658</b>	<b>5,343</b>	<b>23,461</b>	<b>4,141</b>	<b>79,795</b>
Current estimate of ultimate claims	<b>13,055</b>	<b>11,861</b>	<b>13,276</b>	<b>8,658</b>	<b>5,343</b>	<b>23,461</b>	<b>4,141</b>	<b>79,795</b>
Cumulative payments	<b>(13,047)</b>	<b>(11,465)</b>	<b>(12,945)</b>	<b>(8,244)</b>	<b>(4,117)</b>	<b>(19,779)</b>	<b>(1,450)</b>	<b>(71,047)</b>
Gross estimate of outstanding claims liability	<b>8</b>	<b>396</b>	<b>331</b>	<b>414</b>	<b>1,226</b>	<b>3,682</b>	<b>2,691</b>	<b>8,748</b>
Unallocated loss adjustment expenses	<b>2</b>	<b>21</b>	<b>35</b>	<b>54</b>	<b>122</b>	<b>139</b>	<b>45</b>	<b>418</b>
Best estimate of gross outstanding claims liability								<b>9,166</b>
Provision for adverse deviation								<b>1,289</b>
Gross provision for insurance claims (Note 13)								<b>10,455</b>



# **NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2021

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Claims development table* (Continued)

## (ii) Analysis of claims development - gross of reinsurance basis (Continued)

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

Claims development table (Continued)

### (iii) Analysis of claims development – net of reinsurance basis

# **NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2021

**Claims development table** (Continued)

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Estimation of fair value*

#### *Investments in equity and debt securities*

The fair values of quoted equity securities are their last bid price at the reporting date. The fair values of unquoted corporate bonds, unquoted unit trusts and money market funds are their indicative prices at the reporting date. The fair value of investments at amortised cost is determined for disclosure purposes only.

The fair values of unquoted equity securities are determined using the realisable net asset value approach, which takes into consideration the fair value of the underlying assets and liabilities of the entities to which the equity securities relate. The assets and liabilities held by the relevant entities comprise mainly financial assets and financial liabilities whose carrying amounts are found to approximate their fair values. As such, management has determined that the share of the reported net asset value represents the fair value of the unquoted equity securities at the date of the statement of financial position.

#### *Loans, advances, hire purchase, leasing and factoring receivables*

The fair values of loans, advances, hire purchase, leasing and factoring receivables that reprice within six months of reporting date are assumed to equate the carrying values. The fair values of fixed rate loans, advances, hire purchase, leasing and factoring receivables were calculated using discounted cash flow models based on the maturity of the loans. The discount rates applied in this exercise were based on the current interest rates of similar types of loans, advances, hire purchase, leasing and factoring receivables if these assets were performing at the reporting date.

#### *Other financial assets and liabilities*

The Company and the Group granted convertible loans to finance residential projects in Singapore. The convertible loans contain embedded equity conversion options and are expected to convert or mature in 2022 (2020: 2022) following extension of a project. These have been classified as mandatory at FVTPL financial assets Level 3 (2020: Level 3). Management has used discounted cash flow technique in which inputs were based on units sold and sales projections and development cost projections as at 31 December 2021. The discount rate of 6% (2020: 6%) were used to calculate the fair value.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Estimation of fair value* (Continued)

#### *Other financial assets and liabilities* (Continued)

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount \$'000	Fair value				
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	
<b>Group</b>						
<b>31 December 2021</b>						
<b>Financial assets measured at fair value</b>						
FVTPL financial assets						
- Equity securities	4,848	4,611	-	237	4,848	
- Debt securities	5,252	5,252	-	-	5,252	
- Convertible loans	1,338	-	-	1,338	1,338	
	<u>11,438</u>	<u>9,863</u>	<u>-</u>	<u>1,575</u>	<u>11,438</u>	
<b>Financial assets not measured at fair value</b>						
Debt securities at amortised cost	<u>14,533</u>	<u>14,763</u>	<u>-</u>	<u>-</u>	<u>14,763</u>	
<b>31 December 2020</b>						
<b>Financial assets measured at fair value</b>						
FVTPL financial assets						
- Equity securities	7,022	5,221	-	1,801	7,022	
- Debt securities	4,551	4,551	-	-	4,551	
- Convertible loans	1,500	-	-	1,500	1,500	
	<u>13,073</u>	<u>9,772</u>	<u>-</u>	<u>3,301</u>	<u>13,073</u>	
<b>Financial assets not measured at fair value</b>						
Debt securities at amortised cost	<u>18,300</u>	<u>18,310</u>	<u>500</u>	<u>-</u>	<u>18,810</u>	
<b>Company</b>						
<b>31 December 2021</b>						
<b>Financial assets measured at fair value</b>						
FVTPL financial assets						
- Equity securities	14	-	-	14	14	
- Private credit fund	5,200	-	-	5,200	5,200	
	<u>5,214</u>	<u>-</u>	<u>-</u>	<u>5,214</u>	<u>5,214</u>	
<b>31 December 2020</b>						
<b>Financial assets measured at fair value</b>						
FVTPL financial assets						
- Equity securities	498	444	-	54	498	
	<u>498</u>	<u>444</u>	<u>-</u>	<u>54</u>	<u>498</u>	

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Estimation of fair value* (Continued)

#### *Other financial assets and liabilities* (Continued)

Level 3 fair values relate to unquoted equity securities, funds and convertible loans which have no observable market prices.

During the financial years presented, there have been no transfers between level 1, 2 and 3.

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of fair value hierarchy:

	<b>Group \$'000</b>	<b>Company \$'000</b>
<b>At 1 January 2020</b>		
Redemptions	9,837	14
Fair value change recognised in profit or loss	(5,436)	–
	(1,100)	40
<b>At 31 December 2020</b>	3,301	54
Additions	–	<b>5,200</b>
Redemptions	<b>(1,076)</b>	–
Fair value change recognised in profit or loss	(650)	(40)
<b>At 31 December 2021</b>	<b>1,575</b>	<b>5,214</b>

The following table shows the valuation technique used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

<b>Type</b>	<b>Valuation Technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
Convertible loans	<p><i>Discounted cash flows</i>            The fair value is computed based on units sold, sales projections on unsold units and development costs projections, discounted to the present value using a risk-adjusted discount rate.</p>	Risk-adjusted discount rate of 6% (2020: 6%)	The estimated fair value would increase (decrease) if the risk-adjusted rate was lower (higher).
Equity securities	<p><i>Net asset value</i>            The valuation model inputs are based on net assets value of the equity securities invested.</p>	Net asset value of the underlying entities	The estimated fair value would increase (decrease) if the net asset value was higher (lower).
Funds	<p><i>Net asset value</i>            The valuation model inputs are based on net assets value of the funds invested.</p>	Net asset value of the funds	The estimated fair value would increase (decrease) if the net asset value was higher (lower).

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONTINUED)

### *Estimation of fair value* (Continued)

#### *Sensitivity analysis – Level 3 valuation*

For the fair values of unquoted convertible loans, reasonably possible changes at the reporting date to risk-adjusted discount rate by 1%, holding other inputs constant, would have the following effects.

Risk-adjusted discount rate (1% movement)	Income statement			
	Group		Company	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
<b>2021</b>				
Convertible loans	<u>(6)</u>	<u>6</u>	<u>-</u>	<u>-</u>
<b>2020</b>				
Convertible loans	<u>(53)</u>	<u>(11)</u>	<u>-</u>	<u>-</u>

#### *Summary*

The aggregate net fair values of recognised financial assets which are not carried at fair values in the statement of financial position as at 31 December are represented in the following table:

Group	2021		2020	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
<b>Financial assets</b>				
Debt securities at amortised cost	<u>14,533</u>	<u>14,763</u>	<u>18,300</u>	<u>18,810</u>
Unrecognised gain		<u>230</u>		<u>510</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 42 ACCOUNTING JUDGEMENTS AND ESTIMATES

Management has assessed the development, selection and disclosure of the significant accounting judgements and estimates, and the application of these policies and estimates.

The following are critical accounting judgements or estimates made by the management in applying accounting policies:

### **Significant accounting estimates**

#### *Impairment losses on loans, advances, hire purchase, leasing and factoring receivables*

The Group reviews its loan portfolio to assess impairment on a regular basis. To determine whether there is an impairment loss, the Group makes judgements as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows of the loan portfolio. The evidence may include observable data indicating adverse changes in the payment status of the borrowers or local economic conditions that correlate with defaults in the loan portfolio. The methodology and assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between estimated and actual loss experience.

#### *Impairment losses on debt securities at amortised cost*

The impairment provisions for debt securities at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, existing market conditions, as well as forward looking estimates at the end of each reporting period. The Group uses 12-month and lifetime probabilities of default based on data from Moody's or its equivalents for each credit rating.

#### *Provisions for unexpired risks and insurance claims*

Provisions for unexpired risks and insurance claims as at 31 December 2021 have been assessed by the certifying actuary (JPWALL Consulting Partners (Singapore) Pte. Ltd.) in accordance with local insurance regulatory requirements.

The description of the principal estimates and assumptions underlying the determination of provisions for unexpired risks and insurance claims and the impact of changes in these estimates and assumptions are discussed in the sensitivity analysis set out in sections I and II of this note.

The process of establishing the provision for insurance claims is described in section II of this note.

The sensitivity analysis has been performed on a gross basis before accounting for reinsurance and on a net basis after accounting for reinsurance.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 42 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### **Significant accounting estimates** (Continued)

#### *Provisions for unexpired risks and insurance claims* (Continued)

Users of these financial statements should take note of the following:

- (1) The sensitivity analysis in sections I and II is based upon the assumptions set out in the actuarial report issued to the Group by the approved actuary for the financial year ended 31 December 2021. The sensitivity analysis is subject to the reliance that the certifying actuary has placed on management and limitations described in the report. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full;
- (2) The estimates and assumptions discussed are independent of each other. However, in practice, a combination of adverse and favourable changes can occur; and
- (3) The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

#### I. **Provision for unexpired risks – sensitivity analysis**

The provision for unexpired risks is the higher of:

- (i) The aggregate of the total best estimates of unexpired risk and the provision for adverse deviation ("PAD"); and
- (ii) Unearned premium reserves.

The provision for unexpired risks includes a PAD which is intended to provide a 75% probability of adequacy for the provision for unexpired risks. The PAD assumption relied on the approved actuary's inputs. An allowance for future management expenses and claim handling costs is made.

Based on the current assumptions, the gross and net provisions for unexpired risks are as follows:

	<b>Net (\$'000)</b>	<b>Gross (\$'000)</b>
<b>At 31 December 2021</b>		
Estimated provision for unexpired risks under the base scenario	3,636	4,212
<b>At 31 December 2020</b>		
Estimated provision for unexpired risks under the base scenario	5,203	5,985

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 42 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### Provision for adverse deviation

The actuary has assumed unexpired premium PAD of 23% to 42% (2020: 15% to 32%) under the base scenario. If the assumed PAD is increased or decreased by 2% (2020: 2%), the resulting provision will be as follows:

	Net (\$'000)		Gross (\$'000)	
	High +2%	Low -2%	High +2%	Low -2%
<b>At 31 December 2021</b>				
Provision for unexpired risks	<b>3,678</b>	<b>3,594</b>	<b>4,265</b>	<b>4,159</b>
<b>At 31 December 2020</b>				
Provision for unexpired risks	5,266	5,142	6,063	5,909

### Ultimate loss ratio

The actuary has presumed an Ultimate Loss Ratio ("ULR") of 9% to 154% (2020: 0% to 163%) under the base scenario. If the assumed ULR increased or decreased by 2% (2020: 2%), the resulting provision will be as follows:

	Net (\$'000)		Gross (\$'000)	
	High +2%	Low -2%	High +2%	Low -2%
<b>At 31 December 2021</b>				
Provision for unexpired risks	<b>3,718</b>	<b>3,554</b>	<b>4,302</b>	<b>4,122</b>
<b>At 31 December 2020</b>				
Provision for unexpired risks	5,305	5,103	6,104	5,868

### Management Expenses Rate ("MER")

Allowance for MER relates to the costs of administering unexpired policies for which the Group has risk. MER is computed based on 12.4% (2020: 8.1%) of the Group's unearned premium reserves for all classes of business. The effects of increasing and reducing MER by 2% (2020: 2%) are presented below:

	Net (\$'000)		Gross (\$'000)	
	High +2%	Low -2%	High +2%	Low -2%
<b>At 31 December 2021</b>				
Provision for unexpired risks	<b>3,695</b>	<b>3,577</b>	<b>4,271</b>	<b>4,153</b>
<b>At 31 December 2020</b>				
Provision for unexpired risks	5,280	5,128	6,062	5,910

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 42 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### II. Provision for insurance claims – sensitivity analysis

#### *Process of establishing provision for insurance claims*

For short term insurance contracts, the Group sets aside specific provisions based on actual claims notified by the policyholders. Each notified claim is assessed on a case-by-case basis with regards to the claim circumstances and information available from external sources. These specific provisions are reviewed and updated regularly as and when there are developments and are not discounted for the time value of money.

The Group closely monitors the relevant projects for which the bonds and guarantees are issued, and makes specific provisions should the Group be made aware of potential claim payments through its regular project monitoring.

Given the uncertainty in estimating the provision for insurance claims, it is likely that the actual outcome will be different from the provisions made based on internal provisioning. Accordingly, the Group engages an approved actuary to assess the adequacy of the Group's provision for insurance claims on an annual basis.

The reserving methodology and assumptions used by the approved actuary, which remain unchanged from prior year, are intended to produce a "best" estimate of the provision for insurance claims through the analysis of historical claims payment and recovery data to project future claims payment. The "best" estimate is intended to represent the mean value of the range of future outcomes of the claim costs

In estimating the provision for insurance claims, the actuary includes an allowance for claims handling expenses and maintenance cost which are intended to cover the costs of administering outstanding claims until all claims are fully settled.

The actuary's estimate for the provision for insurance claims is subject to uncertainty and variations of the actual and expected experience are to be expected. The inherent uncertainty is due to the fact that the ultimate claim cost is subject to the outcome of future events. Possible uncertainties include those related to the selection of models and assumptions, the statistical uncertainty, the general business and economic environment, and the impact of legislative reform. A PAD is therefore made to allow for uncertainty surrounding the estimation process and is intended to provide a 75% probability of adequacy for the provision for insurance claims. The PAD assumption relied on the actuary's inputs. An allowance for future management expenses and claim handling costs is made.

Based on the current assumptions, the gross and net provisions for insurance claims are as follows:

	Net (\$'000)	Gross (\$'000)
<b>At 31 December 2021</b>		
Estimated provision for insurance claims under the base scenario	<b>7,005</b>	<b>10,455</b>
<b>At 31 December 2020</b>		
Estimated provision for insurance claims under the base scenario	9,902	14,108

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 42 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### Provision for adverse deviation

Provision for insurance claims also includes a PAD which will provide a 75% (2020: 75%) probability of adequacy for the provision for insurance claims.

The actuary has assumed a claim PAD of 14% to 24% (2020: 12% to 21%) under the base scenario. Increasing or decreasing the PAD by 2% (2020: 2%) results in changes in provision as follows:

	Net (\$'000)		Gross (\$'000)	
	High +2%	Low -2%	High +2%	Low -2%
<b>At 31 December 2021</b>				
Provision for insurance claim	<b>7,111</b>	<b>6,901</b>	<b>10,611</b>	<b>10,299</b>
<b>At 31 December 2020</b>				
Provision for insurance claims	10,050	9,754	14,318	13,898

### Ultimate loss ratio

The actuary has presumed an Ultimate Loss Ratio ("ULR") of 0% to 140% (2020: 0% to 186%) under the base scenario. If the assumed ULR increased or decreased by 2% (2020: 2%), the resulting provision will be as follows:

	Net (\$'000)		Gross (\$'000)	
	High +2%	Low -2%	High +2%	Low -2%
<b>At 31 December 2021</b>				
Provision for insurance claims	<b>7,124</b>	<b>6,888</b>	<b>10,592</b>	<b>10,318</b>
<b>At 31 December 2020</b>				
Provision for insurance claims	10,027	9,777	14,267	13,949

### Claim Handling Expenses ("CHE")

Allowance for claims handling expenses relates to the costs of administering outstanding claims until all claims are fully settled. CHE is computed based on 11.4% (2020: 7%) of incurred-but-not-reported claims and 11.4% (2020: 7%) of half of the case reserve assuming that half of the CHE is expended when a loss is reported and half when it is paid.

The effects of varying CHE by 2% (both upwards and downwards) are presented below:

	Net (\$'000)		Gross (\$'000)	
	High +2%	Low -2%	High +2%	Low -2%
<b>At 31 December 2021</b>				
Provision for insurance claims	<b>7,089</b>	<b>6,923</b>	<b>10,583</b>	<b>10,372</b>
<b>At 31 December 2020</b>				
Provision for insurance claims	10,023	9,781	14,229	13,987

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 43 OPERATING SEGMENTS

The Group has four reportable segments which relate to the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. The reportable segment presentation is prepared based on the Group's management and internal reporting structure. As some of the activities of the Group are integrated, internal cost allocation has been made in preparing the segment information such as the Group's centralised support costs and funding costs. Inter-segment pricing where appropriate, is determined on an arm's length basis. The Group's CEO reviews the internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments.

Credit financing: Credit financing encompasses commercial providing services to corporate clients, mainly the small and medium-sized enterprises. The commercial services provided include factoring, accounts receivable financing, trade financing, asset-based loan, working capital, leasing, hire purchase as well as participation in the Enterprise Financing Scheme administered by Enterprise Singapore. Credit financing also include consumer loans service.

Insurance: The issue of performance bonds and guarantees, domestic maid insurance, property and casualty insurance, motor insurance, engineering and work injury compensation insurance. The segment includes holding of equity securities and bonds under the regulated insurance fund.

Private equity and other investments: The provision of development capital in the form of convertible debt instruments.

Fund Management: The provision of fund management service

Total operating income comprises net interest income, net earned premium revenue, fee and commission income and investment income. Performance is measured based on segment profit before tax.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 43 OPERATING SEGMENTS (CONTINUED)

### *Information about reportable segments*

	Credit financing \$'000	Insurance \$'000	Private equity and other investments \$'000	Fund Management \$'000	Total \$'000
<b>2021</b>					
<i>Operating results</i>					
Total operating income	<b>32,738</b>	<b>6,411</b>	<b>402</b>	-	<b>39,551</b>
Reportable segment profit/(loss) before tax	<b>13,397</b>	(21)	(127)	(560)	<b>12,689</b>
Net interest income	<b>26,888</b>	-	8	-	<b>26,896</b>
Net earned premium revenue	-	<b>5,398</b>	-	-	<b>5,398</b>
Non-interest income	<b>7,202</b>	<b>1,013</b>	(136)	-	<b>8,079</b>
Other material non-cash items:					
- Recognition of allowances for loan losses and impairment of other assets	(936)	(376)	-	-	(1,312)
- Depreciation and amortisation	(1,606)	(61)	-	-	(1,667)
<i>Assets and liabilities</i>					
Reportable segment assets	<b>354,973</b>	<b>35,437</b>	<b>7,059</b>	<b>688</b>	<b>398,157</b>
Capital expenditure	<b>211</b>	<b>8</b>	-	-	<b>219</b>
Reportable segment liabilities	<b>185,352</b>	<b>16,922</b>	<b>406</b>	<b>148</b>	<b>202,828</b>



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 43 OPERATING SEGMENTS (CONTINUED)

### *Information about reportable segments* (Continued)

	Credit financing \$'000	Insurance \$'000	Private equity and other investments \$'000	Total \$'000
<b>2020</b>				
<b><i>Operating results</i></b>				
Total operating income	27,397	5,352	371	33,120
Reportable segment profit/(loss) before tax	8,414	(6,247)	370	2,537
Net interest income	20,996	–	–	20,996
Net earned premium revenue	–	4,830	–	4,830
Non-interest income	6,773	524	370	7,667
Other material non-cash items:				
– Reversal/(recognition) of allowances for loan losses and impairment of other assets	(1,872)	(473)	–	(2,345)
– Depreciation and amortisation	(1,632)	(68)	–	(1,700)
<b><i>Assets and liabilities</i></b>				
Reportable segment assets	432,182	41,558	4,057	477,797
Capital expenditure	732	31	–	763
Reportable segment liabilities	263,517	22,986	418	286,921

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 43 OPERATING SEGMENTS (CONTINUED)

*Reconciliations of reportable segment operating income, profit or loss, assets and liabilities and other material items*

	2021 \$'000	2020 \$'000
<b>Operating income</b>		
Net interest income	<b>26,896</b>	20,996
Net earned premium revenue	<b>5,398</b>	4,830
Fee and commission income	<b>6,380</b>	6,497
Investment income	<b>785</b>	709
Others*	<b>92</b>	88
<b>Total operating income for reportable segments</b>	<b>39,551</b>	33,120
<b>Profit</b>		
Total profit before tax for reportable segments	<b>12,689</b>	2,537
<b>Consolidated profit before tax</b>	<b>12,689</b>	2,537
<b>Non-interest income</b>		
Total non-interest income for reportable segments	<b>13,477</b>	12,497
<b>Consolidated non-interest income</b>	<b>13,477</b>	12,497

\* Represents excess amount of loans, advances and receivables recovered, included in other income.

	2021 \$'000	2020 \$'000
<b>Assets</b>		
Total assets for reportable segments	<b>398,157</b>	477,797
Other unallocated amounts	<b>3,092</b>	3,630
<b>Consolidated assets</b>	<b>401,249</b>	481,427
<b>Liabilities</b>		
Total liabilities for reportable segments	<b>202,828</b>	286,921
Other unallocated amounts	<b>2,161</b>	870
<b>Consolidated liabilities</b>	<b>204,989</b>	287,791



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 43 OPERATING SEGMENTS (CONTINUED)

### *Geographical segments*

In view of the Group's continuing efforts to develop its businesses across the region, resources are now allocated mainly to four principal geographical areas.

Geographical segments are analysed by four principal geographical areas. *Singapore, Thailand, Malaysia and Indonesia* are the major markets for credit financing and insurance activities. *Others* are also the markets for private equity and other investment activities.

In presenting information on the basis of geographical segments, segment operating income is based on the geographical location of the clients. Segment assets are based on the geographical location of the assets.

### **Geographical information**

	<b>Operating income \$'000</b>	<b>Non-current assets \$'000</b>	<b>Total assets \$'000</b>
<b>2021</b>			
Singapore	23,234	1,821	216,811
Thailand	14,192	3,585	157,494
Malaysia	1,512	494	11,046
Indonesia	613	212	15,898
	<b>39,551</b>	<b>6,112</b>	<b>401,249</b>
<b>2020</b>			
Singapore	16,565	2,845	300,448
Thailand	14,031	4,219	150,657
Malaysia	1,825	626	12,615
Indonesia	699	264	17,707
	<b>33,120</b>	<b>7,954</b>	<b>481,427</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

## 44 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *SFRS(I) 17 Insurance Contracts and amendments to SFRS(I) 17 Insurance Contracts*
- *Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to SFRS(I) 16)*
- *Reference to the Conceptual Framework (Amendments to SFRS(I) 3)*
- *Property, plant and equipment – Proceeds before Intended Use (Amendments to SFRS(I) 1-16)*
- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to SFRS(I) 37)*
- *Classification of Liabilities as Current or Non-current (Amendments to SFRS(I) 1-1)*
- *Annual Improvements to SFRS(I)s 2018-2020*
- *Disclosure of Accounting Policies (Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to SFRS(I) 1-8)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to SFRS(I) 1-12)*



# STATISTICS OF SHAREHOLDINGS

AS AT 10 MARCH 2022

## SHARE CAPITAL

Issued and Paid-up Share Capital	:	\$137,906,932
Number of Shares	:	375,969,665
Class of Shares	:	ordinary shares
Voting Rights	:	one vote per share
Number of Treasury Shares	:	nil
Number of Subsidiary Holdings <sup>1</sup>	:	nil

## ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	176	5.05	6,567	0.00
100 – 1,000	139	3.99	61,277	0.02
1,001 – 10,000	2,204	63.20	8,669,330	2.30
10,001 – 1,000,000	953	27.33	48,150,063	12.81
1,000,001 and above	15	0.43	319,082,428	84.87
<b>Total</b>	<b>3,487</b>	<b>100.00</b>	<b>375,969,665</b>	<b>100.00</b>

## TOP TWENTY SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	PHILLIP SECURITIES PTE LTD	236,756,432	62.97
2	DBS NOMINEES PTE LTD	55,863,965	14.86
3	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	6,126,212	1.63
4	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,114,879	0.83
5	LIM WAH TONG	2,463,000	0.65
6	RAMESH S/O PRITAMDAS CHANDIRAMANI	2,401,700	0.64
7	LIM HOW TECK	2,170,000	0.58
8	CITIBANK NOMINEES SINGAPORE PTE LTD	1,906,930	0.51
9	RAFFLES NOMINEES (PTE) LIMITED	1,496,700	0.40
10	LIM CHIN CHOO @ ELIZABETH LIM	1,243,500	0.33
11	CHUA MAISIE	1,200,000	0.32
12	YEO WEI HUANG	1,155,000	0.31
13	TAN SOON LIN	1,080,460	0.29
14	BOON KIA HENG JUSTIN (WEN JIAQING)	1,068,650	0.28
15	TEO YEW HOCK	1,035,000	0.28
16	LEE SOON KIE	992,900	0.26
17	OCBC SECURITIES PRIVATE LTD	725,742	0.19
18	MAYBANK SECURITIES PTE. LTD.	723,550	0.19
19	NG POH CHENG	670,450	0.18
20	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	615,125	0.16
<b>Total</b>		<b>322,810,195</b>	<b>85.86</b>

### Note:

<sup>1</sup> "Subsidiary Holdings" is defined in the Listing Manual issued by the Singapore Exchange Securities Trading Limited to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

# STATISTICS OF SHAREHOLDINGS

AS AT 10 MARCH 2022

## SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 10 March 2022, approximately 30.40% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

## SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as recorded in the Register of Substantial Shareholders as at 10 March 2022.

<b>Substantial Shareholder</b>	<b>No. of Shares</b>			
	<b>Direct Interest</b>	<b>Deemed Interest</b>	<b>Total Interest</b>	<b>%</b>
Phillip Assets Pte. Ltd.	226,586,029 <sup>1</sup>	–	226,586,029	60.27
Lim Hua Min	–	226,586,029 <sup>2</sup>	226,586,029	60.27
Factorie, L.P.	25,773,280	–	25,773,280	6.86
Factorie Ltd	–	25,773,280 <sup>3</sup>	25,773,280	6.86
Diamond GP Holdings Ltd.	–	25,773,280 <sup>4</sup>	25,773,280	6.86
Dymon Asia Private Equity (S.E. Asia) Ltd	–	25,773,280 <sup>5</sup>	25,773,280	6.86
DAPE Ltd	–	25,773,280 <sup>6</sup>	25,773,280	6.86
Tan Keng Soon	–	25,773,280 <sup>7</sup>	25,773,280	6.86
Dymon Asia Capital Ltd	–	25,773,280 <sup>8</sup>	25,773,280	6.86
Yong Ming Chong	–	25,773,280 <sup>9</sup>	25,773,280	6.86

### Notes:

- <sup>1</sup> Deposited with the Depository Agent, Phillip Securities Pte. Ltd.
- <sup>2</sup> Lim Hua Min is deemed to have an interest in the 226,586,029 shares held by Phillip Assets Pte. Ltd.
- <sup>3</sup> Factorie Ltd is the general partner of Factorie, L.P. and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.
- <sup>4</sup> Diamond GP Holdings Ltd. has a controlling interest in Factorie Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.
- <sup>5</sup> Dymon Asia Private Equity (S.E. Asia) Ltd has a controlling interest in Diamond GP Holdings Ltd. and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.
- <sup>6</sup> DAPE Ltd has a controlling interest in Dymon Asia Private Equity (S.E. Asia) Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.
- <sup>7</sup> Tan Keng Soon holds more than 20% voting rights in DAPE Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.
- <sup>8</sup> Dymon Asia Capital Ltd holds more than 20% voting rights in DAPE Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.
- <sup>9</sup> Yong Ming Chong has a controlling interest in Dymon Asia Capital Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.



# NOTICE OF ANNUAL GENERAL MEETING

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## IFS CAPITAL LIMITED

(Incorporated in the Republic of Singapore)  
Company Registration No. 198700827C

**NOTICE IS HEREBY GIVEN** that the Thirty-Fifth (35th) Annual General Meeting of IFS Capital Limited (the “**Company**”) will be held by electronic means on Friday, 22 April 2022 at 2.30 p.m. to transact the following business:

### ROUTINE BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 31 December 2021 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To approve the payment of a first and final one-tier tax exempt ordinary cash dividend of 0.78 cents per share for the financial year ended 31 December 2021. **(Resolution 2)**
3. To approve the Directors’ fees of S\$275,500 (2020: S\$233,180) for the financial year ended 31 December 2021. **(Resolution 3)**
4. To re-elect the following Directors retiring by rotation in accordance with Article 94 of the Constitution of the Company:
  - (a) Mr Lim Hua Min **(Resolution 4(a))**
  - (b) Mr Barney Lau Tai Chiau **(Resolution 4(b))**
5. To appoint Messrs Ernst & Young LLP as the Company’s Auditors in place of Messrs KPMG LLP, to hold office until the conclusion of the next annual general meeting of the Company, and that the Directors be authorised to fix their remuneration. **(Resolution 5)**

### SPECIAL BUSINESS

To consider, and if thought fit, to pass with or without modifications, the following Resolution which will be proposed as an Ordinary Resolution:

6. That authority be and is hereby given to the Directors to:
  - (a) (i) issue shares of the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
    - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,  
at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
  - (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

# NOTICE OF ANNUAL GENERAL MEETING

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provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent. of the total number of issued shares of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent. of the total number of issued shares of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares of the Company excluding treasury shares and subsidiary holdings at the time this Resolution is passed, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
- and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution 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.

By Order of the Board

Chionh Yi Chian/Angeline Ng  
Company Secretary/Assistant Company Secretary  
IFS Capital Limited

Singapore  
4 April 2022



# NOTICE OF ANNUAL GENERAL MEETING

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## Explanatory Notes:

### 1. Notes to Resolutions 4(a) and 4(b):

In relation to Resolution 4(a), Mr Lim Hua Min will, upon re-election as a Director of the Company, continue to serve as a Member of the Executive Resource and Compensation Committee.

In relation to Resolution 4(b), Mr Barney Lau Tai Chiau will, upon re-election as a Director of the Company, continue to serve as the Chairman of the Executive Resource and Compensation Committee and a Member of the Audit and Risk Committee<sup>1</sup>. Mr Lau is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Please refer to the "Board of Directors" and the "Additional Information on Director Seeking Re-election" in the Company's Annual Report 2021 for further information on Mr Lim Hua Min and Mr Barney Lau Tai Chiau.

### 2. Notes to Resolution 5:

Resolution 5 relates to the appointment of Messrs Ernst & Young LLP as the Auditors of the Company, in place of the retiring Auditors, Messrs KPMG LLP, and to hold office until the conclusion of the next annual general meeting of the Company. In accordance with Rule 1203(5) of the Listing Manual of the SGX-ST:

- (a) the outgoing auditors of the Company, Messrs KPMG LLP, have confirmed in writing that they are not aware of any professional reasons why the new auditors Messrs Ernst & Young LLP, should not accept appointment as auditors of the Company;
- (b) the Company confirms that there were no disagreements with Messrs KPMG LLP on accounting treatments within the last 12 months;
- (c) the Company confirms that, save as disclosed in the Appendix to shareholders dated 4 April 2022 to the Annual Report of the Company in connection with the Proposed Change of Auditors (the "**Appendix**") it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the shareholders of the Company;
- (d) the specific reasons for the Proposed Change of Auditors are set out in Section 2.1 of the Appendix. The Proposed Change of Auditors is not due to the dismissal of Messrs KPMG LLP or due to Messrs KPMG LLP declining to continue to service as the Auditors of the Company; and
- (e) the Company confirmed that it has complied with Rule 712 and 715 of the Listing Manual in relation to the proposed appointment of Messrs Ernst & Young LLP as its new auditors.

For further information in relation to the Proposed Change of Auditors, please refer to the Appendix which is circulated to Shareholders together with the Company's Annual Report for the financial year ended 31 December 2021.

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<sup>1</sup> With effect from 24 February 2022, the Risk Management Committee was merged with Audit Committee to form Audit & Risk Committee.

# NOTICE OF ANNUAL GENERAL MEETING

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### 3. **Notes to Resolution 6:**

Resolution 6 is to empower the Directors to issue shares of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50 per cent. of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), with a sub-limit of 20 per cent. for issues other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of the issued shares of the Company (excluding treasury shares and subsidiary holdings) at the time that Resolution 6 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 6 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares. As at 10 March 2022, the Company had no treasury shares and no subsidiary holdings.

#### **Notes:**

1. The Company's Annual General Meeting (the "**AGM**") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM will not be sent to members. Instead, this Notice of AGM will be disseminated to members by electronic means via publication on the Company's website at the URL <https://www.ifscapital.com.sg/annualgeneralmeetings#2022agm> and on the Singapore Exchange's ("**SGX**") website at the URL <https://www.sgx.com/securities/company-announcements>.
2. As a precautionary measure due to the current Covid-19 situation in Singapore, members will not be able to attend the AGM in person. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Company's announcement dated 4 April 2022. This announcement may be accessed at the Company's website at the URL <https://www.ifscapital.com.sg/annualgeneralmeetings#2022agm> and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
3. Members may submit questions related to the resolutions to be tabled for approval at the AGM, in advance of the AGM, in the following manner by **5.00 p.m. on 12 April 2022**: (a) via pre-registration website at the URL <https://online.meetings.vision/ifscapital-agm-registration>; (b) by email to [ir@ifscapital.com.sg](mailto:ir@ifscapital.com.sg). The Company will endeavour to address all substantial and relevant questions submitted prior to the AGM by publishing the responses to such questions on the Company's corporate website and on SGXNet prior to the AGM.
4. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The accompanying proxy form for the AGM may be downloaded from the Company's website at the URL <https://www.ifscapital.com.sg/annualgeneralmeetings#2022agm> and from the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. Printed copies of the proxy form will not be sent by post to members.

# NOTICE OF ANNUAL GENERAL MEETING

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In appointing the Chairman of the AGM as proxy, a member must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

CPF and SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 p.m. on 11 April 2022**.

5. The Chairman of the AGM, as proxy, need not be a member of the Company.
6. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner: (a) if submitted by post, be deposited with the Company's share registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902; or (b) if submitted electronically, be submitted via email to [gpe@mnccsingapore.com](mailto:gpe@mnccsingapore.com), in either case, by **2.30 p.m. on 19 April 2022**, being 72 hours before the time appointed for holding the AGM.

A member who wishes to submit an instrument of proxy must first download a copy of the proxy from the Company's website or the SGX website, and complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. Due to the current COVID-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms electronically via email.

7. The Company's Annual Report 2021 may be accessed at the Company's website at the URL <https://www.ifscapital.com.sg/annualgeneralmeetings#2022agm> or the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
8. Due to the constantly evolving COVID-19 situation, the Company may be required to change its AGM arrangements at short notice. Members are advised to regularly check the Company's website or announcements released on SGXNET for latest updates on the AGM.

## **Personal data privacy:**

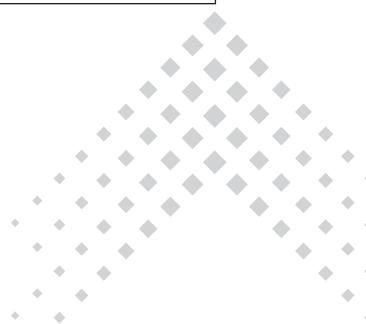
By submitting an instrument appointing the Chairman of the AGM to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

At the 35th Annual General Meeting

[Pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1]

Name of Director	LIM HUA MIN
Date of Appointment	20 May 2003
Date of last re-appointment	29 April 2019
Age	76
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board had considered the Executive Resource and Compensation Committee's recommendation and assessment on Mr Lim's background, experience and commitment in the discharge of his duties as a Director of IFS Capital Limited and is satisfied that he will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	<ul style="list-style-type: none"> <li>- Chairman, Non-Executive Director</li> <li>- Member of the Executive Resource and Compensation Committee</li> </ul>
Professional qualifications	<ul style="list-style-type: none"> <li>- Bachelor of Science (Honours), University of Surrey, England</li> <li>- Master of Science, Imperial College, London University</li> </ul>
Working experience and occupation(s) during the past 10 years	Executive Chairman of Phillip Group of Companies
Shareholding interest in the listed issuer and its subsidiaries	IFS Capital Limited - 226,586,029 shares (Deemed interest)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Lim is the substantial shareholder of Phillip Assets Pte Ltd which is the substantial shareholder of the listed issuer.
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments (Including Directorships)	
Past (for the last 5 years)	Nil
Present	<ul style="list-style-type: none"> <li>- Executive Chairman, Phillip Group of Companies</li> <li>- Chairman, ECICS Limited</li> <li>- Non-Executive Director, Phillip Bank Plc</li> </ul>



# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

At the 35th Annual General Meeting

[Pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1]

Name of Director	<b>BARNEY LAU TAI CHIAU</b>
Date of Appointment	13 August 2019
Date of last re-appointment	21 May 2020
Age	56
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board had considered the Executive Resource and Compensation Committee's recommendation and assessment on Mr Lau's background, experience, independence and commitment in the discharge of his duties as a Director of IFS Capital Limited and is satisfied that he will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	<ul style="list-style-type: none"> <li>- Lead Independent Director<sup>1</sup>, Non-Executive Director</li> <li>- Chairman of Executive Resource and Compensation Committee and Audit and Risk Committee Member<sup>2</sup></li> </ul>
Professional qualifications	<ul style="list-style-type: none"> <li>- Master in Christian Studies, Biblical Graduate School of Theology, Singapore</li> <li>- Bachelor of Arts, Computer Science, Rutgers, State University of New Jersey, USA</li> <li>- Diploma in Computer Studies, National Computing Centre (UK), Singapore</li> <li>- Diploma in Electronic and Communications Engineering, Singapore Polytechnic</li> </ul>
Working experience and occupation(s) during the past 10 years	<p>Oct 2008 – Present: Covenant Evangelical Free Church (Pastor, Senior Pastor's Office – Director of Ministries)</p> <p>Directorship:            Integrated Health Information Services Pte. Ltd.            May 2011 – Oct 2016: Director            May 2013 – Oct 2016: Member of HR Committee</p> <p>Jurong Health Services Pte. Ltd. (Ng Teng Fong General Hospital &amp; Jurong Community Hospital)            Jan 2010 – Oct 2015: Director            Oct 2010 – Oct 2015: Chairman of IT Committee</p>
Shareholding interest in the listed issuer and its subsidiaries	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments (Including Directorships)	
Past (for the last 5 years)	Nil
Present	Nil

<sup>1</sup> Mr Barney Lau Tai Chiau was appointed as the Lead Independent Director of the Company with effect from 1 January 2022.

<sup>2</sup> With effect from 24 February 2022, the Risk Management Committee was merged with Audit Committee to form Audit & Risk Committee.

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

At the 35th Annual General Meeting

[Pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1]

	LIM HUA MIN	BARNEY LAU TAI CHIAU
<b>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.</b>		
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c) Whether there is any unsatisfied judgment against him?	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

At the 35th Annual General Meeting

[Pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1]

	LIM HUA MIN	BARNEY LAU TAI CHIAU
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- <ul style="list-style-type: none"> <li>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</li> <li>ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</li> <li>iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</li> <li>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere</li> </ul> in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

**PROXY FORM**  
**Thirty-Fifth (35th) Annual General Meeting**

**IMPORTANT**

1. This Proxy Form may be accessed at the Company's website at the URL <https://www.ifscapital.com.sg/annualgeneralmeetings#2022agm> and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. **Printed copies of this Proxy Form will not be sent to members.**
2. The AGM (as defined below) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM will not be sent to members. Instead, the Notice of AGM will be sent to members by electronic means via publication on the Company's website at the URL <https://www.ifscapital.com.sg/annualgeneralmeetings#2022agm> and on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
3. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in Notice of AGM and the accompanying Company's announcement dated 4 April 2022 which may be accessed at the Company's website at the URL <https://www.ifscapital.com.sg/annualgeneralmeetings#2022agm> and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
4. **As a precautionary measure due to the current Covid-19 situation in Singapore, a member will not be able to attend the AGM in person.** A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
5. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 11 April 2022.
6. By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 4 April 2022.
7. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport No./Co. Regn No.)

of \_\_\_\_\_ (Address) being a member/members of **IFS Capital Limited** (the "Company"), hereby appoint the Chairman of the Thirty-Fifth (35<sup>th</sup>) Annual General Meeting ("AGM") as my/our proxy, to attend, speak and vote for me/us on my/our behalf at the AGM of the Company to be convened and held by electronic means on Friday, 22 April 2022 at 2.30 p.m. and at any adjournment thereof in the following manner:

<b>Resolutions Relating To:</b>		<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>Routine Business</b>				
1	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report			
2	Payment of a First and Final One-Tier Tax Exempt Ordinary Cash Dividend of 0.78 cents per share			
3	Approval of Directors' fees amounting to S\$275,500			
4	Re-election of Directors: a) Mr Lim Hua Min b) Mr Barney Lau Tai Chiau			
5	Appointment of Messrs Ernst & Young LLP as Auditors in place of retiring Auditor, Messrs KPMG LLP			
<b>Special Business</b>				
6	Ordinary Resolution: Authority for Directors to Issue Shares and Instruments Convertible into Shares			

Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to cast all your votes "For" or "Against", please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the AGM as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the AGM as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.**

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022

**Total Number of Shares Held**

\_\_\_\_\_  
Signature(s) of Member(s) or  
Common Seal of Corporate Member

**IMPORTANT: PLEASE READ NOTES TO PROXY FORM OVERLEAF**

**NOTES TO PROXY FORM:**

1. A member should insert the total number of shares held. If the member has shares entered against his/her/its name in the Depository Register (maintained by The Central Depository (Pte) Limited), he/she/it should insert that number of shares. If the member has shares registered in his/her/its name in the Register of Members (maintained by or on behalf of the Company), he/she/it should insert that number of shares. If the member has shares entered against his/her/its name in the Depository Register as well as shares registered in his/her/its name in the Register of Members, he/she/it should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

2. **As a precautionary measure due to the current COVID-19 situation in Singapore, a member will not be able to attend the AGM in person.** A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. This proxy form may be accessed at the Company's website at the URL <https://www.ifscapital.com.sg/annualgeneralmeetings#2022agm>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 11 April 2022.

3. The Chairman of the AGM, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:
  - (a) if submitted by post, be deposited at the office of the Company's share registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902; or
  - (b) if submitted electronically, be submitted via email to the Company's share registrar at [gpe@mncsingapore.com](mailto:gpe@mncsingapore.com), in either case, by 2.30 p.m. on 19 April 2022, being 72 hours before the time appointed for holding the AGM.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**Due to the current Covid-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms electronically via email.**

5. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised. Where an instrument appointing the Chairman of the AGM as proxy 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), if the instrument appointing the Chairman of the AGM as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the AGM as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.
6. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy (including any related attachment). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged or submitted if such members, being the appointor, are not shown to have shares entered against their names in the Depository Register at least 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

1<sup>st</sup> fold here

Affix  
Postage  
Stamp

**IFS Capital Limited**  
c/o M & C Services Private Limited  
112 Robinson Road #05-01  
Singapore 068902

2<sup>nd</sup> fold here

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Lim Hua Min (Chairman)  
Law Song Keng  
Tam Chee Chong  
Barney Lau Tai Chiau  
Tan Hai Leng Eugene<sup>1</sup>  
Randy Sim Cheng Leong

## AUDIT COMMITTEE<sup>2</sup>

Tam Chee Chong (Chairman)  
Law Song Keng  
Barney Lau Tai Chiau

## EXECUTIVE RESOURCE AND COMPENSATION COMMITTEE

Barney Lau Tai Chiau (Chairman)  
Lim Hua Min  
Law Song Keng

## RISK MANAGEMENT COMMITTEE<sup>2</sup>

Tan Hai Leng Eugene (Chairman)  
Lim Hua Min  
Law Song Keng  
Randy Sim Cheng Leong

## GROUP MANAGEMENT COMMITTEE

Randy Sim Cheng Leong (Chairman)  
Chionh Yi Chian  
Ang Iris  
Zeng Renchun  
Choi Kin Seng  
Tan Ley Yen  
AB. Razak Khalil  
Giovanni Florentinus E.J.

## REGISTERED OFFICE

10 Eunos Road 8  
#09-04 Singapore Post Centre  
Singapore 408600  
Tel: 6270 7711  
Fax: 6339 1076  
Website: [www.ifscapital.com.sg](http://www.ifscapital.com.sg)

## SHARE REGISTRAR

### M & C Services Private Limited

112 Robinson Road #05-01  
Singapore 068902

## COMPANY SECRETARY

Chionh Yi Chian

## ASSISTANT COMPANY SECRETARY

Angeline Ng Ching Loo

## AUDITORS

### KPMG LLP

Public Accountants and Chartered Accountants  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581

## PARTNER-IN-CHARGE

Hong Cho Hor Ian  
(since FY2020)

<sup>1</sup> Mr Tan Hai Leng Eugene resigned as a director of the Company and ceased to be the Chairman of Risk Management Committee with effect from 17 February 2022.

<sup>2</sup> With effect from 24 February 2022, the Risk Management Committee was merged with Audit Committee to form Audit & Risk Committee. The Audit & Risk Committee comprises -Chairman: Mr Tam Chee Chong and Members: Mr Barney Lau Tai Chiau and Mr Law Song Keng.

## **IFS CAPITAL LIMITED**

(Reg No: 198700827C)

10 Eunos Road 8  
#09-04 Singapore Post Centre  
Singapore 408600  
Tel: (65) 6270 7711  
Fax: (65) 6339 1076

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## **SUBSIDIARIES**

### **ECICS LIMITED**

10 Eunos Road 8  
#09-04A Singapore Post Centre  
Singapore 408600  
Tel: (65) 6337 4779  
Fax: (65) 6338 9267

### **IFS CAPITAL ASSETS PRIVATE LIMITED**

### **IFS CONSUMER SERVICES PRIVATE LIMITED**

### **IFS VENTURES PRIVATE LIMITED**

### **MULTIPLY CAPITAL LIMITED**

10 Eunos Road 8  
#09-04 Singapore Post Centre  
Singapore 408600  
Tel: (65) 6270 7711  
Fax: (65) 6339 1076

### **IFS ASSET MANAGEMENT PRIVATE LIMITED**

### **IFSAM VCC**

### **LENDINGPOT PRIVATE LIMITED**

10 Eunos Road 8  
#09-02A Singapore Post Centre  
Singapore 408600  
Tel: (65) 6653 3351/(65) 6653 3353

### **IFS CAPITAL (MALAYSIA) SDN. BHD.**

### **IFS FACTORS (MALAYSIA) SDN. BHD.**

Suite 2-01, 2nd Floor  
Menara Atlan  
161B Jalan Ampang  
50450 Kuala Lumpur  
Malaysia  
Tel: (603) 2161 7080  
Fax: (603) 2161 9090

### **PT. IFS CAPITAL INDONESIA**

Rukan Cordoba Blok G  
No.37 Jl. Marina Raya  
Pantai Indah Kapuk  
Jakarta 14470  
Indonesia  
TEL: (6221) 225 730 29

### **IFS CAPITAL (THAILAND) PUBLIC COMPANY LIMITED**

### **IFS CAPITAL HOLDINGS (THAILAND) LIMITED**

20th Floor, Lumpini Tower  
1168/55 Rama IV Road  
Tungmahamek Sathorn  
Bangkok 10120  
Thailand  
Tel: (662) 285 6326  
Fax: (662) 285 6335