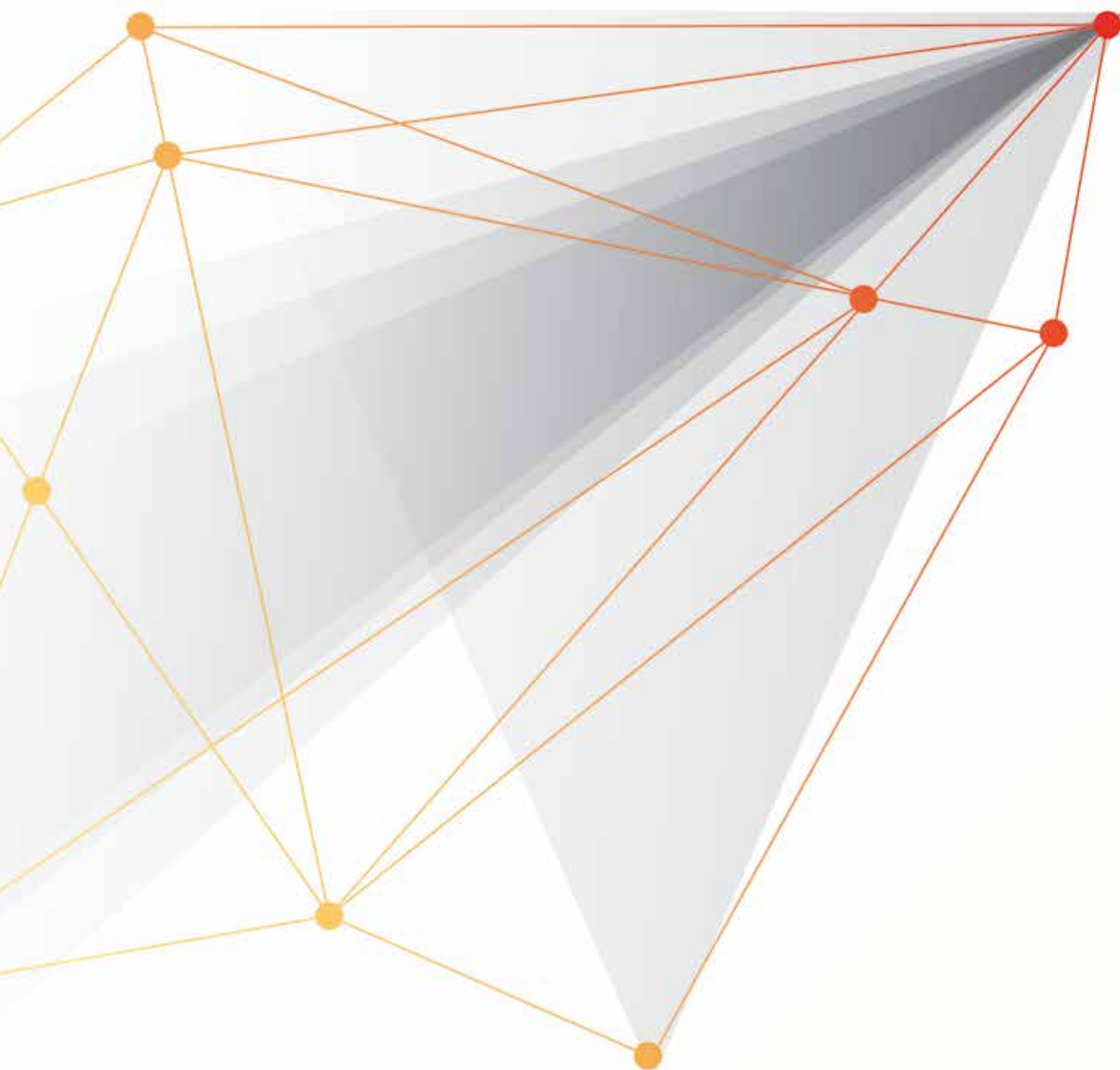


# **STABILITY** AMIDST **VOLATILITY**

ANNUAL REPORT 2020



**UOB**KayHian  
Your trusted financial partner



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## CORPORATE INFORMATION

### Board of Directors

Wee Ee Chao  
*Chairman and Managing Director*

Esmond Choo Liong Gee  
*Senior Executive Director*  
(On 1 April 2021, Esmond Choo is  
redesignated as a Non-Executive Non-  
Independent Director)

Tang Wee Loke  
*Independent Director*

Kuah Boon Wee  
*Independent Director*

Andrew Suckling  
*Independent Director*

David Yeow  
*Independent Director*

Chng Seng Hong, Ronny  
*Non-Executive Non-Independent  
Director*

### Audit Committee

Kuah Boon Wee  
*Chairman*

Tang Wee Loke

Chng Seng Hong, Ronny

David Yeow

### Nominating Committee

Tang Wee Loke  
*Chairman*

Esmond Choo Liong Gee

Andrew Suckling

### Remuneration Committee

Andrew Suckling  
*Chairman*

Tang Wee Loke

Kuah Boon Wee

### Company Secretary

Goh Tse Hwee Josephine

### Company Registration No.

200004464C

### Registered Office

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

### Share Registrar and Share Transfer Office

B.A.C.S. Private Limited  
8 Robinson Road #03-00  
ASO Building  
Singapore 048544

### Auditors

Deloitte & Touche LLP  
*Public Accountants and  
Chartered Accountants*

6 Shenton Way #33-00  
OUE Downtown 2  
Singapore 068809

*Partner in charge – Ho Kok Yong*  
*Date of appointment – 24 April 2018*

### Principal Bankers

DBS Bank Ltd

Oversea-Chinese Banking  
Corporation Limited

Standard Chartered Bank

The Hongkong and Shanghai  
Banking Corporation Limited

United Overseas Bank Limited

## UOB-KAY HIAN HOLDINGS

UOB-Kay Hian is a regional financial services Group headquartered in Singapore. We are a widely-recognised brand in every country in which we have operations, a reputation built on our responsive and discreet service. In Singapore, we are the largest domestic broker based on the number of registered trading representatives employed. In addition to our broking agency services in equities, bonds, CFDs, DLCs, Robo, LFX and commodities, we provide high value added services in corporate advisory and fund raising, leveraging our wide network of corporate contacts and deep distribution capabilities to execute IPOs, secondary placements and other corporate finance and investment banking activities.

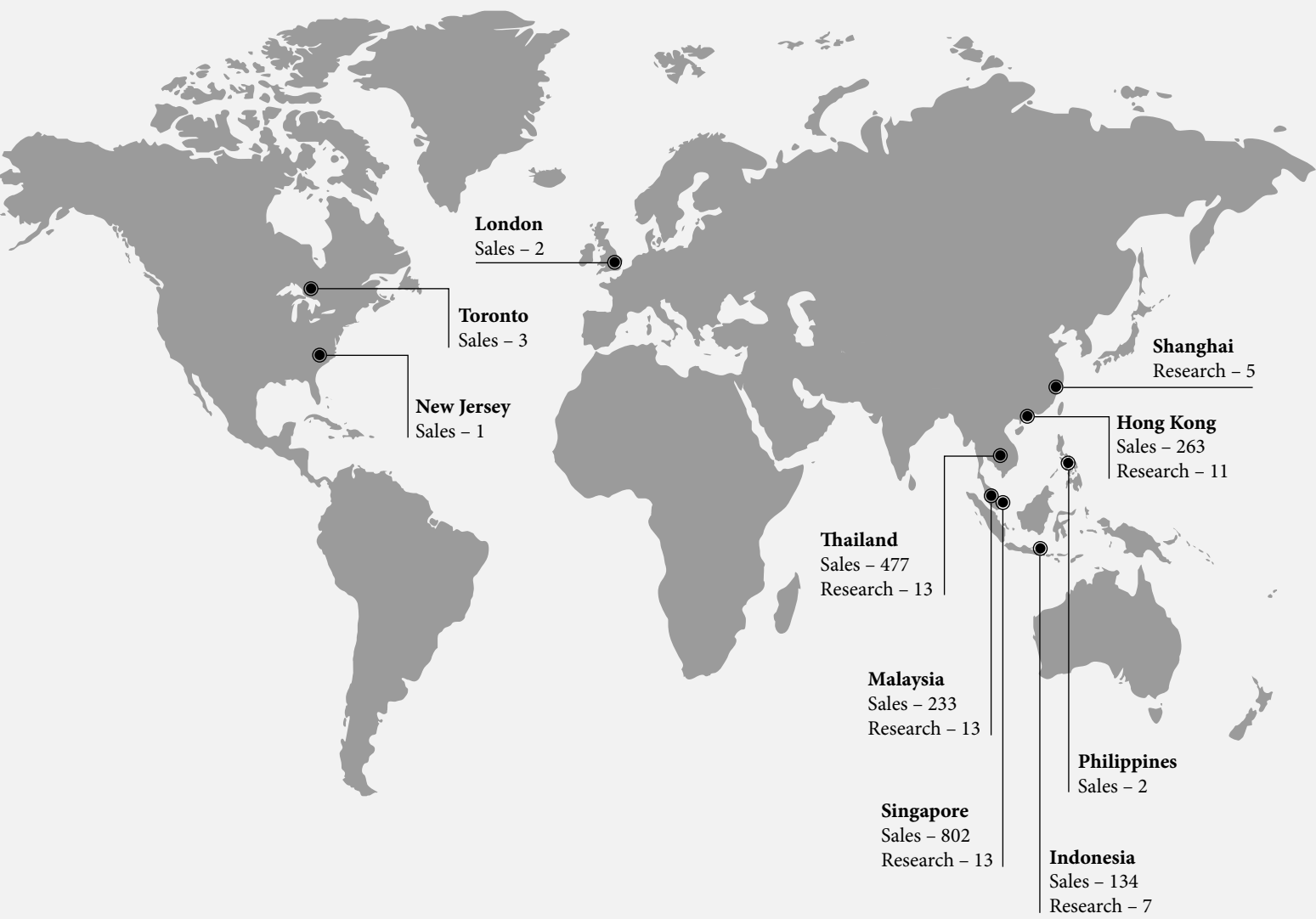
Our regional distribution footprint now spans regional financial centres in Singapore, Hong Kong, Thailand, Malaysia, Indonesia, London, New York and Toronto. In addition, we maintain a research office in Shanghai and an execution presence in the Philippines. We are therefore at the heart of regional economic activities and are well-placed to tap into the deep market knowledge necessary to respond swiftly to our clients.

The Group employs approximately 3,053 professional and support staff globally.

We have gained considerable scale and operational leverage from our synergistic acquisitions. Our defensive business model helps us better weather prevailing volatile trading conditions.

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

OUR GLOBAL PRESENCE



## OUR BUSINESS DIVISIONS

### **Acquisition Finance**

We act as financiers and arrangers for principals acquiring strategic stakes in regional listed companies. Our key differentiator is our highly-responsive, innovative and discreet service.

### **Contract for Difference (CFD)**

Our CFD products business offers a large inventory of shares traded on major exchanges. Our Direct Market Access platform provides clients with price transparency at a competitive cost. Our extensive inventory of available counters for covering short positions will soon be expanded to enable trading on global indices.

### **Corporate Advisory/Finance**

We have a dedicated and experienced research team covering the Singapore, Malaysia, Thailand, Indonesia and Greater China markets. As a market leader in Singapore, we provide a full range of corporate finance services ranging from financial advisory and investment banking to underwriting and placement services in both primary and secondary listings.

### **Internet Trading**

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

### **Leveraged Foreign Exchange (LFX)**

Our Leveraged Foreign Exchange business allows institutional and retail investors to access the deep liquidity of the global currency market at a competitive cost.

### **Margin Trading**

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

### **Retail and Institutional Sales**

UOB Kay Hian is the largest stockbroker in Singapore, with 802 retail and institutional sales personnel. In addition, we have 1,115 sales executives covering Thailand, Hong Kong, China, the Philippines, Malaysia, Indonesia, the UK, the US and Canada. Supported by our regional research coverage, we are able to provide regional sales distribution services that have both width and depth.

### **Wealth Management**

We have a team of dedicated sales personnel providing wealth management services in Singapore and Hong Kong. Leveraging our knowledge of global markets, we are able to provide bespoke and differentiated advisory services that meet our clients' financial needs.

## GROUP FINANCIAL HIGHLIGHTS

	Group For the Year Ended 31.12.2020 (S\$'000)	Group For the Year Ended 31.12.2019 (S\$'000)	Group For the Year Ended 31.12.2018 (S\$'000)	Group For the Year Ended 31.12.2017 (S\$'000)
Revenue & Foreign Exchange Gain	<b>603,771</b>	380,619	382,326	379,521
Profit from Operations	<b>183,931</b>	78,442	86,388	90,061
Profit Before Tax	<b>183,931</b>	78,442	86,388	90,061
Profit After Tax	<b>160,710</b>	69,282	75,796	77,524
Profit After Tax and Non-controlling Interests	<b>159,414</b>	69,186	74,832	76,249
Shareholders' Equity (excluding non-controlling interests)	<b>1,635,834</b>	1,505,332	1,450,593	1,386,335
Earnings Per Share	<b>19.21 cents</b>	8.49 cents	9.35 cents	9.67 cents
Gross Dividend Per Share <sup>(Note a)</sup>	<b>9.50 cents</b>	4.20 cents	4.70 cents	4.80 cents
Net Assets Per Share <sup>(Note b)</sup>	<b>195.45 cents</b>	183.20 cents	179.93 cents	174.86 cents
Percentage Return on Shareholders' Equity				
Profit Before Tax	<b>11.71%</b>	5.31%	6.09%	6.56%
Profit After Tax	<b>10.23%</b>	4.69%	5.34%	5.65%
Profit After Tax and Non-controlling Interests	<b>10.15%</b>	4.68%	5.28%	5.55%

### Note

(a) 2020 dividend of 9.5 cents (2019 : dividend of 4.2 cents) is paid/payable on a one-tier tax exempt basis.

(b) Net asset value is derived after deducting 2.4 cents (2019: 2.4 cents) per share attributable to non-controlling interests.



# UOB-KAY HIAN HOLDINGS LIMITED SHARE PRICE

From 2 January 2020 to 26 February 2021



LAST CLOSE : S\$1.61  
HIGH : S\$1.61  
LOW : S\$1.08

## CHAIRMAN'S STATEMENT

### 2020 OPERATING ENVIRONMENT

2020 was an eventful year for Asian and global equities.

Sino-US trade war concerns took a backseat as almost all countries saw their economies battered by the destructive fallout of the Covid-19 pandemic. Initially, equity and bond markets across the world crashed, wiping out trillions of dollars in market capitalisation. The extreme volatility continued for several weeks as central banks moved in unison to inject liquidity into financial systems. This massive and concerted infusion of liquidity by central banks into global financial systems triggered what is now seen as a remarkable and powerful recovery in global equity and bond markets which ran from late-March to December 2020.

Our major regional business operations benefitted significantly from the massive uplift in retail and institutional trading volumes in the domestic, US and other global markets in sharp contrast to the negative GDP growth in almost all countries.

The global travel and hospitality industries were crushed by border closures and international trade was adversely affected by supply chain disruptions.

Singapore's economy was severely impacted and shrank by an estimated 5.8% in 2020.

To some extent, Hong Kong was able to rely on China as its hinterland benefitted from China's estimated 2.3% GDP growth for full-year 2020. Its equity market was buoyed by fund inflows from China stemming from a number of significant dual listings of Chinese companies with primary listings in the US.

Malaysia's 2020 GDP contracted by an estimated 5.5%, affected by stringent Movement Control Order lockdowns as it grappled to control the community spread of Covid-19. To counter the effect of such lockdowns, Bank Negara Malaysia adopted an aggressive easy monetary policy by reducing overnight interest rates to 1.75% p.a. from 3.00% p.a. previously.

Tourism-dependent Thailand saw 2020 GDP contract by an estimated 6.6%. Taking a cue from other central banks, Thailand also eased monetary policies aggressively to cushion the impact of Covid-19 on the economy.

Indonesia's 2020 GDP contracted the least among its Asean neighbours, falling by only an estimated 1.5%

### 2020 OPERATING PERFORMANCE

Commission income grew significantly across all our regional operations, with the exception of Indonesia which saw a small revenue decrease.

Our group's 2020 operating revenue grew by 57.6% to S\$587.6m (2019: S\$372.7m) while profit after tax grew by 132% to S\$160.7m (2019: S\$69.3m), reflecting our efficient operating leverage.

We are pleased with our regional business efforts. We continue to make good progress in our Hong Kong, Malaysia and Indonesia corporate advisory and structured finance businesses.

The DBS remiser business in Singapore acquired in 4Q2019 and the Malaysian wealth management business acquisition completed in 2Q2020 have been successfully integrated into our group and are contributing to our profitability.

We shall continue to explore sensible M&A opportunities to complement and build on value-added financial services.

### DIVIDEND

We are maintaining our policy of paying out 50% of distributable profits in dividends. Our Board of Directors has recommended a first and final tax exempt (one-tier) dividend of 9.5 cents per share (2019: 4.2 cents per share).

As in the previous year, our shareholders can opt to receive their dividends in cash or in shares.

### CURRENT YEAR PROSPECTS

As the global vaccine rollout gathers pace, we expect global economies to recover to pre-Covid-19 levels reasonably quickly.

We also expect the strong trading momentum seen in 2020 to continue into 2021, driven by continued government-led stimulus in many major economies, Covid-19 recovery news and strengthening GDP growth numbers. However, we may see market volatility trend up in 2021 on expectations of rising interest rates and inflationary pressures. Under such conditions, we believe that our deep primary research focus will differentiate us from "low-touch" self-directed service providers.

We therefore remain positive on our business prospects in 2021.

## CHAIRMAN'S STATEMENT

### COMMUNITY SERVICE

In 2020, we commemorated our 50th year in the financial services industry. While celebrating this significant milestone, we also took time to reflect on those who are less fortunate in our community. As part of our 50th anniversary commemoration, we donated over S\$1,000,000 to various community projects such as ST Pocket Money Fund, charities such as Willing Hearts, and community hospitals such as Thye Hua Kwan and Ren Ci.

### APPRECIATION

Two of our long-serving Senior Executive Directors have taken retirement as part of our management renewal process.

Mr Tan Chek Teck, who had served as our Senior Executive Director-Operations, retired on 31 December 2020.

Mr Esmond Choo, Senior Executive Director & EXCO Member will relinquish his executive responsibilities with effect from 31 March 2021 and will remain on our Board as a Non-Executive Non-Independent Director until his term expires.

I wish to express my appreciation to both Mr Tan and Mr Choo for their valuable contributions to the group.

I would also like to thank our shareholders and stakeholders for their support, trust and faith in my management team and we pledge to continue to serve you to the best of our abilities.

A handwritten signature in black ink, appearing to read 'Wee Ee Chao', with a large, sweeping flourish extending from the end of the signature.

**WEE EE CHAO**

*Chairman and Managing Director*

## GREATER CHINA

### *Review of 2020*

China was the only major economy that reported positive economic growth in 2020. Real GDP growth rebounded strongly from the pandemic-induced slowdown of -6.8% yoy in 1Q20, reaching 2.3% yoy for full-year 2020.

This exceptionally strong recovery was mainly supply-side driven, with fixed asset investment (FAI) growth hitting 2.9% yoy and industrial production growth at 2.8% yoy. Domestic demand recovery lagged, reflected by the 3.9% yoy decline in retail sales. China benefitted from external demand; exports and imports growth bottomed out to reach 3.6% yoy and -1.1% yoy respectively in 2020, with a trade surplus of US\$535b.

To combat the economic slowdown, China raised the scale of the local government special purpose bond quota to Rmb3.75t in 2020. Given this and an accommodative monetary policy, bank credit grew 12.8% yoy while outstanding total social financing (TSF) was higher at 13.3% yoy, mainly led by corporate and government bond issuance growth of 20.4% yoy. This raised the overall debt level by 24ppt to 265% of GDP, based on our estimates.

Consumer price inflation slowed to 2.5% yoy in 2020 on the back of the food price spike of 10.6% yoy, as domestic demand was not strong enough to lift core CPI (0.8% yoy). Hit by the adverse weather conditions and African swine fever, pork prices further surged 49.7% from the already high level in 2019. Producer price inflation stayed negative at -1.8% yoy. That said, the raw material price decline has narrowed substantially since Nov 20, due to the global commodity price hike.

### *Outlook for 2021*

With the 14th Five-year Plan (FYP), China will focus its efforts on new infrastructure, new consumption and innovation from 2021.

Moreover, the resurgence of COVID-19 infections could elevate uncertainties on the external front. As such, we expect the lift to growth to be backloaded in 2021. Considering the low-base effect and expected broadening of domestic demand recovery, we are projecting 7.6% yoy for real GDP growth. Our end-21 renminbi forecast is Rmb6.50/US\$.

The heavy emphasis will be on new infrastructure investments which focus on AI, automation, big data, cloud computing and semiconductor. Thus FAI growth is expected to hit 7.0% yoy in 2021, but the spillover to building material demand will be lower. As employment outlook continues to improve, domestic demand recovery should kick in to provide further upside; we expect retail sales growth to reach 10.5% yoy with the benefit of a low-base effect.

Despite the growth rebound, the overall level of leverage in the economy will stay high. This comes on the back of a fiscal deficit of 5.5% of GDP (before off-balance sheet transfers), as the huge investment drive still relies on the government's lead. In addition, to support private sector financing needs, outstanding bank loans and TSF growth are still expected to reach 12% yoy and 13% yoy respectively.

Consumer price inflation should stay weak in 1Q21 due to a high-base effect and regain momentum from 2Q21 as domestic demand recovery broadens, which eventually lifts manufacturers' pricing power. We forecast 2.0% yoy rise in both the CPI and PPI; the latter will be partly driven by global commodity price hikes.

For the longer term, we expect more efforts to be placed on greater wealth transfer to households for China to develop into a consumption-driven economy. Near-term risks mainly come from the huge demand for financing. Corporate and government bonds maturing in 2021 will reach a historical high of Rmb8t in 2021. It will be tough for China to strike a balance between healthy financial conditions and sustainable economic growth. On this front, China has stepped up its efforts by limiting property loans and syndicated consumption loans. However, much remains to be done.

### *Stock Market Review for 2020*

Despite facing numerous challenges, China's equity market has turned out to be quite a star performer for 2020. The MSCI China Index rose 23.8% for the full year, with 12-month forward PE trading more than 2SD above the 10-year mean at 15.8x as of end-20.

In 2020, the energy, real estate and financial sectors recorded negative returns from -33.4% to -8.5%. The IT and healthcare sectors were the two best performers, up 70.6% and 60.0% respectively. The consumer staples sector also outperformed with over 50% return.

# ECONOMIC REVIEW & OUTLOOK 2021

## ***Stock Market Outlook for 2021***

A high level of economic uncertainty may prevail in the near term, due to the second wave of COVID-19 infections sweeping across Europe and the US. A viable vaccine will accelerate the return to pre-COVID-19 normality. However, the production level has so far remained insufficient to reach community immunity.

As for China, details of the 14th FYP will be announced and approved during the two sessions slated for Mar 21. Taking the timeline of these events into account, we believe that economic growth may broaden only from 2Q21.

With the index trading at 17.8x 12-month forward PE as of end-Jan 21, which is more than 3SD above the 10-year mean, we see the possibility of a meaningful market pullback in 1Q21. Our end-21 MSCI China Index target is at 117 ppts and possibly a high of 128 ppts during the year as the equity market rallies on vaccine availability. Preferred sectors are consumer discretionary, IT hardware and industrials.

## **INDONESIA**

### ***Review of 2020***

Indonesia's GDP is expected to have contracted by 1.5% in 2020, after shrinking 3.5% in 3Q20 and 5.3% in 2Q20. In 4Q20, we expect GDP growth to come in at -0.3%, driving the -1.5% growth in 2020. The contraction was caused by a significant decline in business activities following a series of lockdowns due to the COVID-19 pandemic. The government has allocated a total of Rp1,067.5t (nearly S\$100b) in 2020 and 2021 as stimulus to drive an economic recovery.

Inflation came in at 1.68% in Dec 20, which is an all-time low. In our view, the government should continue to manage inflation levels in Indonesia.

The rupiah averaged Rp14,581/US\$1 in 2020, depreciating by about 3% from Rp14,147/US\$1 in 2019. Indonesia's current account deficit is expected to have come in at 0.5% of GDP in 2020. Bank Indonesia continued to reduce its interest rate from 5.00% in 2019 to 3.75% in 2020.

### ***Outlook for 2021***

UOB Global Economics & Markets Research (GEMR) expects GDP growth to rebound by 4.3% in 2021 as mass vaccination will lead to an economic recovery. UOB GEMR forecasts inflation to remain low at 2.3% in 2021.

We expect Bank Indonesia to further cut the benchmark interest rate from 3.75% to 3.50% in 1Q21, and the rate should remain at 3.50% in 2021. UOB GEMR expects exchange rates to weaken slightly from Rp13,912 in 2020 to Rp14,440 in 2021.

## ***Stock Market Review for 2020***

The JCI's return declined 2.44% in rupiah terms and 3.29% in US dollar terms in 2020, underperforming the MSCI Asia Pacific ex-Japan Index's 24.6% return. The underperformance was caused by China's strong market performance as the country was able to contain the COVID-19 spread in 2020.

## ***Stock Market Outlook for 2021***

After closing at 5,979 in 2020, the JCI could reach 6,700 (a potential 12% return) in 2021, in our opinion. We expect the rupiah to weaken slightly to Rp14,400 in 2021. The Rp372.3t stimulus in 2021 and the carryover of the Rp695.2t stimulus in 2020 should further boost 2021 GDP growth to 4.3%.

The key factor that will drive the recovery in Indonesia is mass vaccination. More and more people will be vaccinated for free, which could mark the turning point for a recovery in business activities and economic growth. Nevertheless, there is a risk of strict social restrictions being imposed if there is a spike in infections.

The corporate tax reduction strategy, which was deployed to lure investments, was successfully executed during the global financial crisis. Investments grew at a 26% CAGR from 2009-13, driving employment and GDP growth.

In addition, the government has implemented structural reform by using the Omnibus Law that makes the labour law more business-friendly, giving incentives to corporates, and reducing bureaucracy and corruption.

We expect corporate earnings to recover and reach new structural highs from 2021. The higher levels of corporate earnings should be the driver for the JCI to recover in 2021 and reach new highs in late-21/22.

# ECONOMIC REVIEW & OUTLOOK 2021

## MALAYSIA

### *Review of 2020*

Malaysia's GDP growth contracted by an estimated 5.5% as the country had initially imposed a hard lockdown in response to the COVID-19 outbreak. Problems were compounded by the slow deployment of mega infrastructure projects and foreign labour supply shortage, with the country's borders being shut since March.

In response to the COVID-19 pandemic, the government announced four fiscal stimulus packages for 2020 amounting to 22% of GDP (the direct fiscal injection was 3% of GDP), and Bank Negara Malaysia slashed the overnight policy rate by 125bp to 1.75% in 2020.

On a positive note, Malaysia continued to be a beneficiary of trade diversion which benefitted selected exporters (electrical and electronics, furniture and manufacturers), and crude palm oil price staged a huge recovery to peak at a 10-year high of RM3,840/tonne.

The ringgit ended the year firmer at RM4.02/US\$ as the US dollar softened, and as the country's foreign reserves reached a two-year high of US\$107.6b as at 31 Dec 20.

### *Outlook for 2021*

2021 marks the start of the global economic reopening and planned rollout of vaccination programmes. Malaysia's GDP is expected to rebound by 5%, partly driven by an expansionary Budget 2021. However, the recovery will be uneven as Malaysia has re-imposed a tighter lockdown in January 2021 to address the sharp rise in COVID-19 infections since 4Q20.

The ringgit is expected to remain firm against the US dollar despite sustaining an elevated budget deficit (projected to be 5.4% in 2021 vs 6.0% in 2020), which prompted Fitch Ratings' downgrade on Malaysia's long-term sovereign debt from "A-" to "BBB+".

### *Stock Market Review for 2020*

2020 was an extremely volatile year, with the FBMKLCI initially plunging in 1Q20, in response to the collapse of the Pakatan Harapan government in February, crumbling oil prices following Saudi Arabia's price war with Russia in early March and the economically devastating COVID-19-induced hard lockdown in mid-March.

Nevertheless, the market staged a frenzied recovery back to bull territory, well ahead of the regional bourses, led by the manifold rise in rubber glove producer stocks. Trading volumes hit exceptionally high levels. Positive news of effective vaccines towards the year-end further boosted the FBMKLCI to positive territory.

However, foreign investors were steadfast net sellers of Malaysia equities (RM24.6b outflow) throughout the year.

### *Stock Market Outlook for 2021*

The FBMKLCI is expected to deliver modest positive gains in 2021, amid an ultra-low interest rate environment and in anticipation of the country's mass vaccination programme commencing in 2H21.

We foresee a broad-based market recovery as the market prices in a globally sustained economic reopening and the eventual reopening of borders.

## SINGAPORE

### *Review of 2020*

With COVID-19 hitting the economy hard, Singapore's GDP fell 5.8% yoy in 2020 (advance estimates). Despite an initial stumble in containing the COVID-19 spread in the foreign workers' dormitories, the Singapore government has done an admirable job since, by pumping in nearly S\$100b into the economy to sustain wages and jobs.

Singapore's GDP contracted by 3.8% yoy in 4Q20, an improvement from the 5.6% contraction in 3Q20 and a sign that the economy is stabilising, in our view.

The good news in 4Q20 came from the manufacturing sector which rose 9.5% yoy, clocking its second straight gain (3Q20: +10.8% yoy). The increase was led by output expansions in the electronics, biomedical manufacturing and precision engineering clusters, which outweighed the contractions seen in transport engineering and general manufacturing clusters. In addition, the Purchasing Managers' Index data for Jan 21 rose to 50.7 (+0.2 from the Dec 20 reading) and it is the seventh straight month of expansion for Singapore's overall manufacturing sector.



# ECONOMIC REVIEW & OUTLOOK 2021

## ***Outlook for 2021***

UOB Global Economics & Markets Research (UOB GEMR) forecasts that Singapore's 2021 GDP growth will expand by 5.0% yoy as the economy recovers from the COVID-19 pandemic. In its view, this growth will be underpinned by an increase in economic activity as the COVID-19 containment takes hold and distribution of vaccines becomes more widespread. With wage subsidies and job retention schemes proving effective in 2020, it remains to be seen whether an extension of such policy stimulus is needed in 2021. Singapore's trade outlook and economic recovery remain reliant on COVID-19 containment regionally and globally, without which economic activity cannot establish a firm foothold.

Overall, the 2021 global backdrop appears favourable for Singapore. This includes the signing of the Regional Comprehensive Economic Partnership, from which Singapore will likely see significant benefits, while US President Joe Biden may take on a more constructive and multilateral approach in trade with other countries. Singapore's position in producing and supplying biomedical products and supplies – key industries during this COVID-19 pandemic – will continue to lift overall manufacturing activities into 2021, in our view.

In terms of interest rates, UOB GEMR does not believe that there is an immediate risk of monetary policy tightening, given that the existing forward curve only implies that the first Fed rate hike will occur in three years' time. Thus the forecast for the three-month Singapore Interbank Offered Rate is for it to remain flat at 0.35% for the duration of 2021.

## ***Stock Market Review for 2020***

Like 2019, the STI experienced very differing fortunes in 1Q20 compared with the rest of the year, given that the index plunged 31% over Jan-Mar 20 as the COVID-19 pandemic ravaged the economy. However, from the trough in late-Mar 20, the STI rallied over 27% to end the year down only 12.6%. Compared to other indices in the region, the STI was the second worst performer in the post-COVID-19 recovery phase.

In terms of sectors, the outperformers in 2020 were narrowly focused to REITs, healthcare and consumer as Singapore's economy started on its path towards recovery. For investors that were prescient, Mar 20 proved to be a key turning point with 20 stocks rising by 50% or more by year-end, with beaten-down sectors such as hospitality and aviation doing well.

## ***Stock Market Outlook for 2021***

For 2021, we forecast a year-end target for the FSSTI of 3,180 based on average 10-year PE and P/B valuations. In our view, the market may potentially exceed this target during the year, if there is a stronger-than-expected economic recovery. Based on consensus forecasts, the STI is expecting EPS growth of 12.5% yoy for 2021.

We highlight that two key sectors, property developers and shipyards, are driving this yoy earnings growth in 2021, and importantly, are coming off 2020 lows in which both sectors are expected to see significant earnings declines, in addition to material asset impairments.

With the interest-rate cycle expected to remain close to zero, inflation likely to remain low and a resumption of economic growth, we believe that investors should overweight sectors such as the financials, blue chips, healthcare, plantations, select retail and hospitality trusts, as well as technology.

## **THAILAND**

### ***Review of 2020***

Thailand's 2020 GDP contracted 6.1% vs the 2.4% growth in 2019, mainly due to the COVID-19 pandemic which caused a sharp decline in international tourist arrivals. Given that tourism is a key driver of Thailand's economic growth, the impact of the sudden disappearance of tourism receipts spilled over to many sectors. It directly impacted sectors including hotels, restaurants and aviation, and indirectly impacted sectors such as banking, property and department stores, among others.

Although economic growth tilted to the downside, 2020 GDP contraction was less than previously expected. This came as governments worldwide implemented fiscal measures to alleviate the economic impact of the COVID-19 pandemic. The major central banks also continued with accommodative monetary policies, including quantitative easing and low policy rates.

### ***Outlook for 2021***

The office of the National Economic and Social Development Council (NESDB) forecasts that Thailand's GDP growth will increase by 3.0% yoy as the economy recovers from the COVID-19 pandemic. To support the recovery, the government has launched sizeable stimulus packages for businesses and the tourism industry, which contributes to a significant proportion of Thailand's economy. The government stands ready to implement additional measures if necessary.

## ECONOMIC REVIEW & OUTLOOK 2021

Meanwhile, we see that GDP growth still has downside risk as the recovery would remain highly uncertain and vulnerable amid the slow economic recovery. The new waves of domestic COVID-19 infections may drag down private consumption via extensive containment measures while delaying the reopening of the country to foreign tourists.

Even though the recovery might be delayed due to the factors mentioned above, Thailand has made impressive progress on the purchase of vaccines. The government recently secured a supply of vaccines and also plans to purchase additional vaccines to cover at least 50% of the total population by 2021, which means that the economy is on its recovery path.

We expect the Bank of Thailand (BOT) to maintain its policy throughout 2021. To cope with the strengthening of the baht, the BOT has decided to relax capital outflow, rather than cut the rate. Moreover, the BOT also has plans to intensify scrutiny of fund inflows into the local bond market. This might be a windfall for Thailand's stock market as foreign investors may use equity as a proxy for baht speculation over the usual bond market.

### ***Stock Market Review for 2020***

The SET Index experienced a roller coaster ride in 2020. It started with a 28.74% plunge in the first quarter due to the impact from the COVID-19 pandemic, then rallied 28.73% for the next 9 months and ended the year with an 8.26% decline.

In terms of performance, the sector outperformers were electronics (379.1%), agriculture (61.5%), packaging (44.0%), paper & printing (19.0%) and steel (19.0%), which are mostly small-cap stocks that benefit from global demand. The worst performers were sectors that fundamentally deteriorated amid the pandemic. They include REITs (-26.5%), banking (-24.0%), tourism (-19.0%), media (-18.5%) and transportation (-18.4%).

Foreign investors heavily sold Thailand stocks before becoming net buyers for the last three months of 2020. They were net sellers of equities worth US\$8.29b, which rose more than five times from US\$1.49b in 2019.

### ***Stock Market Outlook for 2021***

We are optimistic about the stock market for 2021, due to: a) the global economic recovery gaining momentum, b) corporate earnings being on an upgrading cycle, c) economic activities normalising after vaccinations, and d) supportive global financial conditions.

Our 2021 target for the SET Index is 1,630, derived from 21.3x forward PE (+1SD of 5 years) and EPS at Bt76.5. We are using a higher-than-average PE as earnings recover on an upgrading cycle.

Our investment themes are focused on: a) beneficiaries of the global economic growth recovery, such as energy and petrochemical stocks; b) recovery of international trade demand, which is positive for exporters such as the food industry; c) manufacturers moving out of China, which benefits the industrial estate sector; and d) reopening of the country, which will allow foreign visitors to enter Thailand. We favour healthcare over hotels as the former is net cash while the latter is burdened with huge debts.



# CORPORATE GOVERNANCE REPORT

*This report describes UOB-Kay Hian Holdings Limited's corporate governance practices which are in essence in line with the principles and provisions of the Code of Corporate Governance 2018 (the Code). The Company is committed to maintaining a high standard of corporate governance, transparency and disclosure of material information.*

The Board of directors is responsible for the corporate governance of the Company and its subsidiaries. The directors of the Company have a duty to act honestly, transparently, diligently, independently and in the best interests of all shareholders, in order to enhance shareholders' interests. The major processes by which the directors meet their duties are described in this report.

	Principles & Provisions
<b>Board Of Directors</b>	
In 2020, the Board comprised 7 directors of which 2 were executive, 1 was non-executive non-independent and 4 were independent directors, with the majority of the Board being independent. On 1 April 2021, Mr. Esmond Choo Liong Gee was redesignated from Senior executive director to non-executive non-independent director. Consequently, the Board comprises 1 executive director, 2 non-executive non-independent directors and 4 independent directors. The majority of the Board remains independent.	2.2, 2.3
On an ongoing basis, the Board examines its size and, with a view to determining the impact of the number upon effectiveness, decides on what it considers an appropriate size for the Board to facilitate effective decision making taking into account the scope and nature of the Group's operations.	2.4
Our chairman and managing director, Mr. Wee Ee Chao, is a highly regarded veteran in the stockbroking industry and has extensive experience managing this business. The Board considers that his dual role contributes significantly to the objective of managing the Company in a most effective and efficient manner, particularly given the size and nature of our business. Nevertheless, the overall structure and composition of our Board ensures that corporate governance aspects and shareholders' interests are fully addressed. In addition, the Audit, Remuneration and Nominating Committees are chaired by independent directors.	3.1

## Independent/Non-Executive Directors

We have 4 independent directors, namely Mr. Tang Wee Loke, Mr. Kuah Boon Wee, Mr. Andrew Suckling and Mr. David Yeow. 2.1

Mr. Tang is the chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. Mr. Kuah is the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Suckling is the chairman of the Remuneration Committee and a member of the Nominating Committee. Mr. Yeow is a member of the Audit Committee. Mr. Chng Seng Hong, Ronny is a non-executive non-independent director and a member of the Audit Committee. Mr. Esmond Choo Liong Gee was redesignated from Senior executive director to non-executive non-independent director on 1 April 2021 and remains a member of the Nominating Committee.

For more information on the directors, please refer to the "Profile of Directors & Key Management Personnel" on pages 35 to 37.

The roles of our independent and non-executive directors are to review and provide input on:

- the business strategy and overall performance of the Board and key management to ensure that they are consistent with the objectives of the shareholders; and
- our overall corporate governance processes to ensure that the interests of the shareholders are adequately protected.

Each independent director is required to provide an annual confirmation of his independence based on the conditions and criteria set out in the Code/listing rules and the independence of the independent directors has been thoroughly assessed and reviewed by the Nominating Committee and the Board. The Board is satisfied that the independent directors are considered independent as each of them has met all the conditions and criteria of independence under the Code and the listing rules. The independent directors also do not have any cross directorships with any of the Group companies. In addition, they do not receive any incentive compensation other than the fixed fees which are approved by shareholders at Annual General Meetings (AGM). The Board is assured that each of them is independent in conduct, character and judgement, objective and fully committed to their role as independent director and that they would continue to exercise independent and valuable judgment.

The Code of Corporate Governance 2012 states that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. Both the Board and the Nominating Committee are of the view, in determining the independence of a director, that the length of service of a director should be considered together with the director's professional experience, his contribution and the integrity of his character.

One of our independent directors, Mr. Tang Wee Loke, has an overall tenure which spans more than nine years since his first appointment as a director. Mr. Tang has long been recognised as an industry stalwart having started his career in the industry in 1973 and he has been both the Chairman of the Stockbrokers Association of Singapore and a Board member of the Stock Exchange of Singapore. As such, his deep knowledge of our business and financial sector experience enables him to provide the Board and the various Board committees on which he serves with both valuable guidance and substantive objective viewpoints.

The Board, in concurrence with the Nominating Committee, has separately reviewed the factors which would impact Mr. Tang's independence (in addition to the regular reviews on the performance and independence of all our independent directors) and is of the firm view that Mr. Tang remains independent. In particular, it was noted that Mr. Tang's significant reputation and seniority in the stockbroking industry is matched by the integrity of his character and the independence of his views.

Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (the Listing Manual), which will be effective 1 January 2022, a director will not be independent if, inter alia, he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by shareholders ("two-tier shareholders' vote"). Accordingly, Mr. Tang, who will be retiring and offering himself for re-election at the coming annual general meeting, will seek shareholders' approval for his continued appointment as an independent director under the two-tier shareholders' vote.

The independent directors meet and interact regularly without the presence of the other directors and management and provide feedback to the chairman after such meetings. 2.5

Though our chairman and managing director are the same person, we have not appointed a lead independent director as our chairman and managing director is complemented by a strong independent board that is able to engage the chairman and managing director on substantive business issues and corporate governance matters. 3.3

### Chairman's Roles

The chairman's roles includes:

- leading the Board to ensure its effectiveness on all aspects of its role;
- ensuring effective communication with shareholders;
- encouraging constructive relations within the Board and between the Board and management;
- facilitating the effective contribution of independent/non-executive directors in particular; and
- promoting high standards of corporate governance.

The chairman ensures that Board meetings are held when necessary and sets the Board meeting agenda. The Board members are also provided with adequate and timely information for their review and consideration.

To facilitate effective management, certain functions are delegated by the Board to Board Committees, each with its own terms of reference. The Board is assisted by Audit, Remuneration and Nominating Committees. 1.4

The Board comprises directors who as a group provide core competencies such as business, legal, finance, management and strategic planning experience and industry knowledge. 2.4

The Board has not formally adopted a diversity policy although the Board does keep in mind relevant principles as they evolve and emerge.

The following is a summary of directors' attendance at meetings of Board and various Board Committees in the financial year 2020: 1.5, 11.3

Board members	Board	Audit Committee	Remuneration Committee	Nominating Committee	Annual General Meeting
Meetings held	2	4	1	1	1
Meetings attended					
Mr. Wee Ee Chao	2	N.A.	N.A.	N.A.	1
Mr. Esmond Choo Liong Gee	2	4*	N.A.	1	1
Mr. Tang Wee Loke	2	4	1	1	1
Mr. Kuah Boon Wee	2	4	1	N.A.	1
Mr. Andrew Suckling	2	N.A.	1	1	1
Mr. Chng Seng Hong, Ronny	2	4	N.A.	N.A.	1
Mr. David Yeow	2	4	N.A.	N.A.	1

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

Key information on the directors and their appointments on the various Board Committees and on key management personnel of the Group is given under the section "Profile of Directors & Key Management Personnel" on pages 35 to 37.

Fulfilling the responsibilities and duties of a director requires an individual's time and attention. Competing time commitments may be faced when a director holds multiple Board appointments which may interfere with his performance as a director. Directors are expected to ensure effective commitment and spend sufficient time carrying out their responsibilities. To ensure that directors have sufficient time and attention to devote to the Board, the Company has capped the directors' directorships in other listed companies to 5. 1.5, 4.5

The Board does not encourage the appointment of alternate directors and has not encountered any situation which requires such consideration.

#### Board Roles

The Board oversees the overall strategy, provides entrepreneurial leadership, sets strategic objectives, establishes a framework of prudent and effective controls, supervises the management, reviews management performance and reviews the affairs and financial position of the Company and the Group. Matters which are specifically reserved for the Board's decision include: 1.1, 1.2, 1.3

- semi-annual and annual results announcements;
- financial statements;
- declaration of interim dividends and proposal of final dividends;

## CORPORATE GOVERNANCE REPORT *continued*

- convening of shareholders' meetings;
- interested person transactions; and
- major transactions such as material acquisition and disposal of assets, significant investments and funding & corporate guarantees.

The Board in its governance role fulfils the long term economic, moral, legal and social obligations towards their stakeholders and shareholders to create long term success and sustainability. Key stakeholders are shareholders, customers, employees, regulators and the community.

The Board through its various sub-committees which are in turn governed by their respective terms of reference ensures compliance with legislative and regulatory requirements.

To assist the Board in the discharge of its duties, management provides the Board with periodic accounts of the Company and the Group's performance, position and prospects. Directors receive Board papers in advance of Board and Board Committee meetings and have separate and independent access to the Company's senior management and the Company Secretary. There is a procedure where any director may, in the execution of his duties, seek independent professional advice. However, during the year no professional advice was sought. 1.6, 1.7

To familiarise newly appointed directors with the Group's business and corporate governance practices, directors are provided with relevant materials of the Group's business which explain activities and how the Group's business is managed. 1.2

Upon appointment, each director is given a letter of appointment and is informed of his duties and obligations.

All directors are regularly updated with changes in the relevant laws and regulations to assist them in discharging their duties and responsibilities. Directors have opportunities for continuing education in various areas and are kept informed of relevant training courses or talks organised both internally or by external authorities or organisations.

### Company Secretary's Roles

The key roles of the Company Secretary are to:

- be primarily responsible for administrative and reporting functions mandated by law;
- ensure Board procedures are followed;
- ensure effective communication between the Board, Board Committees, management and shareholders;
- advise the Board on governance matters; and
- attend all Board and Board Committee meetings.

The appointment and removal of the Company Secretary must be approved by the Board. 1.7

### **Audit Committee (AC)**

The AC comprises 4 members, namely Mr. Kuah Boon Wee (chairman), Mr. Tang Wee Loke, Mr. Chng Seng Hong, Ronny and Mr. David Yeow. Mr. Kuah, Mr. Tang and Mr. Yeow are independent directors and Mr. Chng is a non-executive non-independent director. All 4 members have related financial management expertise or experience. 10.2

The AC met a total of 4 times during the year. A Senior executive director, the heads of internal audit, compliance, finance and the external auditors normally attend the meetings. 10.5

The key terms of reference of the AC are:

- to review the adequacy and effectiveness of the internal control and risk management systems; 10.1
- to review the audit plans and findings of the internal and external auditors;
- to review all announcements of financial results; and
- to review interested person transactions.

The AC:

- has full access to and co-operation from management as well as full discretion to invite any director (executive or non-executive) to attend its meetings;
- has been given reasonable resources to enable it to complete its functions properly; and
- has reviewed findings and evaluations of the system of internal controls with the internal and external auditors.

The AC, having reviewed the non-audit services provided by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. A sum of S\$113,438 was paid to the external auditors for non-audit services versus S\$670,050 for audit fees rendered during the year. The AC annually reviews the independence of the external auditors. 10.1

The Company has complied with rules 712, 715 and 716 of the Listing Manual on the appointment of auditors.

The AC has established a whistle-blowing policy where staff may in confidence raise concerns about possible improprieties in matters of financial reporting, fraud or other matters. The AC is empowered to conduct or authorise investigations into any activity within its terms of reference and obtain independent advice where it deems necessary. 10.1

The external auditors during their semi-annual meetings with the AC will update the members of the relevant changes to the accounting standards.

None of the members of the AC were at anytime a partner/director of the Company's existing audit firm. 10.3

### **Internal Control And Risk Management**

The Board reviews on a regular basis the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Based on the work carried out by the internal auditor, the review undertaken by the external auditors as part of their statutory audit and certain agreed upon procedures, and the existing management controls in place, the AC and the Board are of the opinion that there are adequate and effective internal controls and a risk management system in place to address risks relating to financial, operational, compliance, information technology controls and risk management systems matters. 9.1, 9.2

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss, errors, poor judgement, fraud and other irregularities and other unforeseen events.

## CORPORATE GOVERNANCE REPORT *continued*

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

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

The Board and AC have also received and reviewed the assurance from the managing director, the finance director, the internal audit manager and other key management personnel who are responsible, that the financial records have been properly maintained, the financial statements give a true and fair view of the Company's operations and finances and that effective risk management and internal control systems have been put in place. To manage the operations, financial and compliance risks, the Company has in place the following structures involving senior management:

- management oversight and control;
- risk recognition and assessment;
- control framework and segregation of duties;
- monitoring, communication and rectification; and
- audit and review.

### Internal Audit

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

The internal auditor's line of functional reporting is to the AC. Administratively, the internal auditor reports to the chairman and managing director of the Company. 10.4

The AC is satisfied that the internal audit function is independent and adequately resourced to carry out its duties effectively and has appropriate standing within the Company. The internal audit department is staffed by suitably qualified and experienced persons. 10.4

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

### Remuneration Committee (RC)

The RC has 3 members, comprising independent directors, namely Mr. Andrew Suckling (chairman), Mr. Kuah Boon Wee and Mr. Tang Wee Loke. The RC has access to external consultants for expert advice on executive compensation, if necessary. No external consultant was deemed necessary to be engaged. 6.2, 6.4

The RC reviews all aspects of directors' and key management's remuneration. The key terms of reference of the RC are: 6.1

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

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate directors and key management personnel. 7.1

The RC reviews the remuneration packages of the Company's executive directors and key management personnel, which are based on the performance of the Group and the individual, market conditions and remuneration levels within the industry.

There are no onerous termination clauses in the directors' and key management personnel's contracts of service.

When reviewing the structure of directors' fees, the RC considers their respective roles and responsibilities on the Board and in the Board Committees. All directors' fees are subject to the approval of the shareholders at the AGM. 7.2

The nature of our industry and its considerable dependence on market conditions requires the Board and management to have a remuneration structure which is flexible and addresses short term profitability as well as long term objectives. Focus on long term objectives is ensured through long term retention of key management and staff, and consistent business strategy. As such, we do not see the need for long term incentive plans, which may create inflexibility and impact short term profitability. 8.3

Contractual provisions for reclaiming incentives do not appear relevant and we will consider such policy when the need arises.

#### Disclosure on Directors' Remuneration

The remuneration of the directors of the Company for the financial year ended 31 December 2020 is as follows: 8.1, 8.2

Directors	Total Remuneration (S\$'000)	Fees (%)	Fixed Salary (%)	Variable Income (%)	Total (%)
Wee Ee Chao	6,385	–	7.60	92.40	100
Esmond Choo Liong Gee	2,390	–	16.33	83.67	100
Tang Wee Loke	58	100	–	–	100
Kuah Boon Wee	69	100	–	–	100
Andrew Suckling	48	100	–	–	100
Chng Seng Hong, Ronny	45	100	–	–	100
David Yeow	45	100	–	–	100

There are no benefits in kind, stock options, share-based incentives or other long-term incentives.



The Company does not disclose the remuneration of the top five key management personnel (who are not directors) within bands of S\$250,000 each, the breakdown of each individual's remuneration and the aggregate total remuneration, as it believes that such disclosure is disadvantageous to its business interests, given the highly competitive human resource environment and for purposes of maintaining confidentiality of staff remuneration matters. Non disclosure does not compromise the ability of the Company to meet the code on good corporate governance as the RC, which comprises solely independent directors, reviews the remuneration package of such key management personnel who are remunerated based on the performance of the Group to ensure that they are fairly remunerated.

The Company and its subsidiaries do not have any employee who is a substantial shareholder of the Company, or is an immediate family member of a director, the managing director or a substantial shareholder of the Company. 8.2

The Company does not have any employee share scheme. Employees may invest in our listed shares and benefit from our Scrip Dividend Scheme.

## **Nominating Committee (NC)**

In 2020, the NC had 3 members comprising 2 independent directors, namely Mr. Tang Wee Loke (chairman) and Mr. Andrew Suckling, and Senior executive director, Mr. Esmond Choo Liong Gee. On 1 April 2021, Mr. Choo was redesignated from Senior executive director to non-executive non-independent director. 4.2

The key terms of reference of the NC are:

- to review and make recommendations to the Board on all board appointments and re-appointments and to consider the skills and experience required to ensure the Board has the appropriate balance of independent directors with the right expertise, skills, attributes and ability. New directors may be appointed by a Board resolution following which they are subject to re-elections by the shareholders at the next AGM; 4.1, 4.3, 4.4
- to oversee the composition and balance of the Board and to ensure that they meet the requirements under the Code;
- to ascertain that the independent directors meet the conditions and criteria set out in the Code and the Listing Manual;
- to assess the effectiveness of the Board as a whole and its Board Committees and the contribution by the chairman and each director to the effectiveness of the Board; and
- to review training and professional development programmes for the Board.

The NC, when making recommendations for new appointments to the Board, will consider the nominee's track record, experience, financial literacy, core competencies and ability to commit time and effort to carry out his or her duties and responsibilities effectively.

The NC is also tasked with developing, maintaining and reviewing relevant and appropriate recruitment, development and succession planning processes. The Board recognises that Board and key management personnel renewal is a continuing process and therefore periodically reviews the compositions of the Board and key management personnel to ensure that there are adequate succession plans in place, with the objective of maintaining strong leadership for long-term sustainability of the business.



There is a process for the NC to evaluate the performance of the Board and the Board Committees. Objective performance criteria used to assess the performance of the Board include: 5.1, 5.2

- comparison with industry peers;
- return on assets; and
- return on equity.

The Board reviews the NC processes for assessing the effectiveness of the Board and the various Board Committees. No external facilitator has been engaged.

On an annual basis, the directors will perform a self-evaluation by completing a director self-evaluation form which would be reviewed by the NC. Where necessary, the chairman will act on the results of the performance evaluation. When new directors need to be appointed or existing directors retired, the chairman will inform and consult the NC. The minutes of the various Board Committee meetings are forwarded to the Board for their review.

### **Communication With Shareholders**

The Board regards the AGM as an opportunity to communicate directly with shareholders and to encourage participative dialogue. The members of the Board will attend the AGM and are available to answer questions from the shareholders. External auditors are also present to assist directors in addressing relevant queries by the shareholders. 11.1, 11.3

Separate resolutions are proposed for each issue at the AGM. Minutes of general meetings includes substantive and relevant comments or queries from shareholders relating to the agenda of the meetings and responses from the Board and management. The Company will post minutes of general meetings via SGXNET and on the Company's website as soon as practicable and within one month after the general meetings. 11.2, 11.5

The Company treats all its shareholders fairly and equitably, and protects and facilitates the exercise of shareholders' rights.

The Company will continue to conduct voting by poll at the coming AGM for greater transparency in the voting process. Votes cast will be tallied and announced to shareholders at the meeting and the detailed polling results released via SGXNET after the meeting.

To maintain transparency, the Company makes timely disclosures to the public via SGXNET and postings on the Company's website. Information on the Company's corporate financials and stock is available in the investor relations section of the Company's website. Where there is inadvertent disclosure made to a select group, the Company would make the same disclosure publicly to all others as promptly as possible.

The Annual Report 2020. Addendum to Shareholders in relation to the renewal of the Share Buyback Mandate, Notice of AGM and Proxy Form are posted on the Company's website at [www.uobkayhian.com](http://www.uobkayhian.com) and released via SGXNET.

In addition, shareholders and investors are able to contact the Company with questions or access information on the Company through the Company's website at [www.uobkayhian.com](http://www.uobkayhian.com). 12.1, 13.3

### **AGM 2021**

In view of the COVID-19 pandemic, the Company's AGM 2021 will be held via electronic means. As shareholders will not be able to attend the AGM in person, they may observe the proceedings of the AGM by live audio-visual webcast or live audio-only stream. Shareholders may appoint the chairman of the AGM as proxy to vote on their behalf at the AGM. Questions relating to the business of the meeting are to be submitted by shareholders in advance. Please refer to the Notice of the AGM dated 9 April 2021 for more information.

## Engagement with Stakeholders

Other than our shareholders, our key stakeholders are our clients, regulators and employees. The Board recognises the need to balance the needs and interests of key stakeholders with those of the Company. We have established channels of communication for clients to provide feedback to management on various client related issues and for employees to communicate with the management on important developments within the Company. There is regular engagement with regulators to keep abreast of and to provide feedback on regulatory developments.

13.2

For more information, please refer to page 26 of the Sustainability Report.

## **Dealings In Securities**

The Group has adopted an internal code of best practices on securities transactions to provide guidance to its directors and officers in relation to dealings in the Company's securities. A system of reporting of securities dealings to the Company Secretary by directors has been established to effectively monitor the dealings of these parties in the securities of the Company. In addition, a circular is issued before the start of each moratorium period to remind officers to refrain from dealing in the Company's securities prior to the release of the Group's financial results. The officers of the Company are also discouraged from dealing in the Company's securities on a short-term basis.

With the adoption of semi-annual reporting from FY2020 and in accordance with rule 1207 of the Listing Manual, the Company and its officers should not deal in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial statements.

## **Interested Person Transactions**

The Company has established internal procedures to ensure that interested person transactions are undertaken on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and policies, and are not prejudicial to the interests of the Company and its minority shareholders and on terms which are generally no more favourable to the interested persons as defined in Chapter 9 of the Listing Manual, than those extended to or received from unrelated third parties.

Particulars of interested person transactions required to be disclosed under rule 907 of the Listing Manual are as follows:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions in FY2020 (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to rule 920)	Aggregate value of all interested person transactions conducted in FY2020 under shareholders' mandate pursuant to rule 920 (excluding transactions less than S\$100,000)
Peak Properties Pte Ltd	Company in which the chairman and managing director has an interest of 30% or more	S\$535,536 <sup>(1)</sup>	Not applicable
PT UOB Property	Subsidiary of the Company's controlling shareholder, United Overseas Bank Limited	S\$257,262 <sup>(2)</sup>	Not applicable

(1) Receipt of rent for lease of 7,438 square feet of office space at 8 Anthony Road #01-02 Singapore.

(2) Payment of rent for lease of 13,983 square feet of office space in Jakarta.

**Material Contracts**

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

# SUSTAINABILITY REPORT

## STATEMENT OF THE BOARD

The Board recognises that sustainability is a key component of the UOB Kay Hian Group's long term business strategy. The Board is responsible and committed to building a sustainable business in the interests of its stakeholders.

## SUSTAINABILITY GOVERNANCE

In today's investment climate, non tangible financial factors are becoming increasingly important to our stakeholders.

Stakeholders are beginning to look beyond economic and operational factors in evaluating management and corporate accountability. This Sustainability Report is based on economic, environmental, social and governance issues that are material to the UOB Kay Hian Group of companies. Reports on our economic and operational matters are set out in pages 45 to 117 of our annual report.

## SCOPE OF REPORT AND PERIOD OF REPORTING

This report focuses on the sustainability practices and strategy of the UOB Kay Hian Group of companies. It seeks to meet the interest of our stakeholders in the non-financial information of the Group and demonstrates our effort to report to our shareholders and other stakeholders the steps we are taking to achieve a more sustainable business model and contribute to a more sustainable environment.

## FRAMEWORK

This report is prepared in accordance with the Global Reporting Initiative Standard: Core Option (GRI) and is also in alignment with SGX Sustainability guidelines. The GRI standard is chosen as it is a universally accepted standard for reporting.

## ENGAGEMENT OF KEY STAKEHOLDERS

Key Stakeholders	Form of Engagement	Key Topics
Clients	Seminars, workshops, sales engagement, customer service hotline	Capital markets, corporate news, investment strategy and tools
Regulators	Dialogue and face to face/virtual meetings	Regulations, cyber security, corporate governance
Employees	Face to face/virtual meetings and discussions, electronic communication, corporate events	Performance, work efficiency, product related
Shareholders	Announcements, semi-annual reporting, annual reports, general meetings, corporate website	Performance, corporate governance

## Trusted Financial Partner

As a provider of regulated financial services, we position ourselves as a trusted financial partner of our clients. To achieve this, we have identified the following key Environmental, Social and Governance (ESG) factors necessary for the continuing success of our business:

## MATERIAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS

### (a) Critical factors

#### (i) Clients

Our client base comprises financial institutions, fund management companies, corporations, high net worth and mass market retail clients. Each group of clients will have their own investment and trading strategies and will require different types of services and levels of engagement from us. As a trusted financial partner and responsible broker, we see ourselves having an important role sharing our knowledge and helping to develop the capital markets in the region. Over the years, the ease of access to information and technology have enabled our clients to rely less on trading representatives to make informed self directed investments. We are committed to educating the investment community and providing a robust platform and relevant investment/trading tools to help investors make better investment/trading decisions.

To achieve this, we have:

##### Trading tools

Regular seminars and workshops on trading tools, corporate and market updates on the major regional and global markets are conducted during the evening and weekends.

##### Education

Work with SGX in their various education programs for investors.

##### Presentations

Offer presentations by fund houses and listed companies while taking into consideration the diversified interests of our clients, ranging from those who are looking for more stable but better yield instruments to those who have the appetite for riskier technology stocks with potentially better capital gains.

##### Technology and Research

Invest heavily in technology and research to enable our increasingly tech savvy clients make better investment decisions.

##### Feedback

Engage our clients actively and solicit feedback on their various investment needs.

#### (ii) Integrity and Fair Dealing

We strive to develop a corporate culture which will give our clients the confidence that they are dealing with a financial institution where fair dealing is central to the corporate ethos. The confidence clients place in us and their trust in our ability to help them manage and safe-keep their assets is a core ingredient to the success of our business. To achieve this, we:

- (a) Inculcate a corporate culture where our trading representatives and staff apply the highest professional and ethical standards in dealing with our clients. Checks are in place to ensure there is no conflict of interest in handling of client orders;
- (b) Conduct reviews to ensure that our staff and trading representatives satisfy the 'fit and proper' criteria for the role they are engaged in;
- (c) Have procedures in place to ensure that investment products are screened by our product committee and proper client assessments are conducted where necessary;
- (d) Procedures are in place to ensure that there is no conflict of interest in the handling of market sensitive information;
- (e) We have an independent department to handle client complaints. We believe in instilling a culture of doing what is right and fair to the clients in the handling of complaints. Complaints are escalated to senior management; and
- (f) Client feedback and complaints are reviewed by management on a regular basis to enable the Company to improve its service level.

### (iii) Human Capital

Our staff and trading representatives are our key assets. The UOB Kay Hian Group believes in an all inclusive work environment and we have a multi-cultural and multi-generational workforce. As a regional broker with footprints in the major regional markets, we recognise that we deal with clients and colleagues from diverse cultural backgrounds. In our dealing with our overseas clients and colleagues we are mindful of the need to be sensitive to the cultural diversity of the clientele of the different countries. We believe it is important that where possible, local talent across all levels are hired in our overseas offices.

We recognise the importance of having an appropriate human capital strategy in a very competitive environment to make sure that we are able to recruit and retain the right talent. We believe in nurturing our talent, managing employee performance, cultivating leadership skills and planning for succession.

We have in place a holistic and sustainable package to attract and incentivise the right talent. We recognise the need to help our colleagues build a meaningful career and provide a physically and professionally conducive environment to help our colleagues achieve their professional goals.

To achieve this:

- (a) We conduct regular reviews to ensure that our remuneration package is in line with the industry and commensurate with the job;
- (b) In addition to a basic salary, we offer a sustainable performance bonus based on the Company's as well as the employee's performance;
- (c) Identify and promote deserving staff with potential to develop their career in the organisation;
- (d) Regulatory, technical and soft skills training is conducted to help our staff keep abreast of the demands of their jobs; and
- (e) We are dedicated to principles of fair employment in our HR policies, abide by labour laws and are guided by the Tripartite guidelines.

In order to have a sustainable business, we recognise the importance of renewing and refreshing our talent pool and preparing staff with the potential to assume key management and leadership positions.

We recruit graduates and mid-career professionals looking for a career switch from within and outside the industry and groom them to take on various roles within the organisation.

We believe that the diverse talent we have can only be good for the overall talent development within the organisation.

Our multi-generational work force encompasses young millennials to industry veterans who have passed their statutory retirement age and who still have the ability to contribute to the Company and society. We believe a good blend of the young with fresh ideas and the experience of the veterans can only be good for the Company and help us to service our multi-generational client base better.

Our clientele includes millennials to those in the pioneer generation age groups. Some clients feel more comfortable having a trading representative to exchange ideas and to assist them in their investment decisions. Our trading representatives' varied age groups enable them to connect, appreciate and assist our clients according to their investment needs.

We are committed to gender equality and equal opportunities. We hire and promote based on suitability and merit.

We believe that staff welfare is an important supplement to the remuneration package offered to our colleagues. In this respect, we provide health and dental care and organise company wide gatherings.

To ensure that we are working together as a team, we share the Company's vision and strategic developments with our colleagues.

As part of staff benefits and welfare, long serving staff and sales personnel are recognised with long service awards.

Our workforce which comprises the following remain stable:

<b>AGE PROFILE</b>	<b>%</b>
35 years and below	28
36-50	35
>50	37
Total	<u>100</u>
<b>GENDER MIX</b>	<b>%</b>
Male	43
Female	57
Total	<u>100</u>

#### COVID-19

To protect the health and safety of our staff and trading representatives during the COVID-19 pandemic, we implemented the following safe management measures, in line with the Government's directives:

- (a) SafeEntry measures at all entry and exit points;
- (b) temperature screening for all before entering the building with visitors having to also complete health declaration forms;
- (c) telecommuting and remote work arrangements;
- (d) staggered working hours and lunch times;
- (e) spilt team work arrangements where certain staff worked at our satellite office located in Jurong;
- (f) wearing of face masks for all staff and face shields in addition to face masks when meeting with clients physically;
- (g) virtual communication such as using Lifesize for virtual meetings;
- (h) regular cleaning and disinfection of workplace premises especially on high touch surfaces;
- (i) safe distancing markers placed throughout the office including in lifts, meeting rooms and pantries as well as specifying the maximum number of people that may occupy such places at any one time;
- (j) provision of hand sanitisers throughout the office at strategic places such as near photocopying machines; and
- (k) dissemination of information and updates on COVID-19 health measures from authorities.

In addition to the above measures, we have also designated certain staff as Safe Management Officers. These officers coordinate the implementation of safe management measures, conduct twice daily inspections to ensure that fellow staff adhere to our safe management measures and rectify any non-compliance promptly.

Large scale social events at the workplace have been deferred and our staff and trading representatives are constantly encouraged to practice good personal hygiene and to monitor their own health regularly.

(iv) Technology Risk

As a provider of stockbroking services, we are in possession of client sensitive information, we are mindful that we are exposed and vulnerable to cyber security-related threats prevalent in the digital era. Such threats if not properly addressed could potentially cause disruption to our services and leakage of sensitive information.

We cater to an increasingly technology savvy and sophisticated clientele, reliance on technology to service our clients will increase. We recognise that this will increase our risks and exposure to cyber security threats and it is thus important that we strike the correct balance between having a user friendly and accessible platform and at the same time ensuring that sufficient security checks and controls are in place to protect sensitive information.

To retain the confidence and trust of our clients, it is critical that we have a robust and reliable trading and back office system as any disruption can cause financial and reputational damage.

To address this, we conduct regular vulnerability assessments of our networks and systems to ensure that vulnerabilities identified are resolved timely. We continue to invest in security and surveillance systems and at the same time enhance our recovery capabilities in the event unlikely emergencies arise.

We regularly benchmark ourselves against the technology risk management guidelines issued by the regulators to ensure that we meet the standards expected.

(v) Governance and Regulatory Compliance

Our corporate governance report is set out in pages 15 to 25 of our annual report.

As a provider of financial services, we recognise the need for the regulators, in the various jurisdictions that we have a presence, to have strict rules and regulations governing how we conduct our business and how we deal with our client orders and their assets in order to ensure that our business is sustainable and the integrity of the financial systems of these countries are not compromised.

Our organisation structure, operating policies and procedures are designed to ensure that appropriate segregation of duties and controls are in place to meet the high standards set by the regulators. Independent audits and compliance checks are conducted on a regular basis to ensure that our systems and procedures adhere to and comply with the regulatory standards and requirements. The audit committees of the various countries review the audit reports of the internal audit departments to ensure remedial measures are taken to address regulatory and internal control lapses.

The regulators conduct regular meetings with industry participants on an industry wide basis and at the company level to help us keep abreast with regulatory changes and for us to provide feedback on the various laws and regulations. Such meetings are a useful platform to ensure that the rules and regulations, our business strategy and practices remain relevant in a fast changing environment where increasingly sophisticated technology provides both a wealth of opportunities and threats to our business.

As a major financial centre, we appreciate and understand the need of the regulators to combat anti-money laundering and the funding of terrorist activities. We have in place a robust Anti-Money Laundering Policy and framework. We also co-operate with the authorities in not dealing with potential clients who are in the Sanctions list. We have in place robust and appropriate due diligence and 'Know Your Customer' assessment procedures when accepting new accounts. These assessments are conducted using established data providers who are specialists in this area and through publicly available data.

Monitoring procedures are in place to report suspicious transactions to the relevant authorities.

We promote transparency and have a whistleblowing policy where investors and staff are encouraged to report any improper, illegal or criminal activities.



**(b) Important factors**

**(i) Community and Social Responsibility**

As responsible corporate citizens in countries which we operate, we recognise that we have obligations to the investing public and society at large.

We tie up with tertiary institutions by offering investment games and internships to their students in order for them to have a better understanding of how to invest and the business environment in which we operate. Our latest initiative involves the establishment of the UOB Kay Hian China Internship & Training Grant at the Singapore Management University with a contribution of up to S\$1,075,000 which aims to allow undergraduates to be exposed to the Chinese Financial Markets and equip them with greater cultural awareness and technical capabilities to excel in the new economic realities.

We sponsor scholarships to deserving students in tertiary education to recognise their scholastic and all round achievements.

In 2020, we commemorated our 50th year in the financial services industry. While celebrating this significant milestone, we also took time to reflect on those who are less fortunate in our community. As part of our 50th anniversary commemoration, we donated over S\$1,000,000 to various community projects such as ST Pocket Money Fund, charities such as Willing Hearts, and community hospitals such as Thye Hua Kwan and Ren Ci.

**(ii) Environmental Policies and Practices**

We are committed to playing an active role in preserving our natural environment, reduce the depletion of our natural resources and the minimisation of our carbon footprint. We constantly remind our employees to reduce paper, power consumption and water usage. Electronic devices, lighting and air conditioning in the office are turned off after office hours where possible.

We have invested in technology and modified our work practices to enable our colleagues to work from home. More than 50% of our colleagues are now able to work from home (should the need arise) thus reducing carbon footprint and contribute to a better quality of life.

**Power and Water consumption (Singapore)**

	2020	2019
Electricity consumption (million)	3.615 kWh	3.562 kWh
Water consumption (cu M)	9.2	12.5

We have been committed towards a paper-less environment since the second half of 2016.

**(a) Our shareholders**

Since 2018, as part of our sustainability efforts, we no longer send CD roms or hard copy Annual Reports to shareholders as our Annual Reports will be available online from the Company's corporate and the SGX websites.

**(b) Our clients**

Towards the end of 2016, we have started to implement the delivery of e-statements and e-contract notes to our clients, reducing the printing of physical statements and contracts, thus helping to promote a more sustainable environment and at the same time improving the timeliness of such reports to our clients.

(c) Our staff

- (i) We have over the last 3 years ceased to provide printed trade reports to our trading representatives. Efficiency and reduction in carbon footprint waste have been achieved through the migration of such reports to an electronic platform.
- (ii) Circulars, announcements and formal communication with colleagues are currently done through the office intranet and email.
- (iii) Staff are constantly reminded to minimise printing of reports and are encouraged to recycle and reuse papers.

### TARGETS FOR FY2021

#### Clients

As client engagement and education are important factors in our business, we strive to continue to organise seminars, workshops and presentations by fund houses and corporates to keep them abreast of developments in the capital markets and investment opportunities which are relevant to their needs.

#### Technology Risk

We continuously review and monitor our vulnerability to intruders and hackers and invest in relevant tools to mitigate cybersecurity risks. Cybersecurity awareness online tests and mock exercises continue to be conducted during the year to remind our colleagues to be mindful of the evolving tactics deployed by cyber criminals.

To ensure business continuity, we will continue to test our operational resilience and incident communication procedures to enhance our preparedness in the event of disruption due to factors beyond our control.

#### Human Capital

We recognise the contributions of our staff. During the year our staff are provided with funds to encourage them to organise gatherings over a meal to bond with each other. Staff also continue to compliment and nominate colleagues whom they appreciate for a job well done or for going out of their way in attending to their requests, for awards and open recognition by the management.

#### Governance and Regulatory Compliance

This is an on-going process and we shall continue to engage with the regulators and how we can work towards better investor protection and to enhance the reputation of the financial markets in Singapore.

#### Community and Social Responsibility

We shall continue to seek out opportunities to offer scholarships to students in tertiary education and to engage in community work.

#### Environmental Policies

Efforts to increase the use of electronic communication with our clients and trading representatives are ongoing as we strive to further reduce our carbon footprint.

Over the past years, we managed to control our power consumption and even reduce our water consumption and we will continue to look for opportunities to increase energy efficiency and reduce water wastage.

## General Standard Disclosures

GRI Reference	Disclosure title	Reference: Annual/Sustainability Report 2020
102-1	Name of the organisation	UOB-Kay Hian Holdings Limited
102-2	Activities, brands, products, and services	Please refer to “Corporate Information”
102-3	Location of headquarters	8 Anthony Road #01-01 Singapore 229957
102-4	Location of operations	Singapore, Hong Kong, Thailand, Malaysia, Indonesia, Philippines, Shanghai, London, New York and Toronto
102-5	Ownership and legal form	Public Limited company listed on the Singapore Stock Exchange and regulated by the Monetary Authority of Singapore and the Singapore Exchange Securities Trading Limited
102-6	Markets served	Global
102-7	Scale of the organisation	Please refer to “Group Financial Highlights”
102-8	Information on employees and other workers	Please refer to “Human Capital” in this report
102-9	Supply chain	We work with reliable and reputable suppliers
102-10	Significant changes to the organisation and its supply chain	No changes
102-11	Precautionary Principle or approach	Please refer to “Critical factors” in the “Material Environmental, Social and Governance Factors” in this report
102-12	External initiatives	We apply GRI standards
102-13	Membership of associations	Member of Singapore Stock Exchange
102-14	Statement from senior decision-maker	Please refer to “Chairman’s Statement” in this Annual Report
102-16	Values, principles, standards, and norms of behaviour	Please refer to “Material, Environmental, Social and Governance Factors” in this report
102-18	Governance structure	Please refer to “Corporate Governance Report” in this Annual Report
102-40	List of stakeholder groups	Please refer to “Engagement of key stakeholders” in this report
102-41	Collective bargaining agreements	Yes
102-42	Identifying and selecting stakeholders	Please refer to “Engagement of key stakeholders” in this report
102-43	Approach to stakeholder engagement	Please refer to “Engagement of key stakeholders” in this report
102-44	Key topics and concerns raised	Please refer to “Engagement of key stakeholders” in this report
102-45	Entities included in the consolidated financial statements	Please refer to “Listing of companies in the Group” in this Annual Report
102-46	Defining report content and topic boundaries	Please refer to “Sustainability Governance” in this report
102-47	List of material topics	Please refer to “Material, Environmental, Social and Governance Factors” in this report

## SUSTAINABILITY REPORT *continued*

GRI Reference	Disclosure title	Reference: Annual/Sustainability Report 2020
102-48	Restatements of information	No
102-49	Changes in reporting	No
102-50	Reporting period	1 January to 31 December 2020
102-51	Date of most recent report	31 December 2019
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	cs@uobkayhian.com
102-54	Claims of reporting in accordance with the GRI Standards	UOBKH had chosen the “in accordance – core” option to focus on the matters most material to our stakeholders
102-55	GRI content index	This is the index
102-56	External assurance	No external assurance for this report

## PROFILE OF DIRECTORS & KEY MANAGEMENT PERSONNEL

### Directors of UOB-Kay Hian Holdings Limited

**Mr. Wee Ee Chao** – holds a Bachelor of Business Administration degree from American University (USA). He joined Kay Hian & Co (Pte) in 1981 as Managing Director and became Chairman of Kay Hian Holdings Limited in 1996. He has been closely involved in the management and growth of UOB Kay Hian over the last 39 years. In August 2000 when UOB-Kay Hian Holdings Limited was incorporated with the merger of Kay Hian Holdings Limited and UOB Securities (Pte) Ltd, Mr. Wee was appointed Chairman of UOB-Kay Hian Holdings Limited.

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

**Mr. Esmond Choo Liong Gee** – holds a Bachelor of Commerce (Honors) Degree and is a member of the Chartered Accountants Australia and New Zealand. He was first appointed an Executive Director of UOB Kay Hian Private Limited on 1 October 2001 and then as Executive Director of UOB-Kay Hian Holdings Limited on 31 May 2006. He was appointed Senior Executive Director on 1 January 2013. Mr. Choo retired as a Director of UOB Kay Hian Private Limited, UOB Kay Hian Securities (M) Sdn Bhd and UOB Kay Hian (U.K.) Limited on 31 March 2021, following which he stepped down as a member of the Group Executive Committee and various Group Committees and Chairmanship of UOB Kay Hian Securities (M) Sdn Bhd. Mr. Choo remains a member of the nominating committee and is redesignated as a Non-Executive Non-Independent Director on 1 April 2021.

He served as the Chairman of the Stockbrokers Association of Singapore from 2009 to 2012. In recognition of his contribution to the Securities and Futures industry, Mr. Choo was conferred the title IBF Distinguished Fellow in 2014.

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

He retired from his position as Deputy Managing Director in December 2007 and remained as an Executive Director of UOB-Kay Hian Holdings Limited until 31 December 2011. He was appointed Non-Executive Director from 1 January 2012 and has from 1 January 2015 become an Independent Director. He is Chairman of the Nominating Committee and was appointed a member of the Audit Committee and Remuneration Committee on 1 May 2015.

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

**Mr. Kuah Boon Wee** – was appointed Independent Director of UOB-Kay Hian Holdings Limited, Chairman of Audit Committee and member of Remuneration Committee on 3 May 2016.

Mr. Kuah is the Group Chief Executive Officer of MTQ Corporation, an oil and gas engineering and subsea services company listed on the SGX. Prior to that, he had worked from 2004 to 2010 in PSA International and served as CEO of South East Asia and Singapore Terminals (from 2007 to 2010) and Group Chief Financial Officer (from 2004 to 2007).

He has a Bachelor of Engineering Degree (1st Class Honours) from Imperial College of Science and Technology, London and is also a Fellow of the Institute of Chartered Accountants of England and Wales.

Mr. Kuah serves as Vice-President of the Singapore Chinese Chamber of Commerce & Industry. He has been on the board of The Hour Glass Limited since 1 April 2011 and is the lead Independent Director. He is a Council Member of the Singapore National Employers Federation.

**Mr. Andrew Suckling** – holds a Master of Arts (Honours) Degree from Oxford University and is a member of the Institute of Chartered Accountants in England and Wales. He was appointed as an Independent Director of UOB-Kay Hian Holdings Limited on 3 May 2016 and is Chairman of the Remuneration Committee and a member of the Nominating Committee.

Mr. Suckling has more than 29 years of experience in the finance industry, primarily working in investment banking. He is based in Singapore.

**Mr. David Yeow** – holds a Bachelor of Laws (Honours) degree from the National University of Singapore. He was appointed as an Independent Director of UOB-Kay Hian Holdings Limited and a member of the Audit Committee on 2 January 2020. Mr. Yeow is an Advocate and Solicitor of the Supreme Court of Singapore. He is a Senior Partner (since 1999) and also an ex officio executive committee member of Rajah & Tann LLP; and a member of its Remuneration Committee.

Mr. Yeow was previously also an Independent and Non-Executive Director of Noble Group Limited, a company then listed on the Official List of the Singapore Exchange Securities Trading Limited; and Bund Center Investment Limited, a company listed on the Official List of the Singapore Exchange Securities Trading Limited.

**Mr. Chng Seng Hong, Ronny** – was appointed a Non-Executive Director of UOB-Kay Hian Holdings Limited and a member of the Audit Committee on 1 June 2017.

Mr. Chng is the Managing Director, Head of Corporate Banking Overseas & Multinational Corporate (MNC) of United Overseas Bank Limited (“UOB”). He is responsible for the Group’s Corporate Banking Business ex-Singapore and Group MNC business. He joined UOB in 2008. Prior to his appointment on 1 January 2017, he was the Head of Group Investment Banking. Prior to this, he was the Head of Debt Capital Markets.

He holds a Master of Business and a Bachelor of Business (Financial Analysis) from Nanyang Technological University and has over 23 years’ experience in the financial industry.

## **Key Management Personnel of the Group**

### **Singapore**

**Mr. Jarod Ong** (Executive Director) - holds a Master of Science in Molecular Engineering from the Singapore M.I.T. (Massachusetts Institute of Technology) Alliance. He joined UOB Kay Hian Private Limited as part of senior management in January 2021. He is involved in general management and is Head of Operations of the Group. Mr. Ong brings with him exchange operations experience and process transformational experience across various industries. Prior to joining UOB Kay Hian Private Limited, he held various leadership roles in renowned global banks and market infrastructure operator.

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

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

**Mr. Wilhem Lee** (Senior Executive Director) - holds a Bachelor of Business (Accountancy) degree and is a committee member of CPA Australia. He joined UOB Kay Hian Private Limited as part of senior management in 2019. He has over 30 years experience in the securities and investment banking industry spanning South East Asia and North Asia. Prior to joining UOB Kay Hian Private Limited, he held various senior and origination roles in renowned global banks including Head of Coverage - Investment Banking APAC, Head of M&A and Sectors APAC, as well as front line responsibility involving financing, advisory and capital markets.

He currently sits in various committees overseeing regional and structured credit, corporate finance and capital markets, in addition to the Hong Kong and Singapore management committees.

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

**Ms. Oh Whee Mian** (Executive Director) – holds a Bachelor of Accountancy (Honors) degree from Nanyang Technology University of Singapore. She joined UOB Kay Hian Private Limited in 2001 and was appointed Executive Director in 2013. She is involved in the general management of the Singapore office and overseeing the regional offices. Prior to joining UOB Kay Hian Private Limited, she was working for an established international public accounting firm.

**Mr. Gary Tan Kheng Chye** (Executive Director) – holds a Bachelor of Business Administration degree from Royal Melbourne Institute of Technology, Australia. He has been in the stockbroking industry since 1997 and was working for an established local bank backed brokerage before joining UOB Kay Hian Private Limited in February 2013 as an Executive Director. He is involved in general management focusing on overseeing the strategic planning and development of the Group’s technology platform and online trading business.



**Mr. Julian Lee Khee Seong** (Executive Director) – holds a Master of Science in Accounting and Finance from the London School of Economics and Political Science, United Kingdom.

Mr. Lee joined UOB Kay Hian Private Limited in 2003 and was appointed as an Executive Director in 2017. He is responsible for the Group's financing services, credit risk management and structured finance transactions.

Prior to joining UOB Kay Hian Private Limited, he was working for a global banking group in Singapore.

## Malaysia

**Mr. David Lim Meng Hoe** (Managing Director) – holds a Bachelor of Economics from Monash University and has over 37 years of experience in the stockbroking industry in Malaysia.

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

## Hong Kong

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

Mr. Hsu has more than 28 years of experience in the securities industry with various established financial institutions. Prior to joining the Group, he was Head of Corporate Finance with Cazenove Asia in 1996 and was made Partner at Cazenove & Co PLC in 2001. He was subsequently appointed as Managing Director of JP Morgan Cazenove and Head of Investment Banking for Asia of Cazenove Asia Limited. His last held position before joining the Group was Managing Director, Head of Equity Corporate Finance at Standard Chartered Bank (HK) Ltd in 2009.

**Mr. Mickey Lee Long Chin** (Deputy Managing Director) – holds a Bachelor of Engineering degree from the National University of Singapore. He was appointed Deputy Managing Director of UOB Kay Hian (Hong Kong) Limited in 2006. He is involved in the general management of the Hong Kong operations. Mr. Lee has more than 33 years experience in the stockbroking industry in Hong Kong and Singapore. He is also a Director of The Hong Kong Association of Online Brokers Limited.

## Thailand

**Mr. Chaipat Nakmontanakum** (Chief Executive Officer) – holds a Master Degree in Business Administration from University of La Verne, USA. He has more than 23 years of experience in the stockbroking industry in Thailand. He previously worked for Nava Securities, BNP Paribas Securities and DBS Vickers Securities.

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

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

## Indonesia

**Ms. Yacinta Fabiana Tjang** (Chief Executive Officer) – holds a Bachelor of Accountancy from Tarumanagara University. She has more than 20 years of experience in the stockbroking industry. She joined UOB Kay Hian Indonesia in 2018 as a Deputy of Chief Operation Officer and was appointed as a Chief Executive Officer in 2020. She is responsible for the implementation of activities for all operations and marketing (retail and Institutions).

Prior to joining UOB, she was working with well recognised multinational securities companies (Yuanta Securities, Korean Investment Indonesia) and Public Accountant Firm (Coopers and Lybrand).

# DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2020.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 45 to 117 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 2020, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## 1 DIRECTORS

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

Wee Ee-chao  
Tang Wee Loke  
Esmond Choo Liong Gee  
Kuah Boon Wee  
Andrew Suckling  
Chng Seng Hong  
David Yeow (Appointed on 2 January 2020)

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50, except as follows:

Name of directors and company in which interests are held	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
<b><u>The Company</u></b> (Ordinary shares)				
Wee Ee-chao	–	–	242,278,390	258,070,106
Tang Wee Loke	37,203,208	38,660,797	2,613,515	2,715,911
Andrew Suckling	–	–	24,023	24,965
David Yeow	2,000	2,000	–	–

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr Wee Ee-chao is deemed to have an interest in all the related corporations of the Company.

There was no change in any of the above-mentioned directors' interests in the Company between the end of the financial year and 21 January 2021 except for Mr Wee Ee-chao, whose interest has increased to 258,195,206 shares.



#### 4 SHARE OPTIONS

(a) *Options to take up unissued shares*

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

(b) *Options exercised*

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

(c) *Unissued shares under option*

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

#### 5 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all non-executive directors, is chaired by Mr Kuah Boon Wee, an independent director, and includes Mr Tang Wee Loke, an independent director, Mr David Yeow, an independent director, and Mr Chng Seng Hong. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- (a) the audit plans and results of the internal and external auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Group's financial and operating results and accounting policies;
- (c) the audit plans of the external auditors;
- (d) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditor's report on those financial statements;
- (e) half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (f) the co-operation and assistance given by the management to the Group's external auditors; and
- (g) the re-appointment of the external auditors of the Group.

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

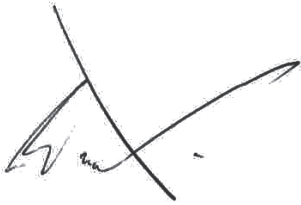
The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

## DIRECTORS' STATEMENT *continued*

### 6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

A handwritten signature in black ink, appearing to be 'Wee Ee-chao', with a large, sweeping flourish extending from the end.

Wee Ee-chao

A handwritten signature in black ink, appearing to be 'Esmond Choo Liong Gee', with a large, circular initial 'E' and several horizontal strokes at the bottom.

Esmond Choo Liong Gee

Singapore

31 March 2021

# INDEPENDENT AUDITOR'S REPORT

To The Members Of UOB-Kay Hian Holdings Limited

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of UOB-Kay Hian Holdings 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 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 117.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the 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 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company 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 *Auditor's 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 year. 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.

Key audit matters	How the scope of our audit responded to the matters
<b>Trade receivables, trade payables and debts issued</b>	
<b>(a) Allowance for impairment of trade receivables</b>	
<i>Refer to Notes 3(ii)(b), 4(c)(iv)-(v) and 8 to the financial statements respectively.</i>	
Trade receivables, other than those designated as referenced assets in respect of certain debts issued by the Group, comprises customers' portfolio from two key business activities, i.e. stockbroking and money lending.	We have tested the design and implementation of related key controls to determine that appropriate oversight from management and credit committee had been exercised within the credit review and impairment processes.
Trade receivables arising from money lending activities consist of larger loan financings that are monitored individually by management, and are secured by either marketable or non-marketable assets held by the Group as collaterals. The assessment of allowance for impairment is therefore based on application of judgement on the repayment abilities of the individual borrower, as well as the fair value of the collaterals and other relevant factors.	We have performed credit assessment and assessed the specific allowance for individual impaired customers from credit lending activities, on a sample basis, by critically assessing the realisation of collateral and other possible sources of repayment.
	We have evaluated the consistency of key assumptions applied by management in the valuation of non-marketable collaterals and subjected these collaterals to our testing, including understanding of the relevant industry trends and macroeconomic factors to assess the validity of the collateral valuations.

# INDEPENDENT AUDITOR'S REPORT *continued*

To The Members Of UOB-Kay Hian Holdings Limited

Key audit matters	How the scope of our audit responded to the matters
<p><b>(b) Valuation of Level 3 financial instruments designated as at fair value through profit or loss recognised in trade receivables, trade payables and debts issued</b></p> <p><i>Refer to Notes 3(ii)(d), 4(c)(vii), 8, 19 and 22 to the financial statements respectively.</i></p> <p>The Group has certain financial instruments designated as at fair value through profit or loss.</p> <p>The valuation of financial instruments involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. In particular, the determination of Level 3 prices is considerably more subjective given the lack of availability of observable market-based data. The valuation is sensitive to these key assumptions, hence a small change in the assumptions can have a significant impact to the valuation.</p>	<p>We have tested the design and implementation of related key controls to determine that appropriate oversight from management and finance department had been exercised within the valuation processes, including regular review of valuations provided by external valuation experts, broker quotes or other pricing approach, used to measure the fair value of financial instruments.</p> <p>We have tested the valuation of financial instruments on a sample basis and evaluated the appropriateness of the valuation methodologies used. We have involved our internal valuation specialist to assess the valuation methodologies, valuation assumptions and inputs used by management. The results of our internal valuation analyses are consistent with those of management's analyses.</p> <p>We have considered the adequacy of the disclosures in the financial statements. In particular, the degree of subjectivity and key assumptions used in the estimates, which also include the relationship between the key unobservable inputs and fair value.</p>
<p><b>Goodwill impairment review</b></p> <p><i>Refer to Notes 3(ii)(c) and 12 to the financial statements respectively.</i></p> <p>The acquisitions of Merchant Partners Securities Public Company Limited, Country Group Securities Public Company Limited, and AEC Securities Public Company Limited in 2010, 2016 and 2018 respectively resulted in a carrying amount of goodwill of THB306.7 million (approximately \$13.6 million).</p> <p>Under SFRS(I) 1-36 <i>Impairment of Assets</i>, the Group is required to test goodwill for impairment on an annual basis. This assessment of value-in-use requires the exercise of significant judgement about future market conditions, including growth rates and discount rates.</p>	<p>Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. These procedures included:</p> <ul style="list-style-type: none"><li>● challenging the cash flow forecasts used by management and the key assumptions of future market conditions, including growth rates and discount rates with comparison to recent performance, trend analysis and market expectations used in the value-in-use computation.</li><li>● involving our internal specialists in assessing the appropriateness of valuation model and key assumptions the management used in the estimation of the impairment for goodwill.</li></ul> <p>We have reviewed the carrying amounts of goodwill as at year end and assessed for potential impairment in value, which may require impairment losses to be recognised.</p>

## **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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.

## **Auditor's 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 auditor's 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.

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 control.
- Obtain an understanding of internal control 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 control.
- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT *continued*

To The Members Of UOB-Kay Hian Holdings Limited

- 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 control 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 to 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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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.

## **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 auditor's report is Mr Ho Kok Yong.



Public Accountants and  
Chartered Accountants  
Singapore

31 March 2021

# STATEMENTS OF FINANCIAL POSITION

31 December 2020

	Note	The Group		The Company	
		31 December	31 December	31 December	31 December
		2020	2019	2020	2019
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	509,949,072	449,152,901	761,261	1,512,682
Outstanding contracts receivable	7(a)	1,027,751,581	570,935,167	–	–
Trade and other receivables	8	2,524,048,959	2,311,657,098	–	–
Other financial assets, at fair value through profit or loss	9	121,621,562	70,903,489	–	–
Other current assets	10	116,651,373	48,250,209	262,845,750	168,027,926
Derivative financial instruments	11	54,987,084	21,691,721	–	–
Total current assets		<u>4,355,009,631</u>	<u>3,472,590,585</u>	<u>263,607,011</u>	<u>169,540,608</u>
<b>Non-current assets</b>					
Trade and other receivables	8	223,130,105	45,182,506	198,315	202,028
Goodwill	12	14,700,647	14,615,769	–	–
Other intangible assets	13	895,224	2,088,852	–	–
Subsidiaries	14	–	–	363,860,486	364,867,820
Right-of-use assets	15	14,158,509	17,935,317	–	–
Other financial assets, at fair value through profit or loss	9	1,276,082	1,336,853	–	–
Trading rights in Exchanges	16(a)	95,388	94,842	–	–
Memberships in Exchanges	16(b)	235,648	240,458	–	–
Property, plant and equipment	17	31,888,639	38,644,179	–	–
Deferred tax assets	18	1,538,667	1,477,774	–	–
Total non-current assets		<u>287,918,909</u>	<u>121,616,550</u>	<u>364,058,801</u>	<u>365,069,848</u>
<b>Total assets</b>		<u>4,642,928,540</u>	<u>3,594,207,135</u>	<u>627,665,812</u>	<u>534,610,456</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Outstanding contracts payable	7(b)	964,431,693	546,675,381	–	–
Trade and other payables	19	415,025,607	350,102,454	133,547,369	137,490,654
Borrowings	20	1,170,402,424	829,460,383	14,600,000	400,000
Lease liabilities	21	5,457,966	5,481,503	–	–
Debts issued	22	314,040,595	292,385,644	–	–
Income tax payable		22,734,405	8,209,618	138,503	305,817
Derivative financial instruments	11	55,008,205	21,671,038	–	–
Total current liabilities		<u>2,947,100,895</u>	<u>2,053,986,021</u>	<u>148,285,872</u>	<u>138,196,471</u>
<b>Non-current liabilities</b>					
Trade and other payables	19	28,011,994	–	–	–
Lease liabilities	21	9,425,385	13,005,467	–	–
Deferred tax liabilities	18	2,303,722	2,193,349	–	–
Total non-current liabilities		<u>39,741,101</u>	<u>15,198,816</u>	<u>–</u>	<u>–</u>
<b>Total liabilities</b>		<u>2,986,841,996</u>	<u>2,069,184,837</u>	<u>148,285,872</u>	<u>138,196,471</u>

See accompanying notes to financial statements.

# STATEMENTS OF FINANCIAL POSITION *continued*

31 December 2020

	Note	The Group		The Company	
		31 December	31 December	31 December	31 December
		2020	2019	2020	2019
		\$	\$	\$	\$
<b>EQUITY</b>					
<b>Capital, reserves and non-controlling interests</b>					
Share capital	23	217,887,018	201,500,384	217,887,018	201,500,384
Reserves	24	(25,583,655)	(14,537,931)	–	–
Retained earnings		1,443,530,620	1,318,369,068	261,492,922	194,913,601
Equity attributable to owners of the Company		1,635,833,983	1,505,331,521	479,379,940	396,413,985
Non-controlling interests		20,252,561	19,690,777	–	–
Total equity		1,656,086,544	1,525,022,298	479,379,940	396,413,985
<b>Total liabilities and equity</b>		<b>4,642,928,540</b>	<b>3,594,207,135</b>	<b>627,665,812</b>	<b>534,610,456</b>
<b>Clients' trust/segregated accounts</b>					
Bank balances:					
- with related parties		2,183,112,670	1,044,102,622	–	–
- with non-related banks		2,248,783,931	1,536,255,351	–	–
Margin with clearing house		65,730,378	71,553,315	–	–
Investment in government debt securities		6,401,638	31,031,259	–	–
Less: Amounts held in trust		(4,504,028,617)	(2,682,942,547)	–	–
		–	–	–	–

See accompanying notes to financial statements.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2020

		The Group	
	Note	2020	2019
		\$	\$
<b>Revenue</b>	25	<b>587,593,046</b>	372,721,697
Net foreign exchange gain		<b>16,177,883</b>	7,897,101
Commission expense		<b>(115,088,681)</b>	(48,136,200)
Staff costs	26	<b>(165,591,288)</b>	(124,326,454)
Finance expense	27	<b>(50,947,066)</b>	(48,817,268)
Other operating expenses	28	<b>(88,213,267)</b>	(80,896,860)
<b>Profit before income tax</b>		<b>183,930,627</b>	78,442,016
Income tax expense	29	<b>(23,220,227)</b>	(9,160,447)
<b>Profit for the year</b>		<b>160,710,400</b>	69,281,569
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gain (loss) on defined benefit plans	30,37	<b>322,759</b>	(100,124)
Income tax relating to items that will not be reclassified subsequently to profit or loss	29	<b>(62,754)</b>	25,031
		<b>260,005</b>	(75,093)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	30	<b>(11,613,882)</b>	7,470,060
<b>Other comprehensive income for the year, net of tax</b>	30	<b>(11,353,877)</b>	7,394,967
<b>Total comprehensive income for the year</b>		<b>149,356,523</b>	76,676,536
<b>Profit attributable to:</b>			
Owners of the Company		<b>159,413,509</b>	69,185,867
Non-controlling interests		<b>1,296,891</b>	95,702
		<b>160,710,400</b>	69,281,569
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>148,375,593</b>	75,257,885
Non-controlling interests		<b>980,930</b>	1,418,651
		<b>149,356,523</b>	76,676,536
<b>Earnings per share:</b>			
Basic and diluted	31	<b>19.21 cents</b>	8.49 cents

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2020

	Note	Share capital \$	Equity reserve [Note 24(c)] \$	Foreign currency translation reserves [Note 24(a)] \$
<u>The Group</u>				
Balance as at 1 January 2019		184,265,474	1,443,153	(24,222,269)
<i>Total comprehensive income for the year:</i>				
Profit for the year		-	-	-
Other comprehensive income (loss) for the year		-	-	6,017,278
Total		-	-	6,017,278
<i>Transactions with owners, recognised directly in equity:</i>				
Transfer to statutory reserve		-	-	-
Final dividend for 2018 paid	32	17,234,910	-	-
Acquisition of additional interest in a subsidiary		-	134,738	-
Payment of dividend by a subsidiary		-	-	-
Balance as at 31 December 2019		201,500,384	1,577,891	(18,204,991)
<i>Total comprehensive income for the year:</i>				
Profit for the year		-	-	-
Other comprehensive (loss) income for the year		-	-	(11,261,902)
Total		-	-	(11,261,902)
<i>Transactions with owners, recognised directly in equity:</i>				
Final dividend for 2019 paid	32	16,386,634	-	-
Acquisition of additional interest in a subsidiary		-	246,956	-
Payment of dividend by a subsidiary		-	-	-
Balance as at 31 December 2020		<b>217,887,018</b>	<b>1,824,847</b>	<b>(29,466,893)</b>

See accompanying notes to financial statements.

Statutory reserve [Note 24(b)] \$	Retained earnings \$	Equity attributable to owners of the Company \$	Non-controlling interests \$	Total \$
1,957,002	1,287,149,707	1,450,593,067	18,765,457	1,469,358,524
–	69,185,867	69,185,867	95,702	69,281,569
129,082	(74,342)	6,072,018	1,322,949	7,394,967
129,082	69,111,525	75,257,885	1,418,651	76,676,536
(1,387)	1,387	–	–	–
–	(37,893,551)	(20,658,641)	–	(20,658,641)
4,472	–	139,210	(299,646)	(160,436)
–	–	–	(193,685)	(193,685)
2,089,169	1,318,369,068	1,505,331,521	19,690,777	1,525,022,298
–	159,413,509	159,413,509	1,296,891	160,710,400
(36,720)	260,706	(11,037,916)	(315,961)	(11,353,877)
(36,720)	159,674,215	148,375,593	980,930	149,356,523
–	(34,512,663)	(18,126,029)	–	(18,126,029)
5,942	–	252,898	(399,703)	(146,805)
–	–	–	(19,443)	(19,443)
2,058,391	1,443,530,620	1,635,833,983	20,252,561	1,656,086,544

# STATEMENTS OF CHANGES IN EQUITY *continued*

Year Ended 31 December 2020

	Note	Share capital \$	Retained earnings \$	Total \$
<u>The Company</u>				
Balance as at 1 January 2019		184,265,474	199,954,489	384,219,963
Profit for the year, representing total comprehensive income for the year		–	32,852,663	32,852,663
Final dividend for 2018 paid	32	17,234,910	(37,893,551)	(20,658,641)
Balance as at 31 December 2019		201,500,384	194,913,601	396,413,985
Profit for the year, representing total comprehensive income for the year		–	101,091,984	101,091,984
Final dividend for 2019 paid	32	16,386,634	(34,512,663)	(18,126,029)
Balance as at 31 December 2020		<b>217,887,018</b>	<b>261,492,922</b>	<b>479,379,940</b>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2020

	Note	2020 \$	2019 \$
<b>Operating activities</b>			
Profit before income tax		183,930,627	78,442,016
Adjustments for:			
Depreciation of property, plant and equipment	17	12,031,100	10,211,824
Depreciation of right-of-use assets		6,081,299	4,081,771
Amortisation of other intangible assets	13	1,193,628	188,462
Net loss/(gain) on disposal of property, plant and equipment		129,412	(15,684)
Impairment of goodwill		763,591	1,246,173
Dividend income		(834,334)	(1,237,180)
(Write back of) Allowance for trade receivables		(44,806)	81,493
Interest expense	27	50,947,066	48,817,268
Exchange differences		7,800,754	3,811,694
Operating cash flows before movements in working capital		<u>261,998,337</u>	<u>145,627,837</u>
Changes in operating assets and liabilities:			
Other financial assets, at fair value through profit or loss		(51,074,759)	(34,957,763)
Trade, outstanding contracts and other receivables		(956,626,542)	(463,773,973)
Trade, outstanding contracts and other payables		540,355,599	288,649,681
Debts issued		21,476,497	95,455,597
Cash (used in) from operations		<u>(183,870,868)</u>	<u>31,001,379</u>
Interest paid		(50,233,511)	(48,477,669)
Income tax paid		(8,717,792)	(8,286,852)
Net cash used in operating activities		<u>(242,822,171)</u>	<u>(25,763,142)</u>
<b>Investing activities</b>			
Payments for property, plant and equipment	17	(5,547,764)	(11,968,268)
Payments for intangible assets acquired	13	–	(2,277,314)
Acquisition of business	38	(1,211,520)	–
Proceeds from disposal of property, plant and equipment		47,445	236,053
Dividends received from quoted/unquoted securities		834,334	1,237,180
Net cash used in investing activities		<u>(5,877,505)</u>	<u>(12,772,349)</u>
<b>Financing activities</b>			
Payment to non-controlling interests for additional interest in a subsidiary	14	(146,805)	(160,436)
Payment to non-controlling interests for dividend		(19,443)	(193,685)
Repayment of lease liabilities		(5,353,163)	(3,449,771)
Net drawdown (repayment) of short-term bank loans		334,987,365	(143,335,562)
Dividends paid	32	(18,126,029)	(20,658,641)
Net cash from (used in) financing activities		<u>311,341,925</u>	<u>(167,798,095)</u>
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(7,800,754)	(3,811,694)
Net increase (decrease) in cash and cash equivalents		54,841,495	(210,145,280)
Cash and cash equivalents at beginning of the year		448,265,834	658,411,114
<b>Cash and cash equivalents at end of the year</b>	6	<u>503,107,329</u>	<u>448,265,834</u>

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2020

## 1 GENERAL

The Company (Registration No. 200004464C) is incorporated in Singapore with its principal place of business and registered office at 8 Anthony Road, #01-01, Singapore 229957. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are stockbroking, futures broking, structured lending, investment trading, margin financing, investment holding and provision of nominee and research services, which are disclosed in Note 36 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 31 March 2021.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**ADOPTION OF NEW AND REVISED STANDARDS** - On 1 January 2020, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as discussed below.

### **Amendments to SFRS(I) 3 *Business Combinations: Definition of a Business***

The Group has adopted the amendments to SFRS(I) 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

#### **Impact of the initial application of *COVID-19-Related Rent Concessions* amendment to SFRS(I) 16**

In May 2020, the ASC issued *Covid-19-Related Rent Concessions* (Amendment to SFRS(I) 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to SFRS(I) 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying SFRS(I) 16 if the change were not a lease modification. The amendment is effective for annual periods beginning on or after 1 June 2020, with early application permitted.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due in on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to SFRS(I) 16 in advance of its effective date.

#### *Impact of accounting for changes in lease payments applying the exemption*

The Group has applied the practical expedient retrospectively to all rent concessions that meet the conditions in SFRS(I) 16:46B, and has not restated prior period figures. The waiver of lease payments has been accounted for as a negative variable lease payment in profit or loss. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of SFRS(I) 9:3.3.1. There were no material adjustment arising from the early adoption.

In response to the COVID-19 pandemic, governments in many jurisdictions are implementing legislation to help entities that are experiencing financial difficulty stemming from the pandemic. An entity should carefully assess whether the benefit received is a government grant or government assistance as this affects the accounting for or disclosure for the benefit.

The Institute of Singapore Chartered Accountants (ISCA) has issued FRB 5 and FRB 6 to provide guidance on the accounting for property tax rebate granted by the Singapore Government and the accounting for the Jobs Support Scheme grant provided by the Singapore Government respectively. The effects of the government grants, where material, are disclosed in the respective Notes to the financial statements.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

## NOTES TO FINANCIAL STATEMENTS *continued*

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The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I) s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.



In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with SFRS(I) 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

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

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

**FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

## NOTES TO FINANCIAL STATEMENTS *continued*

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Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### **Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in Note 25 to the financial statements.

#### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in Note 28 to the financial statements. Fair value is determined in the manner described in Note 4(c)(vii).

#### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. These are recognised in the consolidated statement of profit or loss and other comprehensive income in the “Net foreign exchange gain” line item.

#### Impairment of financial assets

For trade receivables, the expected credit losses are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month (“12m”) ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criterion are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group presumes that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### *Credit-impaired 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 that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

#### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts and loan commitments, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with SFRS(I) 16 *Leases*.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);

## NOTES TO FINANCIAL STATEMENTS *continued*

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- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

## **Financial liabilities and equity instruments**

### Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.



A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

The principal category of financial liabilities designated as at FVTPL is the credit-linked notes issued by the Group. These credit-linked notes are designated as at fair value through profit or loss to better reflect the underlying intention of the Group to manage and evaluate its performance on a fair value basis.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

Fair value is determined in the manner described in Note 4(c)(vii).

#### *Financial liabilities subsequently measured at amortised cost*

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.



## *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to meet principal or interest payments when due in accordance with the terms of their borrowings.

## *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the “Net foreign exchange gain” line item in the consolidated statement of profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

## *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## **Derivative financial instruments**

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 11 to the financial statements.

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

## Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of SFRS(I) 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of SFRS(I) 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

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

## LEASES

### The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment property.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies SFRS(I) 15 to allocate the consideration under the contract to each component.

### The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

**PROPERTY, PLANT AND EQUIPMENT** - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	Over the terms of lease from 5% to 6⅔%
Leasehold land	Over the terms of lease of 6⅔%
Leasehold improvements	16 to 33⅓%
Furniture, fittings and office equipment	20 to 33⅓%
Computer equipment and software	20 to 33⅓%
Communication equipment	20 to 33⅓%
Motor vehicles	18 to 33⅓%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

**GOODWILL** - Goodwill is initially recognised and measured as set out in the business combinations accounting policy.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro-rata* on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## INTANGIBLE ASSETS

### Intangible assets acquired separately

Customer portfolio database acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Customer portfolio database have a definite useful lives and are amortised on a straight-line basis over their estimated useful lives of 2 years. The estimated useful life and amortisation method are reviewed as at each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

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

MEMBERSHIPS IN EXCHANGES - Memberships in The Stock Exchange of Thailand and Jakarta Stock Exchange are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the memberships are assessed and written down immediately to its recoverable amount.

TRADING RIGHTS IN EXCHANGES - Trading rights in The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange and the Philippine Stock Exchange are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the trading rights is assessed and written down immediately to its recoverable amount.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

**SECURITIES BORROWED AND LENT** - Securities borrowed and lent are accounted for as collateralised borrowings. The amounts of cash collaterals advanced for securities borrowed and cash collaterals received for securities lent are recorded in the statement of financial position under "Other current assets - Amounts deposited with lenders of securities" and "Trade and other payables - Cash collaterals held for securities lent to clients" respectively.

Market value of securities is determined by reference to the quoted prices of the respective Stock Exchanges at the close of business at the end of the reporting period.

**PROVISIONS** - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of time value of money is not material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**GOVERNMENT GRANTS** - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**REVENUE RECOGNITION** - Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. Revenue is reduced for goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

### **Revenue from contracts with customers - at a point in time**

#### Commission income

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

#### Fee income

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

### **Revenue from contracts with customers - over time**

#### Advisory fees

Advisory fees are recognised over time, based on the various performance obligations stated in the individual contracts.

## **Other income**

### Interest income

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

### Trading income

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

### Dividend income

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

**BORROWING COSTS** - Borrowing costs are recognised in profit or loss in the period in which they are incurred.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

Curtailment gains and losses are accounted for as past service costs.

**EMPLOYEE LEAVE ENTITLEMENT** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

**INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.



## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.



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

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

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

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

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

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

### **3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

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

Management is of the opinion that any instances of application of judgements are not expected to have a significant impact on the amounts recognised in the financial statements.

## (ii) *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### (a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. Details of income taxes are provided in Notes 18 and 29 to the financial statements. The income tax expense for the year ended 31 December 2020 is \$23,220,227 (2019 : \$9,160,447). Deferred tax assets and deferred tax liabilities as at 31 December 2020 amounted to \$1,538,667 (31 December 2019 : \$1,477,774) and \$2,303,722 (31 December 2019 : \$2,193,349) respectively. Income tax payable as at 31 December 2020 is \$22,734,405 (31 December 2019 : \$8,209,618).

### (b) Impairment of loans and receivables

Management reviews its loans and receivables for ECL at least quarterly. When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. In determining these, management makes judgements as to whether there is observable data indicating that there has been a significant change in the ability of the debtor to repay amounts owing to the Group, or whether there have been significant changes with adverse effect in the economic or legal environment in which the debtor operates in. The ongoing COVID-19 pandemic has required management to make certain judgements about the financial markets and economic conditions, which is uncertain and may change over time.

As at 31 December 2020, the carrying amount of trade and other receivables is \$2,747,179,064 (31 December 2019 : \$2,356,839,604) net of allowance for impairment of \$2,403,569 (31 December 2019 : \$7,415,319).

Management makes judgements as to whether an impairment loss should be recorded in profit or loss. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

### (c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate and growth rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was \$14,700,647 (31 December 2019 : \$14,615,769) after an impairment loss of \$763,591 (31 December 2019 : \$1,246,173) was recognised during the year. Details of the impairment loss calculation are provided in Note 12 to the financial statements.

(d) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Management and finance department, in consultation with external experts, determine the appropriate valuation techniques and inputs for fair value measurements.

The Regional Finance and Operations Director reports to the Board of Directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities. These valuations will be approved by the Board of Directors. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 4 to the financial statements.

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

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

	Note	The Group \$	The Company \$
<b>At 31 December 2020</b>			
<b>Financial assets</b>			
At fair value through profit or loss (FVTPL):			
Mandatorily measured at FVTPL	9	122,897,644	–
Designated as at FVTPL	8	322,916,738	–
At amortised cost (including cash and cash equivalents)		4,074,396,587	263,800,826
Derivative financial instruments	11	54,987,084	–
<b>Financial liabilities</b>			
At FVTPL:			
Designated as at FVTPL	19, 22	325,529,963	–
At amortised cost		2,566,382,353	148,147,369
Lease liabilities <sup>(i)</sup>	21	14,883,351	–
Derivative financial instruments	11	55,008,205	–
<b>At 31 December 2019</b>			
<b>Financial assets</b>			
At fair value through profit or loss (FVTPL):			
Mandatorily measured at FVTPL	9	72,240,342	–
Designated as at FVTPL	8	343,263,628	–
At amortised cost (including cash and cash equivalents)		3,077,625,100	169,738,136
Derivative financial instruments	11	21,691,721	–
<b>Financial liabilities</b>			
At FVTPL:			
Designated as at FVTPL	19, 22	346,441,143	–
At amortised cost		1,672,182,719	137,890,654
Lease liabilities <sup>(i)</sup>	21	18,486,970	–
Derivative financial instruments	11	21,671,038	–

(i) Lease liabilities are a financial instrument, although they are outside the scope of certain parts of SFRS(I) 7/SFRS(I) 9. Lease liabilities are within scope for SFRS(I) 7 disclosure (except for disclosure of fair value) and within the scope of SFRS(I) 9 de-recognition.

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

(i) Trade and other receivables designated as at FVTPL

At the end of the reporting period, there are no significant concentrations of credit risk for trade and other receivables designated as at FVTPL.

The carrying amount reflected above represents the Group's maximum exposure to credit risk for such trade and other receivables.

As at 31 December 2020, the change in fair value attributable to changes in credit risk amounted to a positive of \$11,683,128 (31 December 2019 : a positive of \$62,256,735).

(ii) Credit derivatives over trade and other receivables at fair value

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

(iii) Financial liabilities designated as at FVTPL

As at 31 December 2020, the change in fair value attributable to changes in credit risk amounted to a positive of \$11,683,128 (31 December 2019 : a positive of \$62,256,735).

(iv) Difference between carrying amount and maturity amount

The carrying amounts of financial liabilities designated as at FVTPL approximate their maturity amounts.

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements that are in scope of the offsetting disclosure.

The Company does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

(c) Financial risk management policies and objectives

The Group's activities undertaken by its subsidiaries in each country of operations expose it to a range of financial risks. These include market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group has a system of controls in place to manage these risks to an acceptable level without stifling its business. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial instruments such as foreign currency borrowings, foreign exchange contracts and interest rate swaps to manage certain risk exposures.

Financial risk management of the Group is carried out by the Credit Committee and finance department of the Company and its respective subsidiaries. The Credit Committee approves the financial risk management policies of the Company and its subsidiaries. Management will review and approve inputs used in the valuation of these financial instruments carried at fair value. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures and these are reported to the Credit Committee.

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

(i) *Foreign exchange risk management*

Exposures to foreign currencies are monitored closely to ensure that there are no significant adverse financial effects to the Group from changes in the exchange rates. The Group manages significant net exposures in each of the foreign currencies through foreign currency borrowings and foreign exchange contracts.

The Group as a policy hedges all trade receivables and trade payables denominated in foreign currencies although it may from time to time have some short term exposures due to timing differences. The Group enters into forward foreign exchange contracts and foreign currencies borrowings to hedge its foreign currency risk.

The Group's exposure to foreign exchange risks arises from:

- dealing in securities denominated in foreign currencies;
- having assets and liabilities denominated in non-functional currencies;
- holding non-local currencies (primarily in United States dollar, Hong Kong dollar, Malaysian ringgit and Thai baht) for working capital purposes; and
- investments in foreign subsidiaries primarily in Hong Kong dollar, Malaysian ringgit and Thai baht, whose net assets are exposed to foreign exchange risk at the end of the reporting period.

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

	Singapore dollar \$	United States dollar \$	Hong Kong dollar \$	Malaysian ringgit \$	Thai baht \$	Others* \$
<b>At 31 December 2020</b>						
<b>Non-derivative financial assets</b>						
Cash and cash equivalents	4,942,220	76,170,947	9,032,298	19,471,951	145,108,631	204,327,063
Outstanding contracts receivable	2,508,041	127,718,796	536,044,273	69,263,855	107,107,222	68,164,048
Trade and other receivables	3,708,080	1,230,069,694	731,620,030	81,885,168	57,113,679	160,257,334
Other financial assets, at fair value through profit or loss	–	25,226,798	270	18,482,743	41,071,978	21,713,950
Other current assets	44,435	8,688,446	27,613,325	5,984,672	7,101,868	53,651,147
	<u>11,202,776</u>	<u>1,467,874,681</u>	<u>1,304,310,196</u>	<u>195,088,389</u>	<u>357,503,378</u>	<u>508,113,542</u>
<b>Non-derivative financial liabilities</b>						
Outstanding contracts payable	1,357,822	110,879,398	516,531,805	49,678,484	107,664,931	67,877,068
Trade and other payables	1,400,368	50,171,981	30,781,715	27,660,472	69,220,099	179,758,184
Borrowings	4,500,857	755,065,000	275,703,915	21,414,250	–	45,128,390
Debts issued	–	237,402,702	–	–	–	76,637,894
	<u>7,259,047</u>	<u>1,153,519,081</u>	<u>823,017,435</u>	<u>98,753,206</u>	<u>176,885,030</u>	<u>369,401,536</u>

# NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

	Singapore dollar \$	United States dollar \$	Hong Kong dollar \$	Malaysian ringgit \$	Thai baht \$	Others*
<b>At 31 December 2020</b>						
Net financial assets	3,943,729	314,355,600	481,292,761	96,335,183	180,618,348	138,712,006
Less: Net financial assets denominated in the respective entities' functional currencies	–	(867,986)	(407,223,819)	(122,920,297)	(141,496,126)	(34,674,826)
Intercompany balances	–	(136,931)	(13,140,219)	57,466,827	(3,500,786)	(139,253)
Currency forwards	56,115	3,048,155	8,889,965	658,900	2,675,709	1,199,466
Foreign currencies trust balances	–	(96,140,738)	(58,651,025)	(5,454,942)	(26,914,110)	(180,671,541)
Currency exposures	<u>3,999,844</u>	<u>220,258,100</u>	<u>11,167,663</u>	<u>26,085,671</u>	<u>11,383,035</u>	<u>(75,574,148)</u>

\* The Group's exposures to other currencies include exposures to Indonesian Rupiah, Australian Dollar, Sterling Pound and others.

	Singapore dollar \$	United States dollar \$	Hong Kong dollar \$	Malaysian ringgit \$	Thai baht \$	Others*
<b>At 31 December 2019</b>						
<b>Non-derivative financial assets</b>						
Cash and cash equivalents	5,812,981	65,337,626	27,090,207	37,558,999	92,742,659	114,698,207
Outstanding contracts receivable	32,049,471	62,150,928	198,942,352	37,434,197	45,073,312	41,501,656
Trade and other receivables	10,174,972	959,647,604	763,738,345	46,367,514	90,625,084	174,607,827
Other financial assets, at fair value through profit or loss	–	3,642,222	11,521,763	15	17,390,357	4,367,034
Other current assets	97,130	8,536,215	11,761,418	3,065,961	6,585,088	4,262,296
	<u>48,134,554</u>	<u>1,099,314,595</u>	<u>1,013,054,085</u>	<u>124,426,686</u>	<u>252,416,500</u>	<u>339,437,020</u>
<b>Non-derivative financial liabilities</b>						
Outstanding contracts payable	31,082,710	68,385,111	225,888,547	35,740,672	47,906,176	31,566,639
Trade and other payables	135,089	44,708,712	19,289,968	8,331,449	68,556,370	97,310,224
Borrowings	–	390,896,357	388,770,669	13,164,000	–	35,342,289
Debts issued	–	214,125,399	–	–	–	78,260,246
	<u>31,217,799</u>	<u>718,115,579</u>	<u>633,949,184</u>	<u>57,236,121</u>	<u>116,462,546</u>	<u>242,479,398</u>
Net financial assets	16,916,755	381,199,016	379,104,901	67,190,565	135,953,954	96,957,622
Less: Net financial assets denominated in the respective entities' functional currencies	–	(704,118)	(573,321,178)	(103,386,224)	(128,663,663)	(36,172,251)
Intercompany balances	–	(180,178)	252,755,059	53,806,393	(812,135)	(2,711,555)
Currency forwards	–	16,398,428	80,904	–	(13,106,790)	(7,465,301)
Foreign currencies trust balances	–	(133,019,275)	(55,458,516)	(1,580,793)	(6,720,831)	(81,452,078)
Currency exposures	<u>16,916,755</u>	<u>263,693,873</u>	<u>3,161,170</u>	<u>16,029,941</u>	<u>(13,349,465)</u>	<u>(30,843,563)</u>

\* The Group's exposures to other currencies include exposures to Indonesian Rupiah, Australian Dollar, Sterling Pound and others.

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

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

	Malaysian ringgit \$	United States dollar \$
<b>At 31 December 2020</b>		
<b>Financial assets</b>		
Cash and cash equivalents, representing net currency exposure	<u>1,422</u>	<u>611,040</u>
<b>At 31 December 2019</b>		
<b>Financial assets</b>		
Cash and cash equivalents, representing net currency exposure	<u>1,437</u>	<u>1,183,600</u>

*Foreign currency sensitivity*

A 5% strengthening of the relevant foreign currencies against the functional currency of each Group entity at the end of the reporting period would increase (decrease) profit after tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2020 Profit after tax \$	31 December 2019 Profit after tax \$
<u>The Group</u>		
Singapore dollar	165,994	744,337
United States dollar	9,140,711	11,602,530
Hong Kong dollar	463,458	139,091
Malaysian ringgit	1,082,555	705,317
Thai baht	<u>472,396</u>	<u>(587,377)</u>
<u>The Company</u>		
United States dollar	25,358	49,119
Malaysian ringgit	<u>59</u>	<u>60</u>

A 5% weakening of the relevant foreign currencies against the functional currency of each Group entity would have had the equal but opposite effect on profit after tax to the amounts shown above, on the basis that all other variables remain constant.

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

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

(ii) *Equity price risk management*

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

- any equity positions that its subsidiaries may have taken that offer the Group the opportunity for return through dividend income and fair value gains, but not including quoted equity securities that are held by the Group for the purpose of hedging clients' open positions;



## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

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

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

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

	<b>31 December 2020 Profit after tax \$</b>	31 December 2019 Profit after tax \$
<u>The Group</u>		
Listed in Singapore	<b>3,997</b>	703,949
Listed on other exchanges	<b>2,266,693</b>	157,184

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

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

### (iii) *Cash flow and fair value interest rate risk management*

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

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

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would increase/decrease by \$3,397,942 (31 December 2019 : \$3,531,128).



The tables below set out the Group and the Company's exposure to interest rate risks. Included in the tables are assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Variable rates less than 6 months \$	Fixed rates less than 6 months \$	Fixed rates more than 6 months \$	Non-interest bearing \$	Total \$
<u>The Group</u>					
<u>At 31 December 2020</u>					
<u>Financial assets</u>					
Cash and cash equivalents	346,635,948	17,080	–	163,296,044	509,949,072
Trade and other receivables	–	2,270,797,810	387,436,383	88,944,871	2,747,179,064
Other financial assets	–	38,700,949	–	1,279,368,968	1,318,069,917
Total financial assets	<u>346,635,948</u>	<u>2,309,515,839</u>	<u>387,436,383</u>	<u>1,531,609,883</u>	<u>4,575,198,053</u>
<u>Financial liabilities</u>					
Borrowings	6,841,743	1,163,560,681	–	–	1,170,402,424
Debts issued	–	149,740,060	164,300,535	–	314,040,595
Lease liabilities	–	2,728,983	12,154,368	–	14,883,351
Other financial liabilities	–	30,345,336	28,011,997	1,404,120,169	1,462,477,502
Total financial liabilities	<u>6,841,743</u>	<u>1,346,375,060</u>	<u>204,466,900</u>	<u>1,404,120,169</u>	<u>2,961,803,872</u>
<u>At 31 December 2019</u>					
<u>Financial assets</u>					
Cash and cash equivalents	353,999,833	6,045,820	–	89,107,248	449,152,901
Trade and other receivables	–	2,177,254,857	167,569,515	12,015,232	2,356,839,604
Other financial assets	–	21,311,318	525,987	686,990,981	708,828,286
Total financial assets	<u>353,999,833</u>	<u>2,204,611,995</u>	<u>168,095,502</u>	<u>788,113,461</u>	<u>3,514,820,791</u>
<u>Financial liabilities</u>					
Borrowings	887,067	828,573,316	–	–	829,460,383
Debts issued	–	124,820,615	167,565,029	–	292,385,644
Lease liabilities	–	2,740,751	15,746,219	–	18,486,970
Other financial liabilities	–	15,212,475	–	903,236,398	918,448,873
Total financial liabilities	<u>887,067</u>	<u>971,347,157</u>	<u>183,311,248</u>	<u>903,236,398</u>	<u>2,058,781,870</u>
<u>The Company</u>					
<u>At 31 December 2020</u>					
<u>Assets</u>					
Cash and cash equivalents	611,040	–	–	150,221	761,261
Other assets	–	–	198,315	262,841,250	263,039,565
Total financial assets	<u>611,040</u>	<u>–</u>	<u>198,315</u>	<u>262,991,471</u>	<u>263,800,826</u>
Total financial liabilities	<u>–</u>	<u>14,600,000</u>	<u>–</u>	<u>133,547,369</u>	<u>148,147,369</u>
<u>At 31 December 2019</u>					
<u>Assets</u>					
Cash and cash equivalents	1,183,600	–	–	329,082	1,512,682
Other assets	–	–	202,028	168,023,426	168,225,454
Total financial assets	<u>1,183,600</u>	<u>–</u>	<u>202,028</u>	<u>168,352,508</u>	<u>169,738,136</u>
Total financial liabilities	<u>–</u>	<u>400,000</u>	<u>–</u>	<u>137,490,654</u>	<u>137,890,654</u>

# NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

## (iv) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2020, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The following table contains an analysis of the Group's credit risk exposure of recognised and unrecognised financial instruments, subject to ECL, based on the following internal credit rating grades:

Category	Description
Investment grade	AAA-BBB
Non-investment grade	BB-CCC
Default	D

Internal credit rating derived using methodologies are generally consistent with those used by external agencies.

The tables below detail the credit quality of the Group's financial assets and other items:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
<u>Group</u>							
<u>31 December 2020</u>							
Cash and cash equivalents	6	A1-aa2	Investment grade	12m ECL	509,949,072	-	509,949,072
Outstanding contracts receivable	7(a)	n.a.	(i)	(i)	1,027,751,581	-	1,027,751,581
Trade and other receivables	8	n.a.	(ii)	(ii)	2,426,665,895	(2,403,569)	2,424,262,326
Other current assets	10	n.a.	Investment grade	12m ECL	112,433,608	-	112,433,608
						<u>(2,403,569)</u>	
<u>31 December 2019</u>							
Cash and cash equivalents	6	A1-aa2	Investment grade	12m ECL	449,152,901	-	449,152,901
Outstanding contracts receivable	7(a)	n.a.	(i)	(i)	570,935,167	-	570,935,167
Trade and other receivables	8	n.a.	(ii)	(ii)	2,020,991,295	(7,415,319)	2,013,575,976
Other current assets	10	n.a.	Investment grade	12m ECL	43,961,056	-	43,961,056
						<u>(7,415,319)</u>	

- (i) For outstanding contracts receivable, practical expedients have been employed to calculate the ECLs, where applicable. ECLs have been estimated to be immaterial, reflecting the short term nature of the portfolio and the benefit of collateral or other credit enhancements.
- (ii) For trade receivables, the Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

(v) *Credit risk management*

The Group has policies and controls in place to limit its exposure to single clients and single securities. These will also reduce its concentration risks. Some of the Company's subsidiaries have to comply with the rules of Singapore Exchange Securities Trading Ltd ("SGX-ST") and other Exchange rules to ensure that these subsidiaries conduct their businesses prudently.

The Credit Department monitors the Group's exposure to ensure compliance with the guidelines set by the Credit Committee. Trading limits are set for each client and each trading representative. In addition, limits are also set for each counter. The trading limits and outstanding trade positions are monitored daily and follow-up actions are taken promptly. The Credit Committee also meets regularly to review clients' and trading representatives' limits and trade positions.

The maximum amount the Company could be forced to settle under the financial guarantee contract in Note 34(b), if the full guaranteed amount is claimed by the counterparty to the guarantee is \$515,789,988 (31 December 2019 : \$780,055,688). Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses [Note 34(b)].

The Group employs a range of policies and practices to mitigate credit risk, the most common being the acceptance of collateral for trade receivables. The collateral held are predominantly quoted securities. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. There has been no change in the collateral policy of the Group during the year.

During the financial year, the value of marketable and non-marketable collaterals held as security for trade receivables are as follows:

	<b>31 December 2020</b>	31 December 2019
	\$	\$
Quoted securities	<b>22,698,889,513</b>	19,818,082,497
Cash	<b>9,318,556</b>	54,462
Bankers' guarantees	<b>590,000</b>	210,000
Others	<b>1,029,568,038</b>	834,075,912
	<b><u>23,738,366,107</u></b>	<u>20,652,422,871</u>

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

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

Certain trade receivables have been designated as the referenced assets for certain debts issued by the Group. The credit-linked clauses in the debts issued allow the Group to deliver the underlying referenced assets to the noteholders as full and final settlement upon the occurrence of a credit event (Note 22).

The carrying amount of financial assets recorded in the financial statements, less collateral held as security for trade receivables, represents the Group's net exposure to credit risk.

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

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

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

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

The table below is an analysis of trade receivables measured at amortised cost as at the end of the respective reporting periods:

### As at 31 December 2020

	<b>The Group</b>			
	<b>Not past due</b>	<b>1-30 days past due</b>	<b>More than 30 days past due</b>	<b>Total</b>
Expected loss rate	<b>&lt;0.02%</b>	<b>&lt;1%</b>	<b>100% based on net exposure</b>	
Gross carrying amount - Financial assets subject to expected credit loss provision	<b>2,071,688,572</b>	<b>350,297,681</b>	<b>4,679,642</b>	<b>2,426,665,895</b>
Loss allowance	<b>–</b>	<b>–</b>	<b>2,403,569</b>	<b>2,403,569</b>

### As at 31 December 2019

	<b>The Group</b>			
	<b>Not past due</b>	<b>1-30 days past due</b>	<b>More than 30 days past due</b>	<b>Total</b>
Expected loss rate	<b>&lt;0.02%</b>	<b>&lt;1%</b>	<b>100% based on net exposure</b>	
Gross carrying amount - Financial assets subject to expected credit loss provision	<b>1,801,121,763</b>	<b>210,667,446</b>	<b>9,202,086</b>	<b>2,020,991,295</b>
Loss allowance	<b>–</b>	<b>–</b>	<b>7,415,319</b>	<b>7,415,319</b>

The movement of loss allowance is determined to be as follows:

	<b>The Group</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
At beginning of the year	7,415,319	7,416,334
Currency translation difference	95,946	(12,856)
(Write back of) Allowance for trade receivables	(44,806)	81,493
Amount written off during the year	(5,062,890)	(69,652)
At end of the year	<u>2,403,569</u>	<u>7,415,319</u>

The above reconciliation is arising primarily from credit-impaired financial assets.

(vi) *Liquidity risk management*

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

The Group's current financial liabilities will all mature within one year. The Group's non-current financial liabilities have maturities between 2 to 4 years.

(vii) *Fair value of financial assets and financial liabilities*

The Group determines fair values of various financial assets and financial liabilities in the following manner:

**Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

# NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

Financial assets/ liabilities	Fair value as at (\$)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31 December 2020		31 December 2019				
	Assets	Liabilities	Assets	Liabilities			
Other financial assets, at fair value through profit or loss (see Note 9)							
Quoted equity securities	46,594,182	-	54,849,985	-	Level 1	Quoted bid prices of an active market.	N/A
Corporate bond	24,885,624	-	-	-	Level 1	Quoted bid prices of an active market.	N/A
Unquoted equity securities	207,773	-	212,004	-	Level 2	Discounted cash flow. Future cash flows are estimated based on contractual terms, discounted at rates based upon market-related rates for similar instruments as at the end of the reporting period.	N/A
Unquoted debt securities	33,204,565	-	17,178,353	-	Level 2	Discounted cash flow. Future cash flows are estimated based on contractual terms, discounted at rates based upon market-related rates for similar instruments as at the end of the reporting period.	N/A
Investment in fund	18,005,500	-	-	-	Level 3	Recent transaction price/NAV	N/A
Derivative financial instruments (see Note 11)							
Foreign currency forward contracts	12,328	33,449	31,708	11,025	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Equity derivatives	54,974,756	54,974,756	21,660,013	21,660,013	Level 2	Broker quotations.	N/A

Financial assets/ liabilities	Fair value as at (\$)				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31 December 2020		31 December 2019				
	Assets	Liabilities	Assets	Liabilities			
Trade and other receivables (see Note 8)							
Trade receivables designated as at fair value through profit or loss	322,916,738	-	343,263,628	-	Level 3	Discounted cash flow model/Transaction pricing including recent acquisition or transactions/non-binding broker quotation (Price-based [Note (a)]).	Comparable bond price/Broker quoted price, ranging from \$4.3 to \$100 per \$100 par value (31 December 2019 : \$1.1 to \$100 per \$100 par value).
Debts issued (see Note 22)							
Notes issued, designated as at fair value through profit or loss	-	284,875,280	-	292,385,644	Level 3	Fair value of underlying referenced assets.	Fair value of underlying referenced assets.
Trade and other payables (see Note 19)							
Trade payables, designated as at fair value through profit or loss	-	40,654,683	-	54,055,499	Level 3	Fair value of underlying referenced assets.	Fair value of underlying referenced assets.

- (a) The Group may also apply a price-based methodology, which utilises, where available, quoted prices or other market information obtained from recent trading activity in positions with the same or similar characteristics to the position being valued. The market activity and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the observability of prices from those markets. When less liquidity exists for a security or loan, the “price” inputs are considered unobservable and the fair value measurements are classified as Level 3 (see below).

A significant increase (decrease) in each of the unobservable input would result in a significantly higher (lower) fair value measurement.

## **Significant assumptions in determining fair value of financial assets and liabilities**

### Derivative financial instruments - at fair value through profit or loss

The Group uses widely recognised valuation models for determining fair values of over-the-counter interest rate swaps and forward foreign exchange contracts. The most frequently applied valuation technique includes forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. For equity derivative contracts, the Group measures their fair values based on broker quotations provided by external parties. These broker quotations are developed by independent external parties, which utilises observable market inputs such as volatility and exchange traded price of the underlying equity security. For these financial instruments, inputs used to derive the valuations are market observable and are therefore included within Level 2.

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

Trade receivables and structured liabilities which were designated as at fair value through profit or loss are categorised in Level 3 of the fair value hierarchy. The fair value of the trade receivables may be estimated from the market price on a similar recently executed transaction that the Group has entered into, valuations provided by an external valuation specialist or non-binding broker quotations obtained from an independent external party. Valuations provided by external valuation specialists and non-binding broker quotation are used as the primary basis for valuation when there is limited, or no, relevant market activity for a specific instrument or for other instruments that share similar characteristic. These valuations and non-binding broker quotations are developed by independent external parties, which are based on discounted cash flow model or inputs such as the last transaction price of illiquid quoted securities and recently executed transactions of similar assets to which the Group is not a party of. Broker quotations are typically used for the Group's structuring of any new structured transactions and also used by the Finance Department on a quarterly basis in determining if the fair value of these trade receivables is reasonable. On a periodic basis, the Group will obtain an understanding from the independent external valuation specialist and broker on the valuation techniques used in deriving the valuations and will also challenge any significant inputs or methods used. In addition, the Group will also assess for any changes in the underlying credit worthiness of these trade receivables using public information which will be used to validate the movement and consider for any adjustments to be made to the underlying trade receivables. Any adjustment to the fair value of the trade receivables would also result in an adjustment to the debts issued and trade payables with no resulting impact to the profit and loss. The fair value of the trade receivables will be adjusted for all changes in risks and information since that transaction date or non-binding broker quotations based on publicly available information if necessary. In 2020 and 2019, there has been no adjustment made to the external specialist valuations and non-binding broker quotations for determining the fair value of these trade receivables.

Debts issued comprise credit-linked notes underpinned by certain trade receivables designated as referenced assets. The credit-linked clauses in these notes allow the Group to deliver the underlying referenced assets to the noteholders as full and final settlement upon the occurrence of a credit event. The notes will be redeemed at carrying amount on the maturity date provided that there is no occurrence of a credit event. These notes can also be redeemed prior to maturity date, which are repayable on demand at the option of either the noteholder or the Group, through physical delivery of the underlying referenced assets. Trade payables to third parties designated as at fair value through profit or loss are fully funded loan participation and equity participation amounts that were received by the Group. Included in the loan participation and equity participation agreements are credit-linked clauses or delivery options that allow the Group to deliver the underlying referenced assets to the participants as full and final settlement at the Group's discretion. These notes and participation arrangements are designed to mitigate the Group's exposure to credit risk on the underlying referenced assets, and their fair values are determined with reference to the fair value of the underlying trade receivables held as assets.



## The Company

The Company had no financial assets or liabilities carried at fair value in 2020 and 2019.

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

## Reconciliation of Level 3 fair value measurements

	Financial assets mandatorily measured/ designated as at fair value through profit or loss \$	Financial liabilities designated as at fair value through profit or loss \$
<u>The Group</u>		
<u>2020</u>		
Opening balance	343,263,628	346,441,143
Disposals/settlements during the year	(127,414,525)	(127,569,461)
Additions during the year	116,259,624	98,708,322
Fair value changes recognised in profit or loss	8,813,511	7,949,959
Ending balance	<u>340,922,238</u>	<u>325,529,963</u>
<u>2019</u>		
Opening balance	216,261,306	216,246,159
Disposals/settlements during the year	(45,339,429)	(45,327,126)
Additions during the year	110,448,285	113,630,285
Fair value changes recognised in profit or loss	61,893,466	61,891,825
Ending balance	<u>343,263,628</u>	<u>346,441,143</u>

## Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

## (d) Capital risk management policies and objectives

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

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

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2020 and 2019.

The Group's overall strategy remains unchanged from 2019.

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

### 5 SIGNIFICANT RELATED PARTY TRANSACTIONS

- (a) The Group in the normal course of business acts as brokers in securities for certain related companies, directors of the Company and its subsidiaries and their connected persons. During the year, the Group has entered into the following trading transactions:

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
Commission income received from directors	<b>93,699</b>	15,119

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

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
Rental of premises paid/payable to a related party	(257,262)	(608,136)
Rental of premises received/receivable from a related party	<b>535,536</b>	535,536

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

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

- (b) Key management personnel compensation is as follows:

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
Salaries and other short-term employee benefits	23,877,350	13,491,177
Employer's contribution to defined contribution plans, including Central Provident Fund	<b>143,567</b>	128,916
	<b>24,020,917</b>	13,620,093

- (c) The Group has banking facilities from United Overseas Bank Limited Group (which is defined in the SGX-ST listing manual as a person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company) in the normal course of business. The outstanding borrowings as at 31 December 2020 and 31 December 2019 are disclosed in Note 20 to the financial statements.

## 6 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	\$	\$	\$	\$
Bank balances with:				
- Related parties [Note 5(c)]	153,575,981	167,611,593	761,261	1,512,682
- Non-related banks	356,326,568	275,464,386	-	-
Cash on hand	29,443	31,102	-	-
	<u>509,931,992</u>	<u>443,107,081</u>	<u>761,261</u>	<u>1,512,682</u>
Fixed deposits with:				
- Related parties [Note 5(c)]	-	5,307,500	-	-
- Non-related banks	17,080	738,320	-	-
	<u>17,080</u>	<u>6,045,820</u>	<u>-</u>	<u>-</u>
Cash and bank balances	<u>509,949,072</u>	<u>449,152,901</u>	<u>761,261</u>	<u>1,512,682</u>

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

Fixed deposits bear average effective interest rates of 0.13% (31 December 2019 : 5.55%) per annum and are for a tenure of approximately 26 days (31 December 2019 : 11 days).

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

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

	The Group	
	31 December 2020	31 December 2019
	\$	\$
Cash and bank balances (as above)	509,949,072	449,152,901
Less: Bank overdrafts (Note 20)	(6,841,743)	(887,067)
Cash and cash equivalents per consolidated statement of cash flows	<u>503,107,329</u>	<u>448,265,834</u>

## 7 OUTSTANDING CONTRACTS RECEIVABLE/PAYABLE

Outstanding contracts receivable and payable represent amounts receivable or payable in respect of trades which have been executed on an exchange prior to the end of the reporting period and have not been settled as at the end of the reporting period.

(a) Outstanding contracts receivable comprises the following:

	The Group	
	31 December 2020	31 December 2019
	\$	\$
Due from third parties	<u>1,027,751,581</u>	<u>570,935,167</u>

# NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

- (b) Outstanding contracts payable comprises the following:

	<b>The Group</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
Due to third parties	<b>964,431,693</b>	<b>546,675,381</b>

The carrying amounts of outstanding contracts receivable and payable approximate their fair values due to the relatively short-term maturity of these financial instruments.

## 8 TRADE AND OTHER RECEIVABLES

	<b>The Group</b>		<b>The Company</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade receivables from third parties:				
At amortised cost [Note 8(a)]	<b>2,426,665,895</b>	2,020,991,295	–	–
Designated as at fair value through profit or loss [Note 8(b)]	<b>322,916,738</b>	343,263,628	–	–
Less: Allowance for impairment of trade receivables individually assessed	<b>(2,403,569)</b>	(7,415,319)	–	–
	<b>2,747,179,064</b>	2,356,839,604	–	–
Other receivables from subsidiary:				
At amortised cost	–	–	<b>198,315</b>	202,028
	<b>2,747,179,064</b>	2,356,839,604	<b>198,315</b>	202,028
Current trade and other receivables (recoverable within 12 months)	<b>2,524,048,959</b>	2,311,657,098	–	–
Non-current trade and other receivables (recoverable after 12 months)	<b>223,130,105</b>	45,182,506	<b>198,315</b>	202,028
	<b>2,747,179,064</b>	2,356,839,604	<b>198,315</b>	202,028

- (a) Included in trade receivables at amortised cost are structured loans receivables amounting to \$49,410,390 (31 December 2019 : \$Nil), with maturity dates ranging from March 2021 to January 2025 (31 December 2019 : NA). These trade receivables bear effective interest rates ranging from 1.37% to 6.26% per annum (31 December 2019 : NA). These structured loan receivables have been designated as the referenced assets for certain debts issued by the Group (Note 22), or are subject to fully funded loan participation agreements where the related participation payables are recorded under trade payables to third parties at amortised cost (Note 19).

- (b) Included in trade receivables designated as at fair value through profit or loss are:

- (i) medium term notes and distressed debts purchased at a deep discount amounting to \$284,881,023 (31 December 2019 : \$292,390,129) with maturities ranging from March 2024 to February 2039 (31 December 2019 : June 2020 to February 2039). These medium term notes bear effective interest rates ranging from 2.12% to 12.00% per annum (31 December 2019 : 2.12% to 12.00% per annum). The effective interest rate realised for distressed debts is 15.73% per annum (31 December 2019 : 25.79% per annum). These medium term notes and distressed debts have been designated as the referenced assets for certain debts issued by the Group (Note 22) under certain structured transactions entered into by the Group, which have the carrying amount of \$284,875,280 (31 December 2019 : \$292,385,644) and maturities ranging from March 2024 to February 2039 (31 December 2019 : June 2020 to February 2039).

- (ii) structured loan receivables amounting to \$38,035,715 (31 December 2019 : \$50,873,499) with maturities ranging from April 2021 to December 2024 (31 December 2019 : from April 2020 to December 2024) that are subject to fully funded loan participation agreements. These structured loan receivables bear fixed interest rates ranging from 3.0% to 6.0% per annum (31 December 2019 : 1.5% to 6.0% per annum). The related participation payables are recorded under trade payables to third parties designated at fair value through profit or loss (Note 19), which have the carrying amount of \$38,033,140 (31 December 2019 : \$50,844,268) and maturities ranging from April 2021 to December 2024 (31 December 2019 : from April 2020 to December 2024).

The net exposure to credit risk from these trade receivables designated as the referenced assets is mitigated through the credit-linked clauses in the credit-linked notes and fully funded loan participation agreements. The notes and structured loan receivables will be redeemed at carrying amount on the maturity date provided that there is no occurrence of a credit event. They can also be redeemed prior to maturity date through physical delivery of the underlying referenced assets at the option of either the noteholder or the Group and are designed to mitigate the Group's exposure to credit risk on the underlying referenced assets. Given that the trade receivables have been designated as referenced assets, they have been classified as current assets consistent with the underlying liabilities.

Concentration of credit risk with respect to trade receivables is limited due to the Group's diversified customer base. Management believes that there is no anticipated additional credit risk beyond amount of allowance for impairment made in the Group's trade receivables. Trade receivables from third parties bear interest at market rates. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

At the end of the reporting period, the carrying amounts of trade and other receivables carried at amortised cost approximate their fair value due to the relatively short-term maturity or frequent repricing of the financial instruments. The exposure to interest rate risks of trade and other receivables is disclosed in Note 4(c)(iii).

## 9 OTHER FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>The Group</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
Trading securities		
Quoted securities:		
- Equity securities - Singapore	<b>16,692,827</b>	38,887,341
- Equity securities - Hong Kong	<b>270</b>	11,521,763
- Equity securities - Philippines	<b>1,071,864</b>	1,129,006
- Equity securities - Malaysia	<b>18,482,743</b>	15
- Equity securities - Indonesia	<b>2,621,573</b>	3,211,231
- Equity securities - Thailand	<b>7,659,639</b>	–
- Equity securities - Others	<b>65,266</b>	100,629
- Investment in a corporate bond – Hong Kong	<b>24,885,624</b>	–
Unquoted securities:		
- Debt securities - Thailand	<b>33,204,565</b>	17,178,353
- Equity securities - Thailand	<b>207,773</b>	212,004
Investment in fund - United Kingdom	<b>18,005,500</b>	–
	<b>122,897,644</b>	<b>72,240,342</b>
Current financial assets, at fair value through profit or loss	<b>121,621,562</b>	70,903,489
Non-current financial assets, at fair value through profit or loss	<b>1,276,082</b>	1,336,853
	<b>122,897,644</b>	<b>72,240,342</b>

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

Other financial assets, at fair value through profit or loss include investments in quoted equity securities and unquoted debt securities that offer the Group the opportunity for return through dividend income and fair value gains, as well as certain quoted equity securities that are held by the Group for the purpose of hedging clients' open positions. Except for the investment in corporate bond and unquoted debt securities, they have no fixed maturity or coupon rate. The fair values of the quoted equity securities and corporate bond are based on closing quoted market prices on the last market day of the financial year.

The fair values of the unquoted debt securities are computed on the discounted cash flow basis using discount rates based upon market-related rates for similar instruments as at the end of the reporting period. The investments in unquoted debt securities of \$33,204,565 (31 December 2019 : \$17,178,353), represents investments in debt securities of private sectors in Thailand. In 2020, the unquoted equity securities amounting to \$207,773 (31 December 2019 : \$212,004) in Thailand represent an overseas subsidiary's subscription to shares in a non-listed company set up by an overseas exchange in 1996. The fair value of the investment in fund is based on its recent transaction price.

### 10 OTHER CURRENT ASSETS

	<b>The Group</b>		<b>The Company</b>	
	<b>31 December</b>	31 December	<b>31 December</b>	31 December
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Amounts due from subsidiaries [Note 10(a)]	–	–	<b>262,781,226</b>	167,858,402
Deposits [Note 10(b)]	<b>40,835,187</b>	30,936,020	–	–
Prepayments	<b>4,217,765</b>	4,289,153	<b>4,500</b>	4,500
Amounts deposited with lenders of securities [Note 10(c)]	<b>3,146,711</b>	3,046,711	–	–
Other receivables	<b>68,451,710</b>	9,978,325	<b>60,024</b>	165,024
	<b>116,651,373</b>	48,250,209	<b>262,845,750</b>	168,027,926

- (a) The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.
- (b) Included in deposits is an amount of \$2,349,673 (31 December 2019 : \$1,612,241) placed by a subsidiary as collateral with The Central Depository (Pte) Limited by virtue of the subsidiary being a clearing member of the Singapore Exchange Securities Trading Limited (Note 33).
- (c) Securities borrowing and lending contracts

	<b>The Group</b>	
	<b>31 December</b>	31 December
	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
<u>Securities borrowed</u>		
Securities borrowed from lenders, at fair value:		
- Lent to clients	<b>1,201,123</b>	839,788
<u>Securities lent</u>		
Securities lent to clients, at fair value:		
- Borrowed from lenders	<b>1,201,123</b>	839,788

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

## 11 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group			
	31 December 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
	\$	\$	\$	\$
Forward foreign exchange contracts	12,328	33,449	31,708	11,025
Equity derivatives	54,974,756	54,974,756	21,660,013	21,660,013
	<u>54,987,084</u>	<u>55,008,205</u>	<u>21,691,721</u>	<u>21,671,038</u>

### Forward foreign exchange contracts

In order to manage the risks arising from fluctuations in currency exchange rates, the Group utilises forward foreign exchange contracts with settlement dates ranging between 4 to 6 days (31 December 2019 : 2 to 55 days).

Forward foreign exchange contracts are entered into from time to time to manage exposure to fluctuations in foreign currency exchange rates on trade receivables and payables.

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

	Contract or underlying principal amount		Gross positive fair value		Gross negative fair value		Settlement dates of open contracts	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$		
Forward foreign exchange contracts	<u>18,276,222</u>	<u>20,704,340</u>	<u>12,328</u>	<u>31,708</u>	<u>33,449</u>	<u>11,025</u>	Within one week after end of the reporting period	Within two weeks after end of the reporting period.

### Equity derivatives

Equity derivative financial instruments arises from customer transactions and are covered back-to-back by offsetting transactions with third party issuers.

The contractual or underlying principal amounts of these equity derivative financial instruments and their corresponding gross fair values at the end of the reporting period are shown below:

	Contract or underlying principal amount		Gross positive fair value		Gross negative fair value		Settlement dates of open contracts	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$		
Equity derivatives	<u>568,543,485</u>	<u>367,454,097</u>	<u>54,974,756</u>	<u>21,660,013</u>	<u>54,974,756</u>	<u>21,660,013</u>	Within 2 years after end of the reporting period	Within 2 years after end of the reporting period.

# NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

## 12 GOODWILL

	The Group \$
<b>Cost:</b>	
At 1 January 2019	22,147,175
Exchange differences	1,036,988
At 31 December 2019	23,184,163
Goodwill arising from acquisition of business (Note 38)	<b>1,144,700</b>
Exchange differences	<b>(296,231)</b>
At 31 December 2020	<b>24,032,632</b>
<b>Impairment:</b>	
At 1 January 2019	(7,322,221)
Impairment loss (Note 28)	(1,246,173)
At 31 December 2019	(8,568,394)
Impairment loss (Note 28)	<b>(763,591)</b>
At 31 December 2020	<b>(9,331,985)</b>
<b>Carrying amount:</b>	
At 31 December 2020	<b>14,700,647</b>
At 31 December 2019	14,615,769

Goodwill arose in the acquisitions entered into by the Group in prior and current years because the cost of combination included the benefits of a larger client base, future market developments and revenue growth. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

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

	The Group	
	31 December 2020 \$	31 December 2019 \$
Thailand [Note 12(a)]	19,187,285	19,483,516
Malaysia [Note 12(b)]	4,845,347	3,700,647
	<b>24,032,632</b>	23,184,163

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

The recoverable amounts of the CGUs are determined based on value-in-use calculations.

The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management. The key assumptions used in the calculation of value-in-use are operating profit margins, growth rates and discount rates.

- (a) Cash flow forecasts from the Thailand CGU are based on an estimated profit margin of 33.35% (31 December 2019 : 22.16%), estimated growth rate of 1.50% (31 December 2019 : 4.82%) and weighted average cost of capital of 8.50% (31 December 2019 : rate of return of 1.49%) per annum.



As at 31 December 2020 and 31 December 2019, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGU.

As at 31 December 2020, before impairment testing, goodwill of \$19.2 million (31 December 2019 : \$19.5 million) was allocated to the Thailand CGU. Accumulated impairment loss as of 31 December 2020 was \$5.6 million (31 December 2019 : \$4.8 million).

In 2020 and 2019, due to resignation of marketing officers transferred from the previous acquisitions, the Group has revised its cash flow forecasts for this CGU. The Thailand CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of \$0.8 million (31 December 2019 : \$1.2 million).

- (b) Goodwill allocated to the Malaysia CGU includes the business of a financial advisory company in Malaysia which is licensed under both Bank Negara Malaysia and Securities Commission of Malaysia that was acquired during the year.

### 13 OTHER INTANGIBLE ASSETS

	Customer portfolio database \$
<u>The Group</u>	
<b>Cost:</b>	
At 1 January 2019	–
Additions	2,277,314
At 31 December 2019 and 2020	<u>2,277,314</u>
<b>Amortisation:</b>	
At 1 January 2019	–
Amortisation for the year (Note 28)	(188,462)
At 31 December 2019	(188,462)
Amortisation for the year (Note 28)	(1,193,628)
At 31 December 2020	<u>(1,382,090)</u>
<b>Carrying amount:</b>	
At 31 December 2020	<u>895,224</u>
At 31 December 2019	<u>2,088,852</u>

### 14 SUBSIDIARIES

	The Company	
	31 December 2020	31 December 2019
	\$	\$
<u>Equity investments at cost</u>		
At beginning of the year	364,867,820	364,205,022
Additions during the year	–	662,798
Disposals during the year	(1,007,334)	–
At end of the year	<u>363,860,486</u>	<u>364,867,820</u>

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

Details of subsidiaries are included in Note 36 to the financial statements. Disposal in 2020 represents liquidation of UOB Kay Hian (Australia) Pty Ltd.

The following schedule shows the effect of changes in the Group's ownership interest in a subsidiary, UOB Kay Hian Securities (Thailand) Public Company Limited, that did not result in a change of control on the equity attributable to owners of the parent.

	<b>The Group</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
Amounts paid to acquire additional interest in a subsidiary	<b>146,805</b>	160,436
Non-controlling interest acquired	<b>(399,703)</b>	(299,646)
Statutory reserve transferred from non-controlling interest	<b>5,942</b>	4,472
Difference recognised in equity reserve	<b>(246,956)</b>	(134,738)
Total movement in equity reserve (Note 24)	<b>(246,956)</b>	(134,738)

### 15 RIGHT-OF-USE ASSETS

The Group leases several assets including buildings, office space and motor vehicles. The average lease term is 3 years (2019 : 3 years).

	<b>Buildings and office space \$</b>	<b>Motor Vehicles \$</b>	<b>Total \$</b>
<u>The Group</u>			
<b>Cost:</b>			
At 1 January 2019	4,201,656	113,603	4,315,259
Additions	17,467,847	101,382	17,569,229
Currency translation differences	152,929	10,515	163,444
At 31 December 2019	21,822,432	225,500	22,047,932
Additions	<b>2,536,529</b>	–	<b>2,536,529</b>
Currency translation differences	<b>(379,081)</b>	<b>(4,500)</b>	<b>(383,581)</b>
At 31 December 2020	<b>23,979,880</b>	<b>221,000</b>	<b>24,200,880</b>
<b>Accumulated depreciation:</b>			
At 1 January 2019	–	–	–
Depreciation	(4,032,623)	(49,148)	(4,081,771)
Currency translation differences	(29,705)	(1,139)	(30,844)
At 31 December 2019	(4,062,328)	(50,287)	(4,112,615)
Depreciation	<b>(6,027,256)</b>	<b>(54,043)</b>	<b>(6,081,299)</b>
Currency translation differences	<b>150,862</b>	<b>681</b>	<b>151,543</b>
At 31 December 2020	<b>(9,938,722)</b>	<b>(103,649)</b>	<b>(10,042,371)</b>
<b>Carrying amount:</b>			
At 31 December 2020	<b>14,041,158</b>	<b>117,351</b>	<b>14,158,509</b>
At 31 December 2019	17,760,104	175,213	17,935,317

During the year ended 31 December 2020, certain leases for buildings and office space expired. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of \$2,536,529 (31 December 2019 : \$17,569,229).

## 16 TRADING RIGHTS IN EXCHANGES/MEMBERSHIPS IN EXCHANGES

### (a) Trading rights in Exchanges

	<b>The Group</b>	
	<b>31 December</b>	31 December
	<b>2020</b>	2019
	\$	\$
Trading rights in The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited and Philippines Stock Exchange, Inc. at cost less accumulated impairment losses	<b>95,388</b>	94,842

There is no impairment loss recognised for the year ended 31 December 2020 and 31 December 2019.

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

<u>The Group</u>	\$
At 1 January 2019	94,535
Currency translation differences	307
At 31 December 2019	94,842
Currency translation differences	<b>546</b>
At 31 December 2020	<b>95,388</b>

### (b) Memberships in Exchanges

	<b>The Group</b>	
	<b>31 December</b>	31 December
	<b>2020</b>	2019
	\$	\$
Memberships in The Stock Exchange of Thailand, Jakarta Stock Exchange, at amortised cost less accumulated impairment losses	<b>235,648</b>	240,458

There is no impairment loss recognised for the year ended 31 December 2020 and 31 December 2019.

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

<u>The Group</u>	\$
At 1 January 2019	224,945
Currency translation differences	15,513
At 31 December 2019	240,458
Currency translation differences	<b>(4,810)</b>
At 31 December 2020	<b>235,648</b>

NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

		Buildings	Leasehold land	Leasehold improvements	Furniture, fittings and office equipment	Computer equipment and software	Communication equipment	Motor vehicles	Total
		\$	\$	\$	\$	\$	\$	\$	\$
The Group									
<b>Cost:</b>									
At 1 January 2019		35,077,508	35,836,164	13,613,194	9,371,936	37,359,844	2,006,675	2,121,900	135,387,221
Additions		-	-	3,200,442	769,526	7,361,850	31,734	604,716	11,968,268
Disposals		-	-	(2,928,463)	(801,887)	(2,628,382)	(489,810)	(557,621)	(7,406,163)
Currency translation differences		(2,024)	(613)	339,515	99,899	772,562	532	99,556	1,309,427
At 31 December 2019		35,075,484	35,835,551	14,224,688	9,439,474	42,865,874	1,549,131	2,268,551	141,258,753
Additions		-	-	328,612	206,894	4,902,894	23,707	85,657	5,547,764
Disposals		-	-	(783,240)	(138,434)	(1,777,788)	-	(85,739)	(2,785,201)
Currency translation differences		2,833	858	(136,897)	(41,734)	(353,124)	(10,269)	(30,398)	(568,731)
Acquisition of business (Note 38)		-	-	10,272	20,908	35,640	-	-	66,820
At 31 December 2020		35,078,317	35,836,409	13,643,435	9,487,108	45,673,496	1,562,569	2,238,071	143,519,405
<b>Accumulated depreciation:</b>									
At 1 January 2019		23,169,969	23,358,888	11,245,026	8,239,916	29,115,979	1,968,150	1,600,132	98,698,060
Depreciation charge		2,411,127	2,548,484	833,954	364,168	3,778,017	21,486	254,588	10,211,824
Disposals		-	-	(2,866,021)	(774,312)	(2,598,244)	(482,964)	(464,253)	(7,185,794)
Currency translation differences		(1,207)	(5)	212,934	87,458	508,264	77	82,963	890,484
At 31 December 2019		25,579,889	25,907,367	9,425,893	7,917,230	30,804,016	1,506,749	1,473,430	102,614,574
Depreciation charge		2,411,003	2,548,482	1,280,374	493,736	4,999,662	17,277	280,566	12,031,100
Disposals		-	-	(650,310)	(111,906)	(1,760,389)	-	(85,739)	(2,608,344)
Currency translation differences		1,889	10	(79,186)	(38,887)	(263,945)	(9,686)	(16,759)	(406,564)
At 31 December 2020		27,992,781	28,455,859	9,976,771	8,260,173	33,779,344	1,514,340	1,651,498	111,630,766
<b>Carrying amount:</b>									
At 31 December 2020		7,085,536	7,380,550	3,666,664	1,226,935	11,894,152	48,229	586,573	31,888,639
At 31 December 2019		9,495,595	9,928,184	4,798,795	1,522,244	12,061,858	42,382	795,121	38,644,179

The Group has pledged property, plant and equipment having a carrying amount of approximately \$8.5 million (31 December 2019 : \$9.3 million) to secure banking facilities granted to the Group (Note 20).

## 18 DEFERRED TAX

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

	<b>The Group</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
Deferred tax assets	<b>1,538,667</b>	<b>1,477,774</b>
Deferred tax liabilities	<b>(2,303,722)</b>	<b>(2,193,349)</b>

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

	<b>Fair value losses/ Actuarial losses</b>	<b>Tax losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>The Group</u>			
<i>Deferred tax assets</i>			
At 1 January 2019	28,256	1,022,918	1,051,174
Credited to profit or loss (Note 29)	–	334,005	334,005
Currency translation differences	67,342	222	67,564
Defined benefit plans (Note 29)	25,031	–	25,031
At 31 December 2019	120,629	1,357,145	1,477,774
Credited to profit or loss (Note 29)	–	152,542	152,542
Currency translation differences	(28,765)	(130)	(28,895)
Defined benefit plans (Note 29)	(62,754)	–	(62,754)
At 31 December 2020	<b>29,110</b>	<b>1,509,557</b>	<b>1,538,667</b>

	<b>Fair value (gains) losses</b>	<b>Accelerated tax depreciation</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>The Group</u>			
<i>Deferred tax liabilities</i>			
At 1 January 2019	(336,124)	(1,009,675)	(1,345,799)
Charged to profit or loss (Note 29)	–	(793,299)	(793,299)
Currency translation differences	(6,826)	(47,425)	(54,251)
At 31 December 2019	(342,950)	(1,850,399)	(2,193,349)
Charged to profit or loss (Note 29)	–	(122,192)	(122,192)
Currency translation differences	(118,002)	129,821	11,819
At 31 December 2020	<b>(460,952)</b>	<b>(1,842,770)</b>	<b>(2,303,722)</b>

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits are probable. The Group has unrecognised tax losses of \$57.9 million (31 December 2019 : \$81.2 million) at the end of the reporting period, which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those subsidiaries with unrecognised tax losses and capital allowances in their respective countries of incorporation. Included in unrecognised tax losses are losses of \$55.1 million (31 December 2019 : \$76.6 million) that will expire in 2025. Other losses have no expiry date. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately \$37.5 million (31 December 2019 : \$32.8 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

### 19 TRADE AND OTHER PAYABLES

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2020	2019	2020	2019
	\$	\$	\$	\$
Trade payables to third parties:				
At amortised cost	257,981,408	237,893,817	–	–
Participation trade payables:				
At amortised cost	20,324,190	–	–	–
Designated as at fair value through profit or loss	40,654,683	54,055,499	–	–
Accrued operating expenses	99,065,688	48,562,748	6,509,659	2,712,925
Amount due to subsidiaries	–	–	127,037,710	134,777,729
Other payables	25,011,632	9,590,390	–	–
	<b>443,037,601</b>	<b>350,102,454</b>	<b>133,547,369</b>	<b>137,490,654</b>
Analysed as:				
Current	415,025,607	350,102,454	133,547,369	137,490,654
Non-current	28,011,994	–	–	–
	<b>443,037,601</b>	<b>350,102,454</b>	<b>133,547,369</b>	<b>137,490,654</b>

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

Participation trade payables comprise of fully funded loan participation and equity participation amounts that were received by the Group. The related loan participation and equity participation agreements include credit-linked clauses or delivery options that allow the Group to deliver the underlying referenced assets to the participants as full and final settlement at the Group's discretion. The loan participation agreements will be terminated on the maturity date. The referenced assets underpinning these participation trade payables have carrying amount of \$58,359,905 (31 December 2019 : \$50,873,499) in trade receivables (Note 8), and \$2,621,543 (31 December 2019 : \$3,211,231) in other financial assets, at FVTPL (Note 9). The carrying amounts of these participation trade payables, which are repayable on demand, approximate the fair values of the underlying referenced assets.

Accrued operating expenses include the employee benefit obligations amounting to \$5,354,189 (31 December 2019 : \$5,520,066) and \$1,354,203 (31 December 2019 : \$1,042,070) arising from post-employment benefit plans operated under Thailand Labour Protection Act and Indonesia Labour Law respectively by subsidiaries of the Company. Details of the relevant information of employee benefit obligations are set out in Note 37 to the financial statements.

The carrying amounts of trade and other payables approximate their fair values.

## 20 BORROWINGS

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	\$	\$	\$	\$
<i>Current</i>				
Bank overdrafts:				
- with related parties [Note 5(c)]	<b>6,841,743</b>	887,067	-	-
Short-term bank loans:				
- with related parties [Note 5(c)]	<b>675,516,257</b>	775,913,827	<b>14,600,000</b>	400,000
- with non-related banks	<b>488,044,424</b>	52,659,489	-	-
	<b>1,163,560,681</b>	828,573,316	<b>14,600,000</b>	400,000
Total borrowings	<b>1,170,402,424</b>	829,460,383	<b>14,600,000</b>	400,000

The carrying amounts of borrowings approximate their fair values.

Short-term bank loan of the Company with a related party bears effective interest rate of 1.08% per annum (31 December 2019 : 2.59% per annum). It is secured with a fixed charge over immovable fixed assets and a floating charge over all assets of the Company, and is due within 1 month (31 December 2019 : 1 month) from the end of the reporting period.

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

### 31 December 2020

#### Short-term bank loans

\$	Weighted average effective interest rates	Security, if any	Maturity
<b>Balances with related parties</b>			
<b><u>668,927,257</u></b>	<b>0.82% per annum</b>	<b>A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary.</b>	<b>Due within 1 month from the end of the reporting period.</b>
<b><u>6,589,000</u></b>	<b>2.59% per annum</b>	<b>Unsecured</b>	<b>Due within 2 months from the end of the reporting period.</b>
<b>Balances with non-related banks</b>			
<b><u>473,219,174</u></b>	<b>1.01% per annum</b>	<b>A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary.</b>	<b>Due within 1 month from the end of the reporting period.</b>
<b><u>14,825,250</u></b>	<b>2.69% per annum</b>	<b>Unsecured</b>	<b>Due within 1 month from the end of the reporting period.</b>



# NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

## 31 December 2019

### Short-term bank loans

\$	Weighted average effective interest rates	Security, if any	Maturity
<b>Balances with related parties</b>			
<u>775,913,827</u>	3.66% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary.	Due within 2 months from the end of the reporting period.
<b>Balances with non-related banks</b>			
<u>39,495,489</u>	1.69% per annum	A fixed charge over immovable fixed assets and a floating charge over all assets of a subsidiary.	Due within 1 month from the end of the reporting period.
<u>13,164,000</u>	4.17% per annum	Unsecured	Due within 1 month from the end of the reporting period.

### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Non-cash changes					
	1 January 2020	Financing cash flows	New lease liabilities	Foreign exchange movement	Other changes (i)	31 December 2020
	\$	\$	\$	\$	\$	\$
<u>The Group</u>						
Short-term bank loans:						
- with related parties [Note 5(c)]	775,913,827	(100,397,570)	–	–	–	675,516,257
- with non-related banks	52,659,489	435,384,935	–	–	–	488,044,424
	828,573,316	334,987,365	–	–	–	1,163,560,681
Lease liabilities (Note 21)	18,486,970	(5,353,163)	2,536,529	(1,500,540)	713,555	14,883,351
	<u>847,060,286</u>	<u>329,634,202</u>	<u>2,536,529</u>	<u>(1,500,540)</u>	<u>713,555</u>	<u>1,178,444,032</u>

	Non-cash changes					
	1 January 2019	Financing cash flows	New lease liabilities	Foreign exchange movement	Other changes (i)	31 December 2019
	\$	\$	\$	\$	\$	\$
<u>The Group</u>						
Short-term bank loans:						
- with related parties [Note 5(c)]	739,131,938	36,781,889	–	–	–	775,913,827
- with non-related banks	232,776,940	(180,117,451)	–	–	–	52,659,489
	971,908,878	(143,335,562)	–	–	–	828,573,316
Lease liabilities (Note 21)	4,315,259	(3,449,771)	17,554,097	163,444	(96,059)	18,486,970
	<u>976,224,137</u>	<u>(146,785,333)</u>	<u>17,554,097</u>	<u>163,444</u>	<u>(96,059)</u>	<u>847,060,286</u>

(i) Other changes include interest accruals.

## 21 LEASE LIABILITIES

	The Group	
	31 December 2020	31 December 2019
	\$	\$
<i>Maturity analysis:</i>		
Year 1	6,128,346	6,137,890
Year 2	4,854,650	5,230,998
Year 3	3,094,146	4,080,397
Year 4	1,874,686	2,877,602
Year 5	–	1,902,166
	<b>15,951,828</b>	<b>20,229,053</b>
Less: Unearned interest	<b>(1,068,477)</b>	<b>(1,742,083)</b>
	<b>14,883,351</b>	<b>18,486,970</b>
Analysed as:		
Current	5,457,966	5,481,503
Non-current	9,425,385	13,005,467
	<b>14,883,351</b>	<b>18,486,970</b>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's Finance function.

## 22 DEBTS ISSUED

	The Group	
	31 December 2020	31 December 2019
	\$	\$
Notes issued:		
At amortised cost	29,165,315	–
Designated as at fair value through profit or loss	284,875,280	292,385,644
	<b>314,040,595</b>	<b>292,385,644</b>

In 2010, the Group established a USD1,000,000,000 multi-currency structured note programme arranged by a related party in which the Group may raise funds through the issuance of notes from time to time under the programme. The terms and conditions of notes issued, have taken into consideration the terms and conditions of the corresponding underlying referenced assets (Note 8).

These notes were issued at par with maturities ranging from March 2024 to February 2039 (31 December 2019 : June 2020 to February 2039) under certain structured transactions entered into by the Group. The credit-linked clauses in the notes allow the Group to deliver the underlying referenced assets [Note 8(a) and 8(b)] to the noteholders as full and final settlement upon the occurrence of a credit event. The notes will be redeemed at carrying amount on the maturity date provided that there is no occurrence of a credit event. These notes can also be redeemed prior to maturity date through physical delivery of the underlying referenced assets at the option of either the noteholder or the Group and are designed to mitigate the Group's exposure to credit risk on the underlying referenced assets. The referenced assets underpinning these notes have carrying amount of \$313,967,223 (31 December 2019 : \$292,390,129) and maturities ranging from March 2024 to February 2039 (31 December 2019 : June 2020 to February 2039).

The notes with medium term notes as their underlying referenced assets bear effective interest rate ranging from 2.12% to 11.50% per annum in 2020 (31 December 2019 : 2.12% to 11.50% per annum). The effective interest rates realised for the notes with distressed debts as their underlying referenced assets is 18.21% per annum (31 December 2019 : 24.24% per annum).

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

The carrying amounts of debts issued, which are repayable on demand, approximate the fair values of the underlying referenced assets (Note 8).

### 23 SHARE CAPITAL

	The Group and The Company			
	2020	2019	2020	2019
	Number of ordinary shares		\$	\$
Issued and paid up:				
At beginning of the year	821,680,133	806,195,039	201,500,384	184,265,474
Issue of shares pursuant to Scrip Dividend Scheme (Note 32)	15,286,038	15,485,094	16,386,634	17,234,910
At end of the year	<u>836,966,171</u>	<u>821,680,133</u>	<u>217,887,018</u>	<u>201,500,384</u>

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

### 24 RESERVES

	The Group	
	31 December 2020	31 December 2019
	\$	\$
Foreign currency translation reserves [Note 24(a)]	(29,466,893)	(18,204,991)
Statutory reserve [Note 24(b)]	2,058,391	2,089,169
Equity reserve [Note 24(c)]	<u>1,824,847</u>	<u>1,577,891</u>
	<u>(25,583,655)</u>	<u>(14,537,931)</u>

#### (a) Foreign currency translation reserves

Foreign currency translation reserves represent exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Singapore dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of foreign currency translation reserves.

#### (b) Statutory reserve

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

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

#### (c) Equity reserve

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

## 25 REVENUE

	The Group	
	2020	2019
	\$	\$
Commission income	400,534,080	200,990,090
Trading income	7,949,410	11,895,349
Interest income:		
- fixed deposits with related parties [Note 5(c)]	4,990,855	6,823,968
- fixed deposits with non-related banks	22,038,526	18,415,947
- clients	71,280,782	73,213,915
- others	2,440,895	2,751,004
	100,751,058	101,204,834
Interest income from financial instruments designated as at fair value through profit or loss	27,531,581	27,136,901
Dividend income from quoted/unquoted securities	834,334	1,237,180
Facility, shares withdrawal and arrangement fees	27,910,422	14,970,442
Advisory fees	7,620,278	4,827,040
Other operating revenue	14,461,883	10,459,861
	<b>587,593,046</b>	<b>372,721,697</b>

## 26 STAFF COSTS

	The Group	
	2020	2019
	\$	\$
Wages, salaries and other staff costs	169,058,351	117,383,241
Less: Wage support from Government grant	(10,333,534)	–
Employers' contribution to employee benefit plans including Central Provident Fund	6,866,471	6,943,213
	<b>165,591,288</b>	<b>124,326,454</b>

In 2020, the Group received wage support for Singapore and Hong Kong employees under Jobs Support Scheme from the Singapore Government and Anti-Epidemic Fund from the Hong Kong Government as part of the Governments' measures to support businesses during the period of economic uncertainty impacted by COVID-19. Government grant income of \$10,333,534 was recognised during the year and is presented net against the related salary costs.

## 27 FINANCE EXPENSE

	The Group	
	2020	2019
	\$	\$
Interest expense:		
- borrowings from related parties [Note 5(c)]	10,729,555	14,842,520
- borrowings from non-related banks	2,412,085	3,128,443
- debts issued	28,265,679	25,976,413
- lease liabilities	713,555	339,599
- others	8,826,192	4,530,293
	<b>50,947,066</b>	<b>48,817,268</b>

# NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

## 28 OTHER OPERATING EXPENSES

	The Group	
	2020	2019
	\$	\$
Net fair value loss/(gain) on other financial assets, at fair value through profit or loss	3,047,289	(1,027,387)
Expense relating to short-term leases and low value assets	1,907,140	7,068,767
Marketing and business promotions	4,620,296	5,773,379
Communication expenses	23,594,080	20,984,916
Contract processing charges	1,396,379	594,067
Information services	9,231,269	8,279,569
Depreciation expenses:		
- property, plant and equipment (Note 17)	12,031,100	10,211,824
- right-of-use asset (Note 15)	6,081,299	4,081,771
Net loss/(gain) on disposal of property, plant and equipment	129,412	(15,684)
Amortisation of other intangible assets (Note 13)	1,193,628	188,462
Impairment of goodwill (Note 12)	763,591	1,246,173
Audit fees:		
- paid to auditor of the Company	184,387	209,537
- paid to other auditors	553,626	527,208
Non-audit fees:		
- paid to auditor of the Company	88,999	66,704
- paid to other auditors	15,406	17,844
Maintenance and rental of office equipment	2,152,898	2,424,064
Printing and stationery	1,030,627	996,959
(Write back of)/Allowance for trade receivables	(44,806)	81,493
Other staff cost	7,338,919	6,665,270
General administrative expenses	12,897,728	12,521,924
	<b>88,213,267</b>	<b>80,896,860</b>

## 29 INCOME TAX EXPENSE

Income tax recognised in profit or loss:

	The Group	
	2020	2019
	\$	\$
Tax expense comprises:		
Current income tax:		
- Singapore	18,154,809	7,469,996
- Foreign	5,098,578	1,249,630
	<b>23,253,387</b>	<b>8,719,626</b>
Deferred income tax (Note 18)	(30,350)	459,294
	<b>23,223,037</b>	<b>9,178,920</b>
Over provision in prior years:		
- current income tax	-	(18,473)
- deferred income tax	(2,810)	-
	<b>23,220,227</b>	<b>9,160,447</b>

Domestic income tax is calculated at 17% (2019 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit as follows:

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Profit before income tax	<b>183,930,627</b>	<b>78,442,016</b>
Income tax expense calculated at 17% (2019 : 17%)	<b>31,268,207</b>	<b>13,335,143</b>
Effects of:		
- Singapore statutory stepped income exemption and tax rebate	<b>(129,700)</b>	<b>(129,700)</b>
- Income not subject to tax	<b>(8,282,656)</b>	<b>(8,473,041)</b>
- Expenses not deductible for tax purposes	<b>3,555,755</b>	<b>4,125,649</b>
- Utilisation of previously unused tax losses	<b>(5,020,565)</b>	<b>-</b>
- Tax benefits on tax losses and other temporary differences not recognised	<b>63,370</b>	<b>65,811</b>
- Different tax rates of subsidiaries operating in other jurisdictions	<b>1,704,997</b>	<b>280,286</b>
- Others	<b>60,819</b>	<b>(43,701)</b>
	<b>23,220,227</b>	<b>9,160,447</b>

Income tax relating to each component of other comprehensive income:

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Deferred income tax:		
Actuarial movements on defined benefit plans (Note 18)	<b>(62,754)</b>	<b>25,031</b>

### 30 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial gain (loss) on defined benefit plans	<b>322,759</b>	<b>(100,124)</b>
Deferred tax (liability) asset arising on actuarial gain (loss)	<b>(62,754)</b>	<b>25,031</b>
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	<b>(11,613,882)</b>	<b>7,470,060</b>
Other comprehensive income for the year, net of tax	<b>(11,353,877)</b>	<b>7,394,967</b>

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

### 31 EARNINGS PER SHARE

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

	2020	2019
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<u>\$159,413,509</u>	<u>\$69,185,867</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>829,657,273</u>	<u>814,383,048</u>
Basic earnings per share	<u>19.21 cents</u>	<u>8.49 cents</u>

Diluted earnings per share is equal to basic earnings per share as there are no potential ordinary shares outstanding as at 31 December 2020 and 31 December 2019.

### 32 DIVIDENDS

	The Group and The Company	
	2020	2019
	\$	\$
One-tier tax-exempt final dividend in respect of the year ended 31 December 2019 of 4.2 cents per ordinary share paid (31 December 2018 : 4.7 cents per ordinary share paid)	<u>34,512,663</u>	<u>37,893,551</u>
Dividend paid in cash	18,126,029	20,658,641
Dividend paid through issuance of new shares under the Scrip Dividend Scheme (Note 23)	<u>16,386,634</u>	<u>17,234,910</u>
	<u>34,512,663</u>	<u>37,893,551</u>

At the Annual General Meeting on 28 April 2021, a one-tier tax-exempt final dividend of 9.5 cents per ordinary share in respect of year ended 31 December 2020 amounting to a total of \$ 79,511,786 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2021.

### 33 CONTINGENT LIABILITIES

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

At the end of the reporting period, there are contingent liabilities of \$2,422,986 (31 December 2019 : \$1,528,320) in respect of the obligations of a subsidiary to The Central Depository (Pte) Limited ("CDP") by virtue of the subsidiary being a clearing member of the SGX-ST. The contingent liabilities are secured against deposits amounting to \$2,349,673 (31 December 2019 : \$1,612,241) placed by the subsidiary with CDP as disclosed in Note 10(b) to the financial statements.



## 34 COMMITMENTS

### (a) Operating lease arrangements

#### **The Group as a lessor**

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

*Disclosure required by SFRS(I) 16*

Operating leases, in which the group is the lessor, relate to investment property owned by the Group with average lease terms of 3 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease payments:

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Within one year	<b>547,536</b>	547,536
In the second to fifth year inclusive	<b>844,096</b>	1,391,632
Total	<b><u>1,391,632</u></b>	<b><u>1,939,168</u></b>

### (b) Financial guarantees

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

## 35 SEGMENT INFORMATION

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

The measurement basis of the Group's reportable segments is in accordance with its accounting policy as described in Note 2. The information below is also reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

# NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

The following is an analysis of the Group's revenue and results by reportable segments:

	Singapore \$	Hong Kong \$	Thailand \$	Malaysia \$	Others \$	Elimination \$	Total \$
<u>The Group</u>							
<u>2020</u>							
<u>Revenue</u>							
- External sales	230,633,742	108,000,909	52,417,877	62,802,747	5,455,132	-	459,310,407
- Interest income	67,589,674	48,473,672	5,083,759	4,819,667	2,315,867	-	128,282,639
- Inter-segment sales	20,115,635	(2,135,709)	2,375,832	3,354,189	1,735,920	(25,445,867)	-
	<u>318,339,051</u>	<u>154,338,872</u>	<u>59,877,468</u>	<u>70,976,603</u>	<u>9,506,919</u>	<u>(25,445,867)</u>	<u>587,593,046</u>
Segment results	102,937,363	45,785,706	13,259,469	21,003,610	910,479	34,000	183,930,627
Profit before tax							183,930,627
Income tax expense							(23,220,227)
Profit after tax							<u>160,710,400</u>
Segment assets (Note A)	2,964,873,996	1,669,193,891	286,617,734	245,653,364	89,468,919	(614,418,031)	4,641,389,873
Deferred tax assets							<u>1,538,667</u>
Consolidated total assets							<u>4,642,928,540</u>
Segment liabilities (Note A)	1,812,391,668	1,173,901,161	122,599,020	113,898,927	56,521,802	(317,508,709)	2,961,803,869
Income tax payable							22,734,405
Deferred tax liabilities							<u>2,303,722</u>
Consolidated total liabilities							<u>2,986,841,996</u>
<u>Other segment items</u>							
Capital expenditure	2,410,463	640,699	646,066	1,192,303	658,233	-	5,547,764
Goodwill	-	-	13,555,947	1,144,700	-	-	14,700,647
Impairment loss	-	-	763,591	-	-	-	763,591
Depreciation and amortisation expense	8,601,654	4,369,460	4,908,710	1,156,443	269,760	-	19,306,027
Finance expense	<u>38,444,736</u>	<u>14,665,291</u>	<u>610,688</u>	<u>983,197</u>	<u>347,496</u>	<u>(4,104,342)</u>	<u>50,947,066</u>

	Singapore \$	Hong Kong \$	Thailand \$	Malaysia \$	Others \$	Elimination \$	Total \$
<u>The Group</u>							
<u>2019</u>							
<u>Revenue</u>							
- External sales	115,108,060	62,493,915	36,311,105	21,905,170	8,561,712	-	244,379,962
- Interest income	61,906,480	53,181,176	7,531,614	3,588,164	2,134,301	-	128,341,735
- Inter-segment sales	12,118,802	(1,083,677)	1,608,931	1,702,107	2,000,704	(16,346,867)	-
	<u>189,133,342</u>	<u>114,591,414</u>	<u>45,451,650</u>	<u>27,195,441</u>	<u>12,696,717</u>	<u>(16,346,867)</u>	<u>372,721,697</u>
Segment results	42,382,160	31,299,529	1,344,348	5,036,175	765,024	(2,385,220)	78,442,016
Profit before tax							78,442,016
Income tax expense							(9,160,447)
Profit after tax							<u>69,281,569</u>
Segment assets (Note A)	2,302,663,661	1,403,319,465	217,486,356	201,965,978	67,288,225	(599,994,324)	3,592,729,361
Deferred tax assets							<u>1,477,774</u>
Consolidated total assets							<u>3,594,207,135</u>
Segment liabilities (Note A)	1,264,424,184	937,681,202	62,039,012	91,154,502	33,179,561	(329,696,591)	2,058,781,870
Income tax payable							8,209,618
Deferred tax liabilities							<u>2,193,349</u>
Consolidated total liabilities							<u>2,069,184,837</u>
<u>Other segment items</u>							
Capital expenditure	5,969,565	4,832,356	2,286,646	814,272	342,743	-	14,245,582
Goodwill	-	-	14,615,769	-	-	-	14,615,769
Impairment loss	-	-	1,246,173	-	-	-	1,246,173
Depreciation and amortisation expense	7,182,033	1,453,828	3,869,100	1,171,603	805,493	-	14,482,057
Finance expense	<u>36,270,702</u>	<u>16,388,868</u>	<u>1,212,505</u>	<u>233,095</u>	<u>461,109</u>	<u>(5,749,011)</u>	<u>48,817,268</u>

Note A

The Group operates mainly in the securities/futures broking and structured lending business. There are no other business segments that contribute more than 10% of the combined revenue, net profit or assets of all operating segments.

# NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

## 36 LISTING OF COMPANIES IN THE GROUP

Name of company	Principal activities	Country of incorporation	Proportion of ownership and voting power			
			Company		Subsidiaries	
			2020 %	2019 %	2020 %	2019 %
Subsidiaries						
PT UOB Kay Hian Sekuritas <sup>(c)</sup>	Stockbroking	Indonesia	99.0	99.0	–	–
UOB Kay Hian Securities (Philippines), Inc. <sup>(c)</sup>	Stockbroking	Philippines	100	100	–	–
UOB Kay Hian Securities (Thailand) Public Company Limited <sup>(b)</sup>	Stockbroking	Thailand	70.7	70.7	17.1	16.8
UOB Kay Hian (U.K.) Limited <sup>(c)</sup>	Arranger	United Kingdom	100	100	–	–
UOB Kay Hian (U.S.) Inc. <sup>(c)</sup>	Stockbroking	United States of America	100	100	–	–
UOB Kay Hian Private Limited <sup>(a)</sup>	Stockbroking	Singapore	100	100	–	–
UOB Kay Hian Trading Pte Ltd <sup>(a)</sup>	Investment trading	Singapore	100	100	–	–
UOB Kay Hian (Malaysia) Holdings Sdn Bhd <sup>(b)</sup>	Under member’s voluntary liquidation	Malaysia	100	100	–	–
UOB Kay Hian Overseas Limited <sup>(b)</sup>	Investment holding	Hong Kong, SAR	100	100	–	–
UOB Kay Hian Credit Pte Ltd <sup>(a)</sup>	Money lending	Singapore	100	100	–	–
Trans-Pacific Credit Private Limited <sup>(a)</sup>	Margin financing	Singapore	100	100	–	–
UOB Kay Hian Properties Pte Ltd <sup>(a)</sup>	Investment in Group office premises	Singapore	100	100	–	–
UOB Kay Hian Securities (M) Sdn Bhd <sup>(b)</sup>	Stockbroking	Malaysia	100	100	–	–
A.A. Anthony Securities Sdn Bhd <sup>(b)</sup>	Dormant	Malaysia	100	100	–	–
UOB Kay Hian (Australia) Pty Ltd <sup>(d)</sup>	Dormant	Australia	–	100	–	–
UOB Kay Hian Credit (M) Sdn Bhd <sup>(b)</sup>	Money lending	Malaysia	100	100	–	–

			Proportion of ownership and voting power			
Name of company	Principal activities	Country of incorporation	Company		Subsidiaries	
			2020	2019	2020	2019
			%	%	%	%
Subsidiaries						
<u>Held by UOB Kay Hian Private Limited</u>						
UOB Kay Hian Nominees Pte Ltd <sup>(a)</sup>	Nominee services	Singapore	–	–	100	100
<u>Held by UOB Kay Hian Overseas Limited</u>						
UOB Kay Hian (Hong Kong) Limited <sup>(b)</sup>	Stockbroking	Hong Kong, SAR	–	–	100	100
UOB Kay Hian Futures (Hong Kong) Limited <sup>(b)</sup>	Futures broking	Hong Kong, SAR	–	–	100	100
UOB Kay Hian Finance Limited <sup>(b)</sup>	Money lending	Hong Kong, SAR	–	–	100	100
UOB Kay Hian (BVI) Limited <sup>(d)</sup>	Investment holding	British Virgin Islands	–	–	100	100
UOB Kay Hian Investment Consulting (Shanghai) Company Limited <sup>(b)</sup>	Investment consulting and research services	People's Republic of China	–	–	100	100
<u>Held by UOB Kay Hian Securities (M) Sdn Bhd</u>						
UOB Kay Hian Nominees (Asing) Sdn Bhd <sup>(b)</sup>	Nominee services	Malaysia	–	–	100	100
UOB Kay Hian Nominees (Tempatan) Sdn Bhd <sup>(b)</sup>	Nominee services	Malaysia	–	–	100	100
UOB Kay Hian Wealth Advisors Sdn. Bhd. <sup>(b)</sup>	Wealth management	Malaysia	–	–	100	100

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

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

(c) Audited by other auditors.

(d) The subsidiary has been deregistered and liquidated on 18 December 2020.

# NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

Information about the composition of the Group at the end of the financial year is as follows:

(a) Wholly-owned subsidiaries

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		31 December 2020	31 December 2019
Stockbroking	Singapore	1	1
Stockbroking	Malaysia	1	1
Stockbroking	Philippines	1	1
Stockbroking	Hong Kong	1	1
Stockbroking	U.S.A	1	1
Arranger	U.K.	1	1
Investment Trading	Singapore	1	1
Investment Holding	BVI	1	1
Investment Holding	Hong Kong	1	1
Investment in Group office premises	Singapore	1	1
Investment Consulting and Research Services	China	1	1
Money Lending	Singapore	1	1
Money Lending	Hong Kong	1	1
Money Lending	Malaysia	1	1
Margin Financing	Singapore	1	1
Nominee Services	Singapore	1	1
Nominee Services	Malaysia	2	2
Futures Broking	Hong Kong	1	1
Wealth Management	Malaysia	1	1
Under Member's Voluntary Liquidation	Malaysia	1	1
Dormant	Malaysia	1	1
Dormant	Australia	–	1
		<b>22</b>	<b>23</b>

(b) Non wholly-owned subsidiaries that have material non-controlling interests

Principal activity	Place of incorporation and operation	Proportion of ownership interests and voting right held by non-controlling interests		Number of non wholly-owned subsidiaries	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Stockbroking	Thailand	<b>12.2%</b>	<b>12.5%</b>	<b>1</b>	<b>1</b>

Summarised financial information in respect of UOB Kay Hian Securities (Thailand) Public Company Limited, a subsidiary in which the Group has material non-controlling interest, is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	<b>UOB Kay Hian Securities (Thailand) Public Company Limited</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
Current assets	<b>263,887,573</b>	190,490,837
Non-current assets	<b>23,800,999</b>	28,099,532
Current liabilities	<b>(121,722,448)</b>	(59,393,613)
Non-current liabilities	<b>(2,829,190)</b>	(3,747,445)
Equity attributable to owners of the Company	<b>143,185,287</b>	136,018,147
Non-controlling interests	<b>19,951,647</b>	19,431,164
Revenue	<b>59,881,656</b>	45,451,650
Expenses	<b>(49,352,201)</b>	(44,444,291)
Profit for the year	<b>10,529,455</b>	1,007,359
Profit attributable to owners of the Company	<b>9,241,703</b>	881,417
Profit attributable to the non-controlling interests	<b>1,287,752</b>	125,942
Profit for the year	<b>10,529,455</b>	1,007,359
Other comprehensive (loss) income attributable to owners of the Company	<b>(2,310,850)</b>	9,013,692
Other comprehensive (loss) income attributable to the non-controlling interests	<b>(326,562)</b>	1,299,457
Other comprehensive (loss) income for the year	<b>(2,637,412)</b>	10,313,149
Total comprehensive income attributable to owners of the Company	<b>6,930,853</b>	9,895,109
Total comprehensive income attributable to the non-controlling interests	<b>961,190</b>	1,425,399
Total comprehensive income for the year	<b>7,892,043</b>	11,320,508
Dividends paid to non-controlling interests	<b>(19,443)</b>	(193,685)
Net cash inflow (outflow) from operating activities	<b>26,776,296</b>	(8,637,207)
Net cash outflow from investing activities	<b>(635,247)</b>	(2,163,287)
Net cash outflow from financing activities	<b>(2,714,381)</b>	(1,550,327)
Net cash inflow (outflow)	<b>23,426,667</b>	(12,350,821)

### 37 EMPLOYEE BENEFIT OBLIGATIONS

The subsidiaries of the Group operate post-employment benefit plans under their respective local legislations, which are considered as unfunded defined benefit plans.

Amounts recognised in accrued operating expenses (Note 19) in respect of the Group's defined benefit plans are as follows:

	<b>The Group</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
Present value of unfunded obligations	<b>6,708,391</b>	6,562,136
Net liability recognised in statement of financial position	<b>6,708,391</b>	6,562,136



## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

Amounts recognised in statement of profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Service cost:		
Current service cost	<b>984,181</b>	887,783
Past service cost	–	691,675
Net interest expense	<b>206,678</b>	163,156
Components of employee benefit costs recognised in profit or loss	<b>1,190,859</b>	1,742,614
Remeasurement on the net defined benefit liability:		
Actuarial losses arising from changes in financial assumptions	<b>250,998</b>	65,838
Actuarial losses arising from changes in demographic assumptions	<b>206,090</b>	–
Actuarial (gains) losses arising from changes in experience adjustments	<b>(779,847)</b>	34,286
Components of defined benefit costs recognised in other comprehensive income	<b>(322,759)</b>	100,124
Exchange differences on foreign plans	<b>(132,792)</b>	324,718
Total	<b>735,308</b>	2,167,456

Changes in the present value of the defined benefit obligation are as follows:

	<b>The Group</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Opening defined benefit obligation	<b>6,562,136</b>	4,611,280
Current service cost	<b>984,181</b>	887,783
Past service cost, including gain on curtailments	–	691,675
Net interest expense	<b>206,678</b>	163,156
Remeasurement on the net defined benefit liability	<b>(322,759)</b>	100,124
Exchange differences on foreign plans	<b>(132,792)</b>	324,718
Benefits paid	<b>(589,053)</b>	(216,600)
Closing defined benefit obligation	<b>6,708,391</b>	6,562,136

The principal assumptions used for the purpose of actuarial valuations are as follows:

	<b>The Group</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<u>Financial assumptions</u>		
Discount rates	<b>1.02% - 7.00%</b>	2.47% to 7.90%
Expected rates of salary increase	<b>3.00% - 6.75%</b>	3.00% to 7.00%
Retirement ages	<b>55 to 60 years</b>	55 to 60 years
Turnover rates	<b>0% to 23%</b>	0% to 21%
Mortality rates	<b>10%</b>	10%

Significant actuarial assumptions for the determination of the defined obligation are discount rates, expected rates of salary increase, turnover rates and mortality rates. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate increases (decreases) by 1%, the defined benefit obligation would decrease by \$424,551 or increase by \$484,699 (31 December 2019 : decrease by \$391,305 or increase by \$443,653).
- If the expected rate of salary increases (decreases) by 1%, the defined benefit obligation would increase by \$464,253 or decrease by \$309,842 (31 December 2019 : increase by \$481,440 or decrease by \$430,621).
- If the turnover rate increases (decreases) by 1%, the defined benefit obligation would decrease by \$441,169 or increase by \$267,882 (31 December 2019 : decrease by \$414,294 or increase by \$244,634).
- If the life expectancy increases (decreases) by 1%, the defined benefit obligation would increase by \$17,831 or decrease by \$17,757 (31 December 2019 : increase by \$23,418 or decrease by \$23,289).

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

### 38 ACQUISITION OF BUSINESS

On 2 August 2019, UOB Kay Hian Securities (M) Sdn Bhd entered into an agreement to acquire the business of a financial advisory company in Malaysia which is licensed under both Bank Negara Malaysia and the Securities Commission of Malaysia for a total consideration of MYR 3.67 million (approximately \$1.21 million). The transaction was completed on May 4, 2020.

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

	2020
	\$
Cash	<u>1,211,520</u>

- (ii) Assets acquired and liabilities assumed (at acquisition date fair values)

	2020
	\$
<b>Non-current assets</b>	
Property, plant and equipment	<u>66,820</u>
<b>Net assets acquired</b>	<u>66,820</u>

The gross carrying amount of these property, plant and equipment acquired in the transaction equals their net book values and fair value of these property, plant and equipment acquired approximate their carrying amounts.

- (iii) Goodwill arising on acquisition

	2020
	\$
Consideration transferred	1,211,520
Less: Fair value of identifiable net assets acquired	<u>(66,820)</u>
Goodwill arising on acquisition	<u>1,144,700</u>

## NOTES TO FINANCIAL STATEMENTS *continued*

31 December 2020

Goodwill arose in the acquisitions entered into by the Group in current and prior years because the cost of combination included the benefits of a larger client base, future market developments and revenue growth. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising from the acquisition was expected to be deductible for tax purposes.

(iv) Net cash outflow on acquisition of business

	2020
	\$
Consideration paid in cash, representing net cash outflow	<u>1,211,520</u>
(v) Impact of acquisition on the results of the Group	

Included in the profit for 2020 was \$42,189 attributable to the business unit purchased from Standard Financial Adviser Sdn. Bhd. Revenue for 2020 generated from the business unit acquired amounted to \$2,690,859.

### 39 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements relevant to the Group and the Company were issued but not effective and are expected to have an impact to the Group and the Company in the periods of their initial application.

#### Effective for annual periods beginning on or after 1 January 2021

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: *Interest Rate Benchmark Reform – Phase 2*<sup>1</sup>
- Annual Improvements to SFRS(I)s 2018-2020<sup>2</sup>
- Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*<sup>2</sup>
- Amendments to SFRS(I) 1-37: *Onerous Contracts – Cost of Fulfilling a Contract*<sup>2</sup>
- Amendments to SFRS (I) 1-1: *Classification of Liabilities as Current or Non-current*<sup>3</sup>

1 Applies to annual periods beginning on or after 1 January 2021, with early application permitted

2 Applies to annual periods beginning on or after 1 January 2022, with early application permitted

3 Applies to annual periods beginning on or after 1 January 2023, with early application permitted

Management anticipates that the adoption of the above SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

**Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: *Interest Rate Benchmark Reform – Phase 2***

The amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16 address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

The changes in *Interest Rate Benchmark Reform – Phase 2 (Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16)* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying SFRS(I) 7 to accompany the amendments regarding modifications and hedge accounting.

On modification of financial assets, financial liabilities and lease liabilities, a practical expedient is available to allow for modifications required by the reform as a direct consequence and made on an economically equivalent basis to be accounted for by updating the effective interest rate prospectively. All other modifications are accounted for using current SFRS(I) requirements. A similar practical expedient is provided for lessee accounting applying SFRS(I) 16.

Amendments to SFRS(I) 7 outline disclosure requirements to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments apply to all entities and are not optional and are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The amendments must be applied retrospectively, however, the amendments provide relief from restating comparative information. An entity may restate prior periods if, and only if, it is possible to do so without the use of hindsight.

Management is currently assessing the potential impact. It is not practicable to provide a reasonable estimate of the financial effect until management completes the assessment.

# ANALYSIS OF SHAREHOLDINGS

As At 15 March 2021

No. of issued shares	:	836,966,171 ordinary shares
No. of treasury shares	:	Nil
No. of subsidiary holdings	:	Nil
Voting rights	:	One vote for each ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	195	1.99	8,370	0.00
100 - 1,000	960	9.78	670,187	0.08
1,001 - 10,000	6,492	66.11	28,343,704	3.39
10,001 - 1,000,000	2,149	21.88	89,636,884	10.71
1,000,001 & above	24	0.24	718,307,026	85.82
<b>Total</b>	<b>9,820</b>	<b>100.00</b>	<b>836,966,171</b>	<b>100.00</b>

## TOP TWENTY SHAREHOLDERS

	Name	No. of Shares	%
1	Tye Hua Nominees Private Limited	313,360,043	37.44
2	U.I.P. Holdings Limited	166,640,317	19.91
3	UOB Kay Hian Private Limited	93,098,306	11.12
4	Tang Wee Loke	38,660,797	4.62
5	Citibank Nominees Singapore Pte Ltd	21,009,022	2.51
6	Raffles Nominees (Pte) Limited	15,044,361	1.80
7	DBS Nominees Pte Ltd	14,579,728	1.74
8	United Overseas Bank Nominees Pte Ltd	10,885,750	1.30
9	Lim And Tan Securities Pte Ltd	8,457,369	1.01
10	OCBC Nominees Singapore Pte Ltd	5,201,904	0.62
11	Phillip Securities Pte Ltd	3,533,372	0.42
12	Lai Choy Kuen	3,179,800	0.38
13	Maybank Kim Eng Securities Pte. Ltd.	3,140,885	0.38
14	Lau Mei Lea	2,715,911	0.32
15	Tung Tau Chyr Walter	2,542,422	0.30
16	Hai Chua Fishery Pte Ltd	2,163,246	0.26
17	Chen Chun Nan	2,059,543	0.25
18	Lim Geck Chin Mavis	1,914,175	0.23
19	Ang Jwee Herng	1,889,135	0.23
20	Estate Of Mrs Lim Nancy Nee Tan Nancy, Deceased	1,875,433	0.22
		<b>711,951,519</b>	<b>85.06</b>

## SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
United Overseas Bank Limited	–	–	313,360,043 <sup>(1)</sup>	37.44
U.I.P. Holdings Limited	166,640,317	19.91	–	–
Wee Ee Chao	–	–	258,195,206 <sup>(2)</sup>	30.85
K.I.P. Inc	–	–	91,554,889 <sup>(3)</sup>	10.94

Notes: (1) United Overseas Bank Limited's deemed interest arises from 313,360,043 shares held by Tye Hua Nominees Private Limited  
(2) Mr. Wee Ee Chao's deemed interest arises from 166,640,317 shares held by U.I.P. Holdings Limited and 91,554,889 shares held by UOB Kay Hian Private Limited - K.I.P. Inc  
(3) K.I.P. Inc's deemed interest arises from 91,554,889 shares registered in the name of UOB Kay Hian Private Limited

## PUBLIC FLOAT

Based on available information as at 15 March 2021, approximately 26.65% of issued shares of the Company are held by the public and Rule 723 of the SGX-ST Listing Manual is complied with.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be convened and held by way of electronic means on Wednesday, 28 April 2021 at 5.30 p.m. to transact the business as set out below.

This notice has been made available on SGXNET and the Company's website at [www.uobkayhian.com](http://www.uobkayhian.com). Printed copies of this notice will not be despatched to members.

## Routine Business

- 1 To receive and adopt the directors' statement and audited financial statements for the year ended 31 December 2020 and the auditors' report thereon.
- 2 To declare a first and final one-tier tax exempt dividend of 9.5 cents per ordinary share for the year ended 31 December 2020.
- 3 To approve the sum of S\$265,000 as directors' fees for the year ended 31 December 2020 (2019: S\$220,000).
- 4 To re-appoint Mr Wee Ee Chao as a director pursuant to Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

Note: Mr Wee Ee Chao is the chairman and managing director. Upon his re-appointment as a director, he will continue in the said capacities. Detailed information on Mr Wee is set out in the "Corporate Information" and "Profile of Directors & Key Management Personnel" sections in the Annual Report and "Additional Information on Directors Seeking Re-appointment/Re-election" in this notice.

- 5 To re-elect Mr Chng Seng Hong, Ronny, a director who will retire by rotation pursuant to Regulation 91 of the Company's Constitution and who, being eligible, will offer himself for re-election.

Note: Mr Chng Seng Hong, Ronny, is a non-executive non-independent director and a member of the audit committee. Upon his re-election as a director, he will continue in the said capacities. Detailed information on Mr Chng is set out in the "Corporate Information" and "Profile of Directors & Key Management Personnel" sections in the Annual Report and "Additional Information on Directors Seeking Re-appointment/Re-election" in this notice.

- 6 To re-elect Mr Tang Wee Loke, a director who will retire by rotation pursuant to Regulation 91 of the Company's Constitution and who, being eligible, will offer himself for re-election.

Note: Mr Tang Wee Loke is an independent director and a member of the audit committee, a member of the remuneration committee and the chairman of the nominating committee. Upon the passing of this resolution for his re-election as a director and resolutions 11 and 12 for his continued appointment as an independent director, he will continue in the said capacities. Detailed information on Mr Tang is set out in the "Corporate Information" and "Profile of Directors & Key Management Personnel" sections in the Annual Report and "Additional Information on Directors Seeking Re-appointment/Re-election" in this notice.

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

## Special Business

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

- 8 Authority to allot and issue shares and convertible securities

That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the directors of the Company to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and upon such terms and conditions and for such purposes as the directors may in their absolute discretion deem fit, provided always that the aggregate number of shares and convertible securities to be issued pursuant to this resolution does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company as at the date of the passing of this resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to shareholders of the

## NOTICE OF ANNUAL GENERAL MEETING *continued*

Company does not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company as at the date of the passing of this resolution, and for the purpose of this resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this resolution is passed (after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares), and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

### 9 Authority to allot and issue shares pursuant to the UOB-Kay Hian Holdings Limited Scrip Dividend Scheme

That pursuant to Section 161 of the Companies Act, Cap. 50, the directors of the Company be empowered to allot and issue from time to time such number of shares in the capital of the Company as may be required to be allotted and issued pursuant to the UOB-Kay Hian Holdings Limited Scrip Dividend Scheme.

### 10 Renewal of Share Buyback Mandate

*All capitalised terms in this resolution which are not defined herein shall have the same meanings ascribed to them in the Addendum to Shareholders dated 9 April 2021.*

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this resolution (excluding any Shares which are held as treasury shares or which comprise subsidiary holdings, if any, as at that date) (the "**Maximum Percentage**"), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price, whether by way of:

- (i) on-market purchases, transacted on the Singapore Exchange Securities Trading Limited through the ready market, and which may be transacted through the Company's subsidiary, a licensed stockbroker, or through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
  - (ii) off-market purchases, otherwise than on an approved exchange as defined in the Companies Act, in accordance with an equal access scheme(s) as may be determined or formulated by the directors of the Company as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual,

on the terms set out in the Addendum, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors of the Company pursuant to the Share Buyback Mandate may be exercised by the directors of the Company at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earliest of:
  - (i) the date on which the next annual general meeting is held or required by law to be held; or
  - (ii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Company in general meeting, whichever is earlier; or
  - (iii) the date on which the share buybacks are carried out to the full extent mandated; and

- (c) the directors of the Company and each of them be and is hereby authorised to do such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they and/or he may consider necessary, desirable or expedient to give effect to the transactions contemplated and/or authorised by this resolution.

11 Approval for the continued appointment of Mr Tang Wee Loke as an independent director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders

That contingent upon the passing of resolutions 6 and 12 and pursuant to Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST which will take effect on 1 January 2022:

- (a) the continued appointment of Mr Tang Wee Loke as an independent director be and is hereby approved; and
- (b) the authority conferred by this resolution shall continue in force until the earlier of the retirement or resignation of Mr Tang as a director or the conclusion of the third annual general meeting of the Company following the passing of this resolution.

12 Approval for the continued appointment of Mr Tang Wee Loke as an independent director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders, excluding the directors and the chief executive officer of the Company and their respective associates

That contingent upon the passing of resolutions 6 and 11 and pursuant to Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST which will take effect on 1 January 2022:

- (a) the continued appointment of Mr Tang Wee Loke as an independent director be and is hereby approved; and
- (b) the authority conferred by this resolution shall continue in force until the earlier of the retirement or resignation of Mr Tang as a director or the conclusion of the third annual general meeting of the Company following the passing of this resolution.

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

By Order of the Board

Josephine Goh  
Company Secretary  
Singapore, 9 April 2021

**Explanatory notes and statements pursuant to Regulation 54 of the Company's Constitution**

Resolution 2 if passed, will give the members the option to participate in the UOB-Kay Hian Holdings Limited Scrip Dividend Scheme to receive new shares in lieu of all of the cash amount of the said dividend pursuant to the terms and conditions as set out in the Scrip Dividend Scheme Statement dated 6 February 2014.

Resolution 8 is to authorise the directors from the date of this meeting until the date of the next annual general meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares and convertible securities which the directors may allot and issue under this resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this resolution is passed. For issues of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this resolution is passed.

Resolution 9 is to empower the directors to allot and issue new shares in the Company from time to time, as may be required pursuant to the UOB-Kay Hian Holdings Limited Scrip Dividend Scheme.



# NOTICE OF ANNUAL GENERAL MEETING *continued*

Resolution 10 is to renew the Share Buyback Mandate. In the event the Company were to purchase or acquire its Shares, the Company will use internal cash resources and/or external borrowings to finance the purchase or acquisition of those Shares. In purchasing or acquiring Shares pursuant to the Share Buyback Mandate, the directors of the Company will, principally, consider the availability of internal resources. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this notice as these will depend on whether the Shares are purchased or acquired out of capital or profits, the number of Shares purchased or acquired, the price at which such Shares are purchased or acquired and whether the Shares purchased or acquired are held in treasury or cancelled.

An illustration of the total number of Shares which may be purchased or acquired by the Company up to the Maximum Percentage, pursuant to the Share Buyback Mandate, is contained in section 2.3.1 of the Addendum.

An illustration of the maximum amount of financing or funds required for the purchase or acquisition of Shares up to the Maximum Percentage at the relevant Maximum Price in the case of on-market purchases and an illustration of the maximum amount of financing or funds required for the purchase or acquisition of Shares up to the Maximum Percentage at the relevant Maximum Price in the case of off-market purchases, pursuant to the Share Buyback Mandate, are contained in section 2.7.3 of the Addendum.

An illustration of the financial effects of a purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate on the audited financial statements of the Company and its subsidiaries, for the year ended 31 December 2020 is set out in section 2.7 of the Addendum.

Resolutions 11 and 12 are in anticipation of Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect on 1 January 2022.

With effect from 1 January 2022, Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST will provide that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the Company and their respective associates.

Mr Tang Wee Loke is an independent director who has served for more than nine years. The Company is proposing to seek the requisite approval from shareholders for his continued appointment as an independent director via a two-tier voting process for a three-year term, with effect from the passing of these resolutions until the conclusion of the third annual general meeting of the Company following the passing of these resolutions.

## Notes

- 1 The annual general meeting 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.
- 2 To minimise physical interactions and COVID-19 transmission risks, members will not be able to attend the annual general meeting in person. Members will be able to watch the proceedings of the annual general meeting through a live webcast via their mobile phones, tablets or computers or listen to these proceedings through a live audio feed via telephone. In order to do so, members who wish to watch the live webcast or listen to the live audio feed must pre-register by 5.30 p.m. on 25 April 2021 at <https://attendee.gotowebinar.com/register/6311512717087132173>. Following which members will receive email instructions on how to access the webcast and audio feed of the proceedings of the annual general meeting by 3.00 p.m. on 27 April 2021. Members who do not receive an email by 3.00 p.m. on 27 April 2021 should contact Ms Josephine Goh, by email at: [AGM2021@uobkayhian.com](mailto:AGM2021@uobkayhian.com).
- 3 Members may submit questions relating to the resolutions to be tabled for approval at the annual general meeting. To do so, all questions must be submitted by 5.30 p.m. on 25 April 2021:
  - (a) by email to: [AGM2021@uobkayhian.com](mailto:AGM2021@uobkayhian.com); or
  - (b) via the Company's corporate website at <https://www.uobkayhian.com/agm.html>; or
  - (c) in hard copy by post to 8 Anthony Road, #01-01, Singapore 229957.

Please note that members will not be able to ask questions at the annual general meeting "live" during the live webcast or live audio feed. The Company will address substantial questions relating to the resolutions either before or during the annual general meeting.

- 4 Members (whether individuals or corporates) who wish to exercise their voting rights at the annual general meeting must appoint the Chairman of the Meeting as their proxy to attend, speak and vote on their behalf at the annual general meeting. In appointing the Chairman of the Meeting as proxy, members (whether individuals or corporates) must give specific instructions as to voting, or abstentions from voting, in respect of each resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks/SRS Operators to submit their votes at least 7 working days before the date of the meeting (i.e. by 5.00 p.m. on 16 April 2021).

- 5 The Chairman of the Meeting, as proxy, need not be a member of the Company.
- 6 The instrument appointing the Chairman of the Meeting as proxy must:
  - (a) if submitted by email, be received by the Company at: [ProxyForms2021@uobkayhian.com](mailto:ProxyForms2021@uobkayhian.com); or
  - (b) if sent by post, be lodged at the registered office of the Company at 8 Anthony Road, #01-01, Singapore 229957,

in either case, by no later than 5.30 p.m. on 25 April 2021, and in default the instrument of proxy shall not be treated as valid.

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.

In view of the current COVID-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms via email.

- 7 The Annual Report for the financial year ended 31 December 2020 and the Addendum to Shareholders dated 9 April 2021 in relation to the proposed renewal of the Share Buyback Mandate have been made available on SGXNET and may be accessed at the Company's website as follows:

- (a) the Annual Report at <https://ir2.chartnexus.com/uobkh/doc/AR/ar2020.pdf>; and
- (b) the Addendum to Shareholders at <https://ir2.chartnexus.com/uobkh/doc/ADD/2021.pdf>.

#### **IMPORTANT REMINDER**

Due to the constantly evolving COVID-19 situation in Singapore, the Company may be required to change its annual general meeting arrangements at short notice. Members are advised to check the Company's website or announcements released on SGXNET for the latest updates on the annual general meeting.

#### **PERSONAL DATA PRIVACY**

By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the annual general meeting and/or any adjournment thereof, (b) completing the pre-registration in accordance with this notice, or (c) submitting any question(s) prior to the annual general meeting in accordance with this notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing, administration and analysis by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the Meeting as proxy for the annual general meeting (including any adjournment thereof);
- (ii) processing of the pre-registration for purposes of granting access to members to the live webcast or live audio feed of the annual general meeting proceedings and providing them with any technical assistance where necessary;
- (iii) addressing substantial and relevant questions from members received before the annual general meeting and if necessary, following up with the relevant members in relation to such questions;
- (iv) preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the annual general meeting (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

## NOTICE OF ANNUAL GENERAL MEETING *continued*

### ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT/RE-ELECTION

The following additional information on Mr Wee Ee Chao, Mr Chng Seng Hong, Ronny and Mr Tang Wee Loke, all of whom are seeking re-appointment/re-election as directors at the annual general meeting, is to be read in conjunction with their respective key information as set out in the “Corporate Information” and “Profile of Directors & Key Management Personnel” sections of the annual report on pages 2 and 35 to 37.

	<b>Wee Ee Chao</b> Executive Director, Chairman and Managing Director	<b>Chng Seng Hong, Ronny</b> Non-Executive Non- Independent Director	<b>Tang Wee Loke</b> Non-Executive Independent Director
Date of appointment	1 August 1990	1 June 2017	1 August 1990 (Executive Director)
Date of last re-appointment	N.A.	24 April 2018	26 April 2019
Age	66	49	73
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this re-appointment/re-election	The Board has considered the Nominating Committee's recommendation and assessment of Mr Wee's performance, experience, contributions and suitability for re-appointment as an Executive Director. The Board is satisfied that Mr Wee will continue to contribute to the effectiveness of the Board.	The Board has considered the Nominating Committee's recommendation and assessment of Mr Chng's performance, experience, contributions and suitability for re-election as a Non-Executive Non-Independent Director. The Board is satisfied that Mr Chng will continue to contribute to the effectiveness of the Board.	The Board has considered the Nominating Committee's recommendation and assessment of Mr Tang's performance, experience, contributions and suitability for re-election as a Non-Executive Independent Director. The Board is satisfied that Mr Tang will continue to contribute to the effectiveness of the Board.
Working experience and occupation(s) during the past 10 years	2011 to present – Chairman & Managing Director of UOB-Kay Hian Holdings Limited	2017 to present – Managing Director, Head of Corporate Banking Overseas & Multinational Corporate (MNC) of United Overseas Bank Limited (“UOB”) <p>2011 to 2016 – Head of Group Investment Banking as well as Head of Debt Capital Markets of UOB</p>	2015 to present – Non-Executive Independent Director of UOB-Kay Hian Holdings Limited <p>2012 to 2014 – Non-Executive Director of UOB-Kay Hian Holdings Limited</p> <p>2008 to 2011 –</p> <ol style="list-style-type: none"> <li>1) Executive Director and Deputy Managing Director of UOB Kay Hian Private Limited</li> <li>2) Executive Director of UOB-Kay Hian Holdings Limited</li> </ol>
Shareholding interest in the listed issuer and its subsidiaries	Deemed interest in 258,195,206 ordinary shares held in UOB-Kay Hian Holdings Limited	Nil	Direct and deemed interest in 41,376,708 ordinary shares held in UOB-Kay Hian Holdings Limited

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	Brother-in-law of Mr Lim Seng Bee, a Senior Executive Director of certain subsidiaries of UOB-Kay Hian Holdings Limited	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments Including Directorships	(1) Haw Par Corporation Ltd (2) UOL Group Limited	Nil	Nil

	Wee Ee Chao	Chng Seng Hong, Ronny	Tang Wee Loke
(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	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	No
(c) Whether there is any unsatisfied judgment against him?	No	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	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	No

NOTICE OF ANNUAL GENERAL MEETING *continued*

	Wee Ee Chao	Chng Seng Hong, Ronny	Tang Wee Loke
(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	No
(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	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	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	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—  (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or  (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  (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  (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,  in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No  No  No  No  No	No  No  No  No  No	No  No  No  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	No

## UOB-KAY HIAN HOLDINGS LIMITED

(Incorporated In The Republic Of Singapore)  
Company Registration No. 200004464C

### ANNUAL GENERAL MEETING PROXY FORM

This form of proxy has been made available on SGXNET and the Company's website at <https://www.uobkayhian.com>. Printed copies of this form of proxy will not be despatched to members.

#### IMPORTANT

- 1 The annual general meeting 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.
- 2 To minimise physical interactions and COVID-19 transmission risks, a member will not be able to attend the annual general meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the annual general meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the annual general meeting.
- 3 For CPF/SRS investors who have used their CPF/SRS moneys to buy shares in UOB-Kay Hian Holdings Limited, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks/SRS Operators to submit their votes at least 7 working days before the date of the meeting (i.e. by 5.00 p.m. on 16 April 2021).
- 4 By submitting an instrument appointing the Chairman of the Meeting as proxy, a member accepts and agrees to the personal data privacy terms set out in the notice of annual general meeting dated 9 April 2021.

I/We \_\_\_\_\_ NRIC/Passport/Co. Reg. No. \_\_\_\_\_

of \_\_\_\_\_  
being a member/members of UOB-Kay Hian Holdings Limited hereby appoint the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the annual general meeting of the Company to be held by way of electronic means on Wednesday, 28 April 2021 at 5.30 p.m. and at any adjournment thereof. I/We direct the Chairman of the Meeting as my/our proxy to vote for or against, or to abstain from voting on, the resolutions to be proposed at the annual general meeting as indicated hereunder. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as my/our proxy for that resolution will be treated as invalid.

No.	Resolutions	No. of Votes For*	No. of Votes Against*	No. of Votes Abstaining*
<b>Routine Business</b>				
1	To receive and adopt the directors' statement and audited financial statements for the year ended 31 December 2020 and the auditors' report thereon			
2	To declare a first and final one-tier tax exempt dividend			
3	To approve directors' fees			
4	To re-appoint Mr Wee Ee Chao as director			
5	To re-elect Mr Chng Seng Hong, Ronny, as director			
6	To re-elect Mr Tang Wee Loke as director			
7	To re-appoint Deloitte & Touche LLP as auditors and to authorise the directors to fix their remuneration			
<b>Special Business</b>				
8	To authorise the directors to allot and issue shares and convertible securities			
9	To authorise the directors to allot and issue shares pursuant to the UOB-Kay Hian Holdings Limited Scrip Dividend Scheme			
10	To approve the proposed renewal of the Share Buyback Mandate			
11	To approve the continued appointment of Mr Tang Wee Loke as independent director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST			
12	To approve the continued appointment of Mr Tang Wee Loke as independent director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST			

\*Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to exercise all your votes "For" or "Against" the relevant resolution or to abstain from voting on the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish the Chairman of the Meeting as your proxy to exercise some of your votes "For" and some of your votes "Against" the relevant resolution and/or to abstain from voting on the relevant resolution, please indicate the number of votes "For", the number "Against" and/or the number "Abstaining" in the relevant boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021

**Total Number Of Ordinary Shares Held**

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

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

# PROXY FORM *continued*

## NOTES TO PROXY FORM

- 1 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 and shares registered in his/her/its name in the Register of Members, he/she/it should insert the aggregate number of shares entered against his/her/its name in the Depository Register and registered in his/her/its name in the Register of Members. If the number of shares is not inserted, this form of proxy will be deemed to relate to all the shares held by the member.
- 2 To minimise physical interactions and COVID-19 transmission risks, a member will not be able to attend the annual general meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the annual general meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the annual general meeting. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the instrument of proxy, failing which the appointment of the Chairman of the Meeting for that resolution will be treated as invalid.
- 3 The Chairman of the Meeting, as proxy, need not be a member of the Company.
- 4 The instrument appointing the Chairman of the Meeting as proxy must:
  - (a) if submitted by email, be received by the Company at: [ProxyForms2021@uobkayhian.com](mailto:ProxyForms2021@uobkayhian.com); or
  - (b) if sent by post, be lodged at the registered office of the Company at 8 Anthony Road, #01-01, Singapore 229957,in either case, by no later than 5.30 p.m. on 25 April 2021, and in default the instrument of proxy shall not be treated as valid.

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.

In view of the current COVID-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms via email.
- 5 The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his/her attorney. Where the instrument is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer of the corporation.
- 6 Where an instrument appointing the Chairman of the Meeting 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) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- 7 The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.





**UOB KayHian**  
Your trusted financial partner