REDEFINING GROWTH, EVOLVING PERSPECTIVES

IFS Capital Limited

ANNUAL REPORT 2020

IFS Capital Limited ("IFS"), as a regional Group provides commercial finance services like factoring, hire-purchase/ leasing, loans, government-assisted schemes and trade/ export finance, to small and medium sized enterprises ("SMEs"). The Group also provides bonds and guarantees and general insurance through its wholly-owned subsidiary, ECICS Limited.

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

Contents

Overview of Products & Services

	Factoring & Invoice Financing	SME Property Loans	SME Working Capital Loans	Government-Assisted Loans	Consumer Loans	Hire Purchase & Leasing	General Insurance	Fund Management	Loan Brokerage
Singapore									
IFS Capital Ltd	•	•	•	•		•			
IFSAM								•	
ECICS Ltd							•		
FR!DAY Finance					•				
Lendingpot									•
Multiply	•		•						
Malaysia	•		•			•			
Thailand	•					•			
Indonesia	•	•			•	•			

For more information, please visit the respective country websites below

Singapore - www.ifscapital.com.sg
Malaysia - www.ifscapital.com.my
Thailand - www.ifscapthai.com
Indonesia - www.ifscapital.co.id

Our Associated Companies & Subsidiaries

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

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

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

Multiply is a digital lender that focuses on small businesses, providing fast turnaround via online applications and a fully digital documentation process.

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

IFS Asset Management Private Limited ("IFSAM"), a wholly-owned subsidiary engaged in the business of providing capital markets services. IFSAM has recently in 1Q2021 received the in-principle approval from the Monetary Authority of Singapore for the commencement of business as a Registered Fund Management Company.

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

Chairman's Message

Dear Fellow Stakeholders,

The year 2020 will always be remembered for the COVID-19 pandemic – a public health, social, and economic crisis of global magnitude.

The unprecedented scale of the pandemic completely changed the way we live, work and interact; it also brought with it a slew of challenges that many economies are still struggling to overcome today.

Our Group has prioritised the safety of our staff and exercised prudence in our operations during these challenging times. As a Participating Financial Institution of the Singapore Government's Enterprise Financing Scheme, we have continued to support our clients in their working capital and cashflow needs.

Above all, we have worked hard to maintain our relationships with our clients across the region through this period, and are ready to support them as our economies recover.

2020 Business Review

With a rampant virus and the resulting health, social and economic uncertainties, 2020 was very challenging for us as a lender to the Southeast Asia region's micro, small and medium enterprises ("MSME"). In response to the pandemic, there were varying degrees of lockdowns during the year which impacted our clients' business activities across almost every industry. Consequently, we experienced lower business volumes in all our business units and these led to an 18.3% year-on-year ("**YoY**") decline in interest income and a 41.3% drop in non-interest revenue.

Net claims incurred rose due to two significant performance bond calls related to the construction industry which amounted to S$4.5 million. There was also an increase in impairment provision as our clients' business activities were impacted by the pandemic.

Difficulties notwithstanding, we were resolved to continue our transformation into a technology-enabled financial services provider. Thus, though our overall operating expenses fell by 4.0% YoY to S$23.3 million in FY2020, general and administrative expenses increased by 3.5% YoY as our Singapore business completed its migration into a new cloud-based enterprise system and we continued investing in our fintech businesses.

Our progress on the development and group-wide deployment of the new enterprise system remains on track. It will provide us with an end-to-end system linking sales origination, decisioning, relationship management and operations as well as connectivity to third-party systems and platforms.

As a result of the factors above as well as the absence of one-off items in 2019, the Group's pre-tax profit for FY2020 declined 84.5% YoY to S$2.5 million. Despite the challenging year, the Group's balance sheet strengthened through a reduction in short-term bank borrowing from S$257 million as at 31 December 2019 to S$233 million as at 31 December 2020, achieving a healthy current ratio of 1.36 times (31 December 2019: 1.29 times). With stronger operating cashflow, cash and cash equivalents increased from S$37.2 million as at 31 December 2019 to S$51.7 million as at 31 December 2020.

The Group continues to be profitable and our balance sheet remains healthy. We are pleased to propose a dividend of 0.2 Singapore cents per share for our shareholders.

Outlook 2021

Over the past few months, countries around the world have started vaccination programmes and global economic activity appears to be gradually gaining momentum. We are witnessing a gradual resumption of demand as the world becomes better adjusted to cope with the pandemic. However, the speed and extent of this recovery is still uncertain as it is dependent on the speed and effectiveness of vaccine deployment.

As a result, recovery is likely to be uneven across sectors. As governments' support measures start tapering off in the months to come, the business environment in the region is likely to remain challenging.

On the whole, we are cautiously optimistic about our prospects in 2021, while being mindful of the uncertainties ahead.

We intend to maintain the quality of our lending portfolio, comprising mainly asset- and receivable-based financing. We have also been making gradual progress in the turnaround of ECICS — by actively de-risking our bonds portfolio, and focusing more on growing our core general insurance segment.

As a Group, we are committed to investing in technology in order to continue improving our client experience, productivity and business scalability.

Our digital platforms are well positioned for growth in 2021. In particular, our digital consumer lending business (www.fridayfinance.sg) is gaining traction with the under-served consumer segment in Singapore and our loan marketplace (www.lendingpot.sg) continues to provide useful tools such as property robo-valuation and loan-matching services to our MSMEs in Singapore.

We are thankful for what we have achieved so far – all of which would not have been possible without the hard work of our committed employees.

Mr. Eugene Tan announced his retirement as our Group CEO in 2020, and on behalf of the Group and Board of Directors, I would like to thank him for his service in steering the Group through a transformational period in the last five years.

As we forge ahead, I would like to thank our employees and all our stakeholders for your commitment and support.

With a grateful heart,
LIM HUA MIN

Group Financial Highlights

S$ 000	2020	2019#	2018*	2017	2016
INCOME STATEMENT					
Net operating income	**34,984**	46,584	53,964	43,065	33,706
- net interest income	**20,996**	25,288	20,028	19,029	16,433
- net earned premium	**4,830**	6,169	6,853	11,071	6,843
- fees & commission	**6,497**	8,632	8,493	6,687	7,422
- investment income	**709**	4,982	1,797	5,803	2,409
- other income	**461**	1,513	16,793	475	599
- grant income	**1,491**	–	–	–	–
Profit/(loss) before tax - by business segment					
- Lending business	**9,229**	18,301	11,780	10,508	2,084
- Insurance	**(6,692)**	(4,892)	(5,509)	(4,730)	(1,852)
Profit/(loss) - Overall					
- before tax	**2,537**	13,409	6,271	5,778	232
- after tax	**2,361**	9,171	3,545	3,614	(1,123)
- attributable to Owners of the Company	**795**	6,454	1,669	1,956	(2,565)

 # gain of $2.934 million arising on fair value gain on unquoted equity securities have been excluded from profit before & after tax and attributable to Owners of the Company

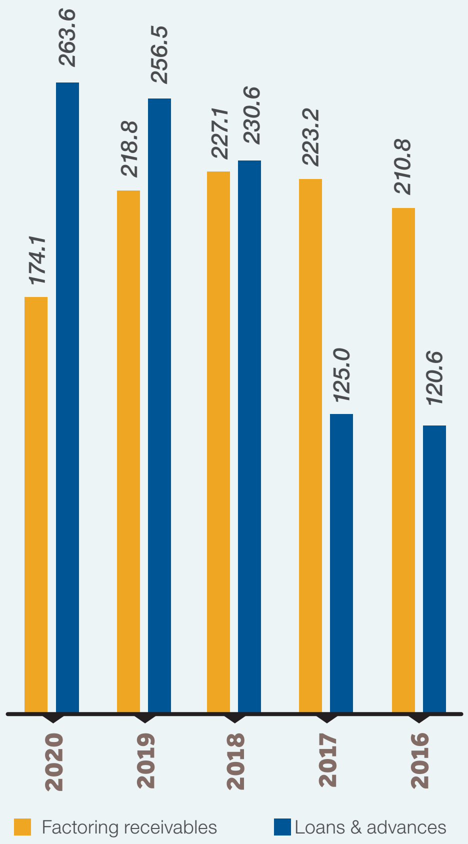
** gain of $16.318 million arising on sale of Suntec office have been excluded from profit before & after tax and attributable to Owners of the Company*

S$ 000	2020	2019#	2018*	2017	2016
BALANCE SHEET					
Number of shares ('000)	**375,970**	375,970	375,970	375,970	375,970
Issued share capital	**137,302**	137,302	137,302	137,302	137,302
Shareholder's funds	**175,750**	179,008	169,205	152,291	151,007
Non-controlling interests ("NCI")	**17,886**	17,945	15,355	14,024	12,618
Total assets	**481,427**	504,784	506,455	411,016	405,443
Total liabilities	**287,791**	307,831	321,895	244,701	241,818
DIVIDEND INFORMATION					
Dividends proposed/paid for the year (net of tax)	**752**	2,932	2,067	1,128	–
Dividend cover (number of times)**	**5.91**	2.33	6.32	3.15	–
Gross dividends declared per share**					
- Ordinary (cents)	**0.20**	0.78	0.55	0.30	–
Dividend yield as of 31 December	**1.1%**	3.4%	2.4%	1.2%	–
FINANCIAL RATIOS					
Earnings/(loss) per share (cents)	**0.21**	1.71	0.44	0.52	(1.30)
Net tangible assets per share ($)	**0.47**	0.47	0.45	0.40	0.40
Return on average shareholders' funds	**1.3%**	5.3%	2.2%	2.4%	(0.9%)
Cost-income ratio	**69.4%**	55.4%	61.0%	50.6%	63.7%
The Company's profit	**4,443**	6,825	13,079	3,555	–

** Note: Gross dividends per share and times covered are stated based on the dividend proposed/paid relating to the respective financial years and expressed over the Company's profit.

Performance at a Glance

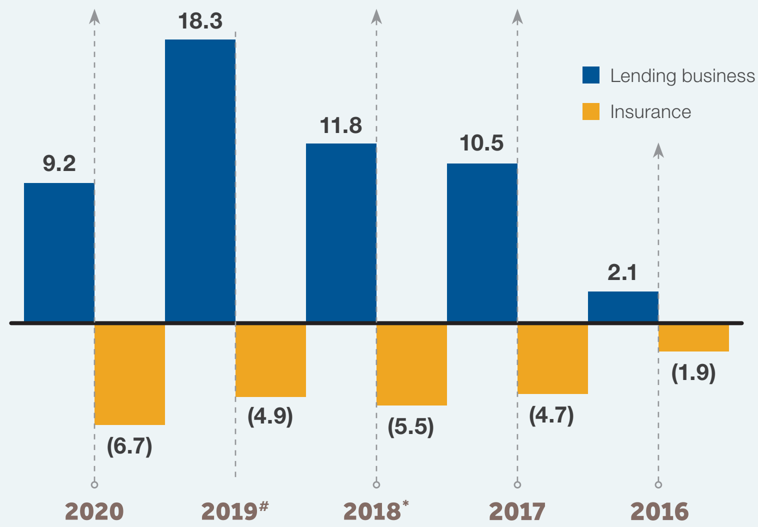
Outstanding Loan Book (S$million)



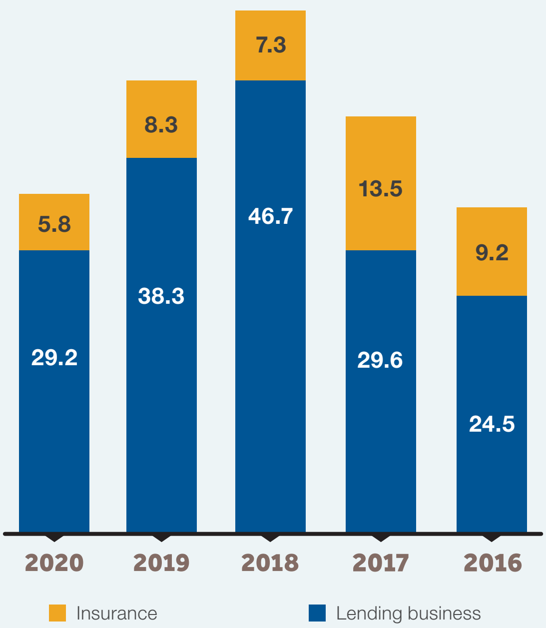
Net Operating Income (By countries) %

	2020	2019	2018	2017	2016
■ Singapore					
- Lending business	34.4%	33.9%	50.3%	27.3%	23.3%
- Insurance	16.5%	17.8%	13.5%	31.3%	27.2%
■ Thailand	41.7%	38.0%	29.3%	32.5%	35.9%
■ Malaysia	5.3%	5.4%	3.9%	4.9%	8.0%
■ Indonesia	2.1%	4.9%	3.0%	3.9%	5.6%
	100.0%	100.0%	100.0%	100.0%	100.0%

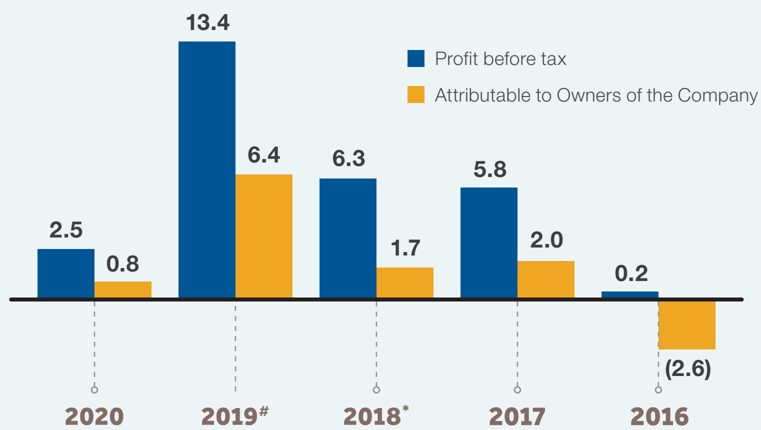
Profit/(loss) before tax - by business sgement (S$ million)

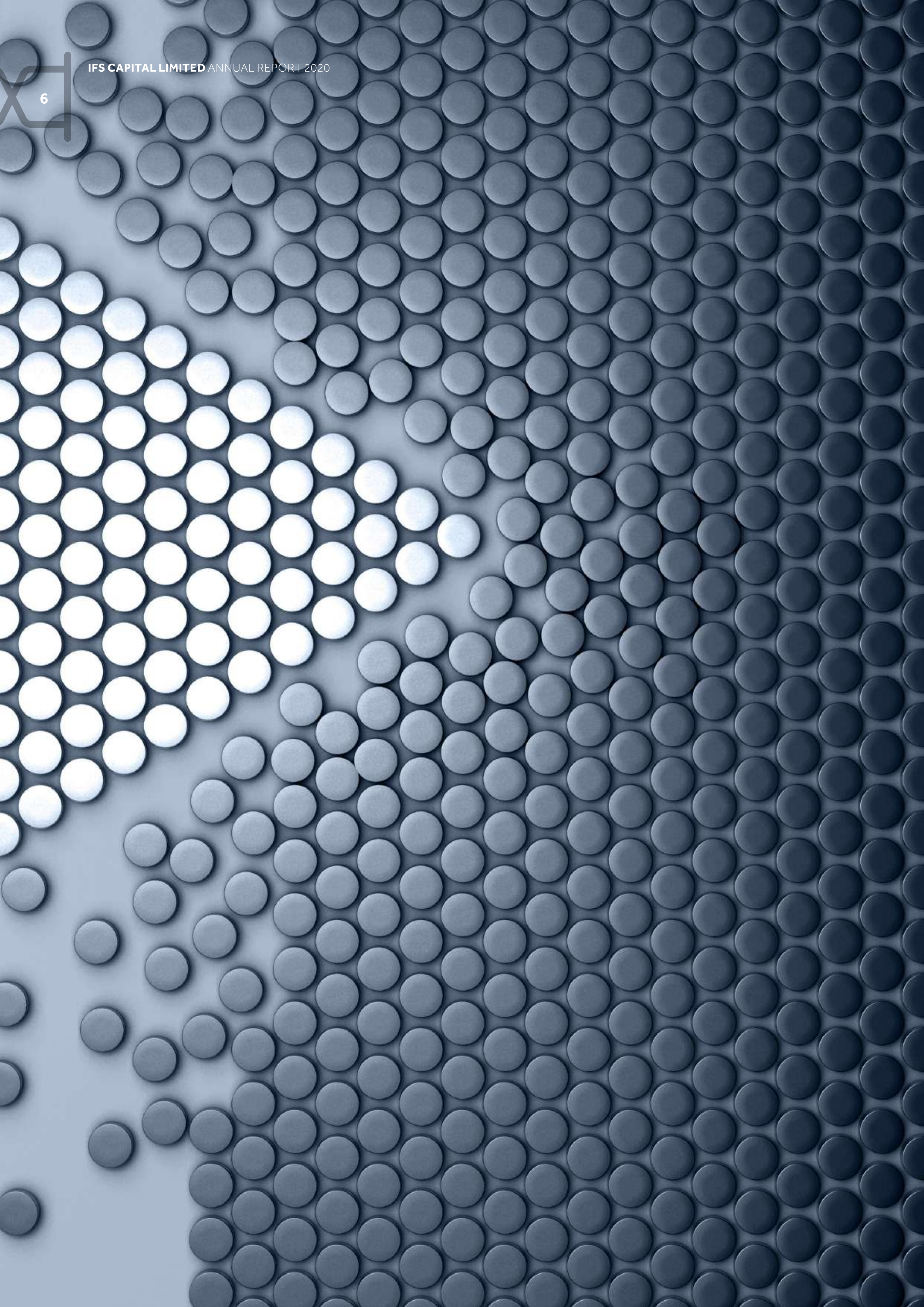


Net Operating Income (S$million)



Profit/loss Overall (S$ million)





Board of Directors

LIM HUA MIN
CHAIRMAN & NON-EXECUTIVE DIRECTOR

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

IFS Board Committee(s) served on:
- Executive Resource & Compensation Committee (Member)
- Risk Management Committee (Member)

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

Present Directorships in Other Listed Companies
- Walker Crisps Group plc. (UK)

Other Principal Commitments
Directorship in Other Companies
- Phillip Group of Companies (Executive Chairman)
- ECICS Limited (Chairman)
- Phillip Bank Plc, Cambodia

Other Major Appointments (other than Directorships)
Nil

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

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

Past Key Appointments
- Chairman of SES Review Committee
- Director of Inland Revenue Authority of Singapore

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

---

LAW SONG KENG
LEAD INDEPENDENT DIRECTOR,
NON-EXECUTIVE DIRECTOR

Date of first appointment as director : 31 January 2011
Date of last re-election as director : 20 April 2018

IFS Board Committee(s) served on:
- Audit Committee (Member)
- Executive Resource & Compensation Committee (Member)
- Risk Management Committee (Member)

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

Present Directorships in Other Listed Companies
- Great Eastern Holdings Ltd

Other Principal Commitments
Directorship in Other Companies
- Frasers Hospitality Asset Management Pte Ltd (Chairman)
- Frasers Hospitality Trust Management Pte Ltd (Chairman)

Other Major Appointments (other than Directorships)
Nil

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

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

Background & Experience
- More than 30 years of experience in the insurance industry

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

Board of Directors

TAN HAI LENG EUGENE
NON-EXECUTIVE DIRECTOR

Date of first appointment as director : 12 October 2015
Date of last re-election as director : 20 April 2018

IFS Board Committee(s) served on:
- Risk Management Committee (Chairman)

Academic & Professional Qualifications
- Bachelor of Arts and Social Sciences (majored in Political Science and History) Degree, National University of Singapore

Present Directorships in Other Listed Companies
Nil

Other Principal Commitments
Directorship in Other Companies
Nil

Other Major Appointments (other than Directorships)
Nil

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

Past Directorships in other listed companies held over the preceding three years
- IFS Capital (Thailand) Public Company Limited (Chairman)

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

---

BARNEY LAU TAI CHIAU
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

IFS Board Committee(s) served on:
- Executive Resource & Compensation Committee (Chairman)
- Audit Committee (Member)

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

Present Directorships in Other Listed Companies
Nil

Other Principal Commitments
Directorship in Other Companies
Nil

Other Major Appointments (other than Directorships)
Nil

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

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

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

TAM CHEE CHONG
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of first appointment as director : 22 May 2020
Date of last re-election as director : –

IFS Board Committee(s) served on:
- Audit Committee (Chairman)

Academic & Professional Qualifications
- Fellow Chartered Accountant of both England & Wales and Singapore

Present Directorships in Other Listed Companies
- GSH Corporation Limited
- Boustead Projects Limited

Other Principal Commitments
Directorship in Other Companies
- Kairos Corporate Advisory Pte Ld
- Perun Consultants (Singapore) Pte. Ltd.

Other Major Appointments (other than Directorships)
NTUC Education & Training Fund, Board Member

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

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

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

RANDY SIM CHENG LEONG
EXECUTIVE DIRECTOR
& GROUP CHIEF EXECUTIVE OFFICER

Date of first appointment as director : 1 July 2020
Date of last re-election as director : –

IFS Board Committee(s) served on:
- Risk Management Committee (Member)

Academic & Professional Qualifications
- Bachelor of Engineering (Honours), Electrical and Electronic Engineering, Nanyang Technological University, Singapore

Present Directorships in Other Listed Companies
- IFS Capital (Thailand) Public Company Limited (Chairman)

Other Principal Commitments
Directorship in Other Companies
Nil

Other Major Appointments (other than Directorships)
Nil

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

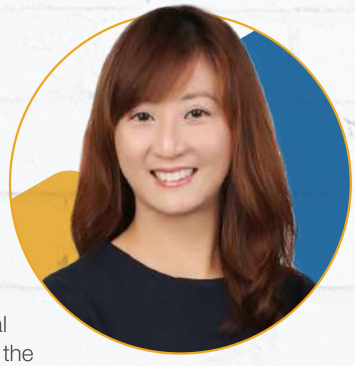
Past Key Appointments
- Chief Executive Officer/Country Head of the Singapore business of IFS Capital Limited

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

Group Management Team

RANDY SIM CHENG LEONG

Executive Director & Group Chief Executive Officer



CHIONH YI CHIAN

Group Chief Risk Officer
Risk Management, Legal, Compliance & Secretariat

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

ANG IRIS

Group Chief Financial Officer
Finance, Corporate Development

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

ZENG RENCHUN

Chief Executive Officer and Country Head
IFS Capital Limited

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

CHOI KIN SENG

Chief Executive Officer
ECICS Limited

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

TAN LEY YEN

Director and Chief Executive Officer
IFS Capital (Thailand) Public Company Limited

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

AB. RAZAK KHALIL

Chief Executive Officer and Country Head
IFS Capital (Malaysia) Sdn. Bhd.

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

GIOVANNI FLORENTINUS E.J

President Director and Country Head
PT. IFS Capital Indonesia

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

Our Journey

IFS Capital Limited

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

1975
Export Credit Insurance Corporation of Singapore was set up to promote the country's export drive

1987
Expanded from credit insurance to financing, with the incorporation of International Factors (Singapore) Ltd

1990 - 1992
Regional expansion into Indonesia, Malaysia, Philippines and Thailand

1993
IFS Capital Limited listed on the Mainboard of the Singapore Exchange

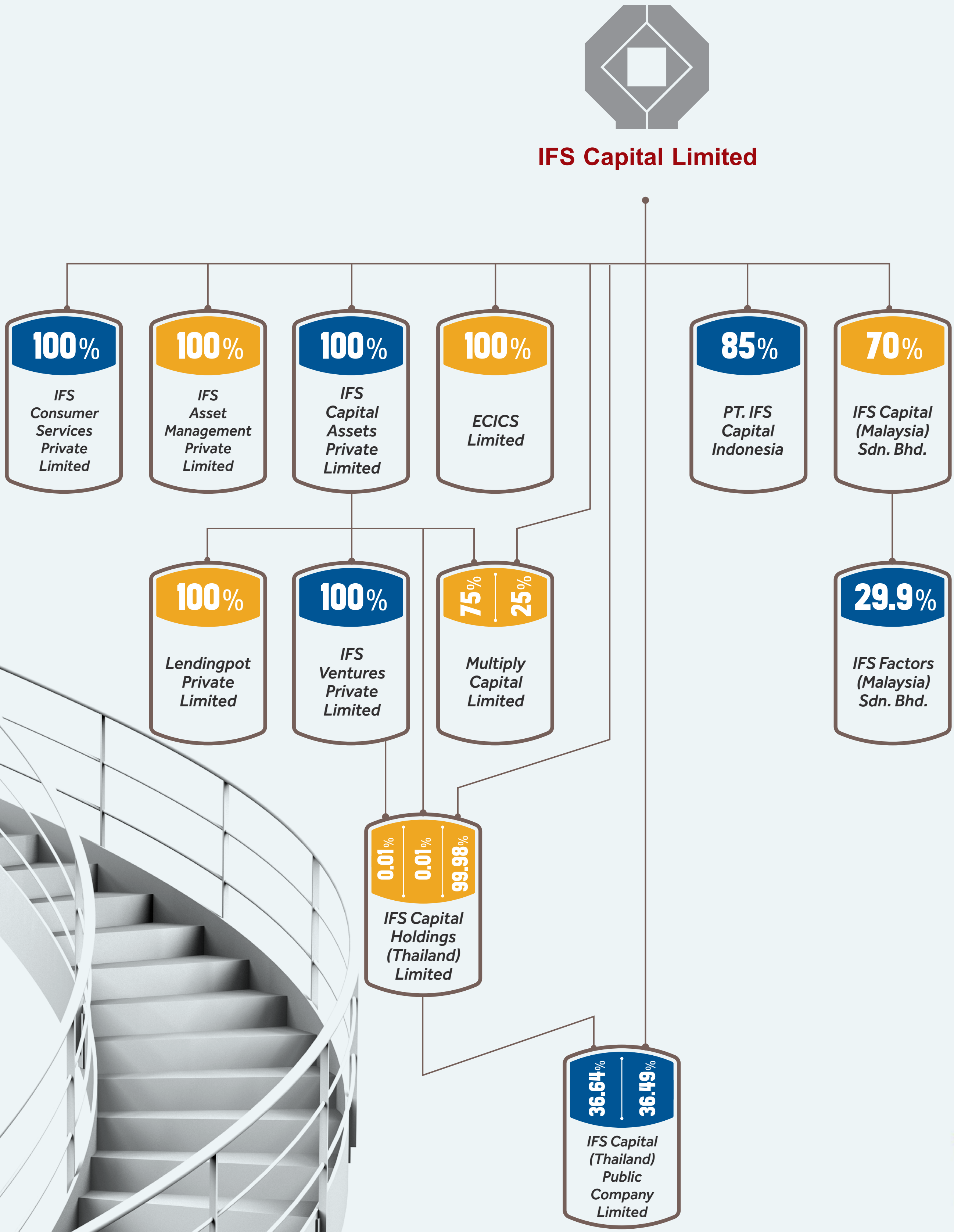
2003
Phillip Assets became the largest shareholder after a shareholders' restructuring exercise

2010
IFS Capital (Thailand) Public Company Limited listed on the Stock Exchange of Thailand

2016
IFS became a subsidiary of Phillip Assets after a rights issue

Photo by Daniel Öberg on Unsplash

Corporate Structure



Corporate Social Responsibility

As an organisation, we are committed to provide responsible and sustainable financing and insurance solutions to our clients. In the same way, we seek to bring sustainable support to those in need within our communities. Our corporate social responsibility is encapsulated in this integration of our organisation's commercial and social mandates.

A responsible corporate culture

A culture of responsibility becomes more essential in troubled times. It is the sense of corporate duty and responsibility that motivated us to adhere strictly to safe management measures even as the situation and complications evolved rapidly. We are glad to have played our part in helping to slow the spread of the virus in the countries that we operate in.

Responsibility to our people

The safety of our staff is at the centre of our pandemic business continuity planning. Our investment of time and energy to transition the company to an end-to-end digital workflow in the years leading up to 2020 enabled us to switch to a distributed workforce seamlessly. When we observed that COVID-19 was beginning to spread rapidly, we activated our Business Continuity Plan swiftly, prioritizing staff members who were pregnant or had young children and the elderly at home.

Conscious of the psychological toll that prolonged lockdowns could take on our staff, we reiterated the management's commitment to ensure the security of jobs and organized virtual social events to engage staff. It was heartening to observe staff-driven initiatives to send treats to thank and encourage one another as we worked hard to ensure continued support for our clients' businesses.

We are grateful for the discipline and commitment of our staff in ensuring that we were able to operate smoothly even when we had to transition to a fully remote-work arrangement in some countries. We are thankful to the governments of the countries that we operate in for the measures that they have taken to safeguard the health of our people and to support businesses in navigating this difficult time.

Getting into action for the community

During such unprecedented times, we found new ways to support communities in need. We did this in partnership with Food from the Heart (FFTH), which is an IPC-status food charity that feeds the needy in Singapore through regular and targeted distribution of essential food items. Our staff participated voluntarily despite concerns about health risks. Altogether, 30 of our teammates offered their time and energy in three separate sessions to assemble food supplies in the FFTH warehouse into curated Community Food Packs for its beneficiaries. They were motivated by their desire to help the underprivileged through this challenging time.

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

Beyond Singapore, IFS Thailand (IFST) joined in the fight against COVID-19 by donating personal protective equipment suits (PPEs) to Phramongkutklao Hospital and Ramathibodi Hospital.

IFST also donated to the Royal Kathin on two occasions, once at Yang Noi Temple, Koae Sub-District, Khaung Nai District, Ubon Ratchathani Province, Thailand, organized by Bangkok Bank PCL; and once at the Robe Offering Ceremony at Wat Yai Suwannaram, Tha Rab Sub-District, Mueang Phetchaburi District, Phetchaburi Province, Thailand, organized by the Social Security Office.

We believe that every company exists to create value in our society and can play an important role to support our communities when crises strike. COVID-19 has poignantly taught us that none of us are truly safe unless all of us are. The road to recovery is one where all members of our society act responsibly with mutual benefit in mind.

> “We believe that every company exists to create value in our society and can play an important role to support our communities when crises strike. COVID-19 has poignantly taught us that none of us are truly safe unless all of us are.”

As an organization, we strive to be ethical and socially responsible in all our endeavours. This directive permeates our engagement with all our stakeholders. In doing so, we hope to be a force for good in the communities that we operate in.

Sustainability Report

Dear Stakeholders,

We are into the fourth year of our sustainability reporting initiative. Notwithstanding this period of uncertainty due to COVID-19 Pandemic, we remain committed to conducting our business in a responsible and sustainable manner. Since we embarked on this journey in 2017, we continuously seek to enhance our sustainable business practices and integrate them into our business operations and corporate activities.

Annually, we review our material Environment, Social and Governance ("**ESG**") Matters based on current business strategy, market conditions and stakeholder concerns. We focus our efforts and resources on sustainability topics that matter most to IFS and our stakeholders. We are confident that our commitment towards sustainability will create value to our long-term growth and success.

We share in this report our sustainability journey in the global Covid-19 pandemic era for the financial year ended 31 December 2020.

1. Economic and Socioeconomic

As a Group, we aim to achieve both favorable and sustainable economic performance in the respective economies we operate in. The outbreak of the COVID-19 pandemic has had a severe impact on our lives and economic activities. Many businesses are faced with financial strain due to lockdown measures, travel restrictions, social distancing requirements and a general hit to consumer confidence.

We are committed to support our clients during this difficult time. In Singapore, we are one of the Participating Financial Institutions (PFIs) to provide financing to the small and medium-sized enterprises (SMEs) under the Enterprise Singapore's (ESG) Enterprise Financing Scheme. We have reached out to both existing clients and new prospects to assist them on the financing support needed to ride through the storm.

We are pleased to have positively contributed to our communities through supporting businesses and ensuring job security for our employees. With their commitment and support, we managed to navigate this difficult year with our teams intact and continue our investments in technology and talent development.

2. Environment

We are committed to playing our part in the global effort to protect the environment. Adopting eco-friendly practices in our everyday activities is an ongoing commitment for our Group. As highlighted in our 2019 sustainability report, we have implemented initiatives to encourage sustainable practices on consumable use and energy consumption and also embarked on a key project to digitize the processes of our main lending business.

In 2020, we successfully transitioned to a new cloud-based enterprise system in Singapore developed using the agile framework. Our digital roadmap launched in 2017 has proven key to enabling our seamless transition to a distributed workforce structure during the pandemic.

In the year ahead, we are continuing the next phase of our journey by building new digital capabilities to further enhance our productivity and competitiveness in providing SME and consumer financing in ASEAN.

3. Social

Our People

Our employees are the key to our future. We value and seek to establish a long-lasting career for our employees and equip them to be future-ready with continuous training and development programs. We provide our employees with equal opportunities and reward based on meritocracy.

Key initiatives implemented in 2020 were as follows:-

- The Tripartite Workgroup on Older Workers recommended that the statutory minimum Retirement Age (RA) and Re-employment Age (REA) be raised to 65 and 70 respectively by 2030. We have implemented this ahead of legislation while at the same time building a framework for continuing training and education for our employees in areas of technology and finance most relevant to our Group.

Sustainability Report

- To build up our leadership team, we have launched the 360-degree survey for our leaders to assist them to understand their strengths and weaknesses and identify where resources can be best invested to build a robust leadership pipeline for the Group.

- We adopted the Objectives and Key Results ("OKR") framework to align the entire Group towards a common purpose. The OKRs are set with the objective to:

  1) focus & commit to priorities
  2) align & connect for teamwork
  3) track for accountability
  4) stretch for amazing results

We are confident that this framework can help us to transform our businesses in the journey ahead.

Covid-19 Business Continuity Plan

In response to the circuit-breaker measures implemented by the Singapore government on 7 April 2020 due to the Covid-19 pandemic, we activated our Business Continuity Plan and commenced telecommuting and safe management measures.

It is of utmost importance to us to ensure the health, safety and emotional well-being of our employees. We are committed to keeping our employees and their families safe.

We have put in place safe management measures such as maintaining social distancing, SafeEntry QR for entry and exit, temperature measurement, wearing of mask, split teams to minimize the number of people working on-site at the same time, staggered work hours and placing hand sanitizers in the office for staff use as well as daily disinfection and cleaning of our offices.

We would like to thank our employees for their commitment and resilience in keeping our operations running smoothly so that we can continue supporting our clients through this challenging time.

We will continue to ensure the safety and health of our employees, clients and partners by monitoring the Covid-19 situation closely and ensuring that appropriate measures, aligned with Governmental guidelines, are put in place.

Giving back to the society

We are committed to giving back to our communities and our Corporate Social Responsibility ("CSR") effort is focused on supporting the needs of the underprivileged in our midst. Even as we dealt with the business challenges arising from the pandemic, we managed to continue our support for worthy causes. Please refer to the CSR report on page 14 - 15 for details.

4. Governance

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

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

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

Conclusion

The spread of COVID-19 has created a high level of uncertainty to the near-term global economic prospects and caused tremendous disruption to businesses across industries. However, it has also accelerated digital transformation, consumer behavior and re-shaped the way we think about our business. The Group continues to keep a careful eye on developments and ensuring that the safety and wellbeing of our employees remain our top priority. We will continue to invest in our talent and technological capabilities and be ready for opportunities that arise. We are confident of emerging from the crisis stronger together.

Corporate Governance Report

The Board of Directors is committed to maintaining high standards of corporate governance in the Group to preserve and maximize shareholders value. The Company has adopted the Code of Corporate Governance 2018 (the "2018 Code") as a benchmark for its corporate governance practices during the financial year ended 31 December 2020. This report sets out the corporate governance processes and activities with specific reference made to the principles of the 2018 Code and in so far as any provision has not been adhered to, appropriate explanations have been provided.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1

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

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

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

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

Delegation by the Board

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

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

Corporate Governance Report

Annual General Meeting, Board and Board committee Meetings and Attendance

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

During the financial year ended 31 December 2020, the Board held four meetings.

The attendance of the Board members at the AGM, Board and Board committee meetings during the financial year ended 31 December 2020 is set out as follows:

Attendance at the Annual General Meeting ("AGM"), Board and Board Committee Meetings

Name of Director	AGM	Board		Audit Committee		RMC(1)		ERCC	
	Attendance	No. of Meetings(8)	Attendance	No. of Meetings(8)	Attendance	No. of Meetings(8)	Attendance	No. of Meetings(8)	Attendance
Lim Hua Min	1	4	4	NA	NA	2	2	2	2
Law Song Keng(2)	1	4	4	4	4	1	1	1	1
Tan Hai Leng Eugene	1	4	4	NA	NA	2	2	NA	NA
Barney Lau Tai Chiau(3)	1	4	4	3	3	NA	NA	1	1
Tam Chee Chong(4)	NA	3	3	3	3	NA	NA	NA	NA
Randy Sim Cheng Leong(5)	NA	2	2	NA	NA	-	-	NA	NA
Manu Bhaskaran(6)	1	1	1	1	1	NA	NA	1	1
Gabriel Teo Chen Thye(7)	1	1	1	1	1	NA	NA	1	1

RMC Risk Management Committee
ERCC Executive Resource and Compensation Committee
NA Not applicable
(1) RMC was established on 1 July 2020
(2) Mr Law Song Keng was appointed as a member of ERCC with effect from 22 May 2020 and as a member of RMC with effect from 12 August 2020
(3) Mr Barney Lau Tai Chiau was appointed as the Chairman of ERCC and a member of Audit Committee with effect from 22 May 2020
(4) Mr Tam Chee Chong was appointed as a director of the Company and the Chairman of Audit Committee with effect from 22 May 2020
(5) Mr Randy Sim Cheng Leong was appointed as a director of the Company with effect from 1 July 2020 and as a member of RMC with effect from 10 November 2020
(6) Mr Manu Bhaskaran retired as a director of the Company and ceased to be the Chairman of ERCC and a member of Audit Committee with effect from 21 May 2020
(7) Mr Gabriel Teo Chen Thye retired as a director of the Company and ceased to be the Chairman of Audit Committee and a member of ERCC with effect from 21 May 2020
(8) The number of meetings held which each director was in office

Board Approval

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

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

Corporate Governance Report

Board Induction and Training

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

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

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

During the financial year ended 31 December 2020, the Board members were provided with updates to keep them abreast of industry trends, developments in accounting standards and changes in relevant laws and regulations and the code of corporate governance through presentations by Company Secretary, management and external auditors during Board or Board committee meetings. Mr Randy Sim Cheng Leong who joined the Board in July 2020, underwent a series of course conducted by the Singapore Institute of Directors for directors who have not been on the board of any listed entity in Singapore.

Access to Information

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

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

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

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

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

BOARD COMPOSITION AND GUIDANCE
Principle 2
The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Board Independence

As at 31 December 2020, the Board comprises 6 directors of whom 3 are independent directors. Although the independent directors are not in a majority which is recommended in the 2018 Code where the Chairman of the Board is not an independent director, at 50:50 ratio of independent and non-independent directors, there is appropriate and sufficient level of independence in the Board as well as adequate safeguards and checks in place to ensure that decision making process by the Board is independent. The Board has always discussed important issues robustly and have always been able to reach a consensus on the votes without having to rely on any majority votes to decide nor having an individual or small group of individuals dominate the Board's decision-making process.

Corporate Governance Report

The nature of the directors' appointments on the Board is set out as follows:

Directors	Board Membership
Lim Hua Min	Non-Executive, Non-Independent, Chairman
Law Song Keng	Lead Independent Director
Tam Chee Chong	Independent
Barney Lau Tai Chiau	Independent
Tan Hai Leng Eugene	Non-Executive, Non-Independent
Randy Sim Cheng Leong	Executive, Group Chief Executive Officer

Annual Review of Director's Independence

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

The Board, taking into account the views of the Executive Resource and Compensation Committee, considers Mr Tam Chee Chong, Mr Law Song Keng and Mr Barney Lau Tai Chiau to be independent directors.

In relation to Mr Law Song Keng who has served on the Board for more than nine years from the date of his first appointment, the Executive Resource and Compensation Committee and the Board have subject his independence status to a particularly rigorous review in the light of Guideline 2.4 of the Code of Corporate Governance 2012 (which will continue to apply until Rule 210(5)(d) of the SGX-ST Listing Rules (Mainboard) comes into effect on 1 January 2022). The Board is of the view that there is no automatic correlation between a director's tenure on the board and his independence and so a person's independence should not be determined arbitrarily on the basis of the number of years' of service on the board. In the review of the independence of Mr Law Song Keng, the Executive Resource and Compensation Committee took into account the director's inputs, views and judgment calls made during his deliberations and is satisfied with his independence in character and judgement and that he would be able to continue to present objective and independent views. The Board, taking into account the views of the Executive Resource and Compensation Committee, is satisfied that Mr Law Song Keng continues to demonstrate his ability to exercise strong independent judgment in his deliberations and act in the best interests of the Group, and that his length of service on the Board has not affected his independence. Accordingly, the Board determines Mr Law Song Keng to be independent, notwithstanding that he has served more than nine years on the Board.

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

Board Composition and Size

The Board has examined its size and is satisfied that a size of up to 6 members is currently appropriate for the Company, taking into account the nature and scope of the Group's businesses. The Executive Resource and Compensation Committee assesses the Board's composition each year and is satisfied that the Board currently has the appropriate balance and mix of skills, knowledge and experience for the Board to carry out its duties effectively.

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

Corporate Governance Report

Board Diversity

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

Role of Non-Executive Directors/Independent Directors

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Principle 3
There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

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

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

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

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

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

Role of the Lead Independent Director

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

Corporate Governance Report

BOARD MEMBERSHIP
Principle 4
The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Executive Resource and Compensation Committee

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

As at 31 December 2020, the Executive Resource and Compensation Committee comprises 3 members, the majority of whom are independent:

Barney Lau Tai Chiau	Chairman, Independent
Lim Hua Min	Member, Non-Independent
Law Song Keng	Member, Independent

Note:
- *Mr Barney Lau Tai Chiau was appointed as the Chairman of the Executive Resource and Compensation Committee on 22 May 2020. Mr Manu Bhaskaran ceased to be the Chairman of the Executive Resource and Compensation Committee on 21 May 2020.*
- *Mr Law Song Keng was appointed as a member of the Executive Resource and Compensation Committee on 22 May 2020. Mr Gabriel Teo Chen Thye ceased to be a member of the Executive Resource and Compensation Committee on 21 May 2020.*

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

(i) assists the Board to assess the effectiveness of the Board as a whole as well as the contribution of the directors to the effectiveness of the Board;

(ii) reviews the succession plans for directors, in particular, the appointment and/or replacement of the Chairman and the Group CEO and key management personnel;

(iii) establishes a formal process for the Group on the appointment of directors, re-nomination and re-election of directors;

(iv) considers and determines the independence of the directors, at least annually;

(v) recommends to the Board on all Board appointments and re-appointments and approves appointments of key management personnel; and

(vi) reviews the training and professional development programme for directors.

Criteria and Process for Nomination and Selection of New Directors

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

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

(i) the Committee will consider the benefits of all aspects of diversity, and will evaluate the desired balance and diversity of skills, knowledge, gender and experience for the Board and, in the light of such evaluation, determines the role and the desirable competencies and attributes for a particular appointment;

(ii) various sources may be used to look for potential candidates;

(iii) the Committee meets with the short-listed candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and

(iv) the Committee makes recommendations to the Board for approval.

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

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

Directors' Time Commitments

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

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

All directors are aware of their time commitment obligations. For the financial year ended 31 December 2020, each director signed a confirmation that, having regard to all his commitments, he has devoted sufficient time and attention to the affairs of the Company. The Executive Resource and Compensation Committee believes that putting a numerical limit on the number of listed board directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

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

The Executive Resource and Compensation Committee is satisfied that all directors have discharged their duties adequately for the financial year ended 31 December 2020.

As at 31 December 2020, no alternate director has been appointed to the Board.

Rotation and Re-election of Directors/Re-appointment of Directors

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

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

Corporate Governance Report

For the forthcoming Annual General Meeting, Mr Eugene Tan Hai Leng and Mr Law Song Keng will be retiring by rotation under Article 94 of the Company's Constitution, while Mr Tam Chee Chong and Mr Randy Sim Cheng Leong will be retiring under Article 100 of the Company's Constitution. At the recommendation of the Executive Resource and Compensation Committee and as approved by the Board, Mr Eugene Tan Hai Leng, Mr Law Song Keng, Mr Tam Chee Chong and Mr Randy Sim Cheng Leong will be seeking re-election at the forthcoming Annual General Meeting.

In the case of the independent director Mr Law Song Keng, as he has been a director of the Company for a period of more than 9 years, he will cease to be regarded as independent on 1 January 2022 pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST, which will come into effect on 1 January 2022.

The Executive Resource and Compensation Committee will assist the Board to review the composition of the Board and make the appropriate recommendations to the Board.

The detailed information on Mr Eugene Tan Hai Leng, Mr Law Song Keng, Mr Tam Chee Chong and Mr Randy Sim Cheng Leong can be found on pages 166 to 171.

BOARD PERFORMANCE
Principle 5
The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Board Evaluation

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

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
Principle 6
The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The Executive Resource and Compensation Committee also performs the role of a remuneration committee. The Committee comprises entirely of Non-Executive Directors, the majority of whom, including the Chairman, are independent.

Pursuant to the terms of reference, the Executive Resource and Compensation Committee reviews and approves the remuneration packages for each director and the key management personnel, and also decides on policies relating to remuneration and incentive programs (including staff benefits and bonuses) for the staff of the Group. In reviewing the remuneration framework, the Executive Resource and Compensation Committee takes into consideration industry practices and benchmarks to ensure that its remuneration and compensation package are competitive. The Committee, if it requires, may seek expert advice on executive compensation matters from professional firms. During the financial year ended 31 December 2020, the Committee did not require the service of an expert adviser on executive compensation matters.

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

LEVEL AND MIX OF REMUNERATION
Principle 7
The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Remuneration Policy

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

Remuneration of Executive Director and Key Management Personnel

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

The variable component of the remuneration package is mainly in the form of cash-based variable bonuses which reward employees that commensurate with the performance of the Company. The performance-related variable cash bonus pool is computed based on guidelines approved by the Executive Resource and Compensation Committee. There was no share-based awards under long-term incentive scheme during the financial year ended 31 December 2020.

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

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

Remuneration of Non-Executive Director

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

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

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

DISCLOSURE ON REMUNERATION
Principle 8
The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Disclosure of Remuneration of the Directors

A breakdown showing the level and mix of each individual director's remuneration payable for the financial year ended 31 December 2020 is as follows:

	Number of Directors	
Remuneration Band	**FYE 31 Dec 2020**	**FYE 31 Dec 2019**
$500,000 to below $750,000	0	1
$250,000 to below $500,000	2	0
Below $250,000	6	6
Total	**8**	**7**

Corporate Governance Report

Remuneration Band/ Directors of Company		Directors' Fees[1] %	Fixed Pay %	Annual Wage Supplement and Variable Bonus %	Allowances & Others %	Total %
(i)	**$250,000 to below $500,000**					
	Mr Tan Hai Leng Eugene[2]	4	96	–	–	100
	Mr Randy Sim Cheng Leong[3]	–	65	35	–	100
(ii)	**Below $250,000**					
	Mr Lim Hua Min	100	–	–	–	100
	Mr Law Song Keng	100	–	–	–	100
	Mr Tam Chee Chong[4]	100	–	–	–	100
	Mr Barney Lau Tai Chiau	100	–	–	–	100
	Mr Gabriel Teo Chen Thye[5]	100	–	–	–	100
	Mr Manu Bhaskaran[6]	100	–	–	–	100

(1) Directors' Fees refer to fees for the financial year ended 31 December 2020, subject to approval by shareholders at the forthcoming AGM
(2) Mr Tan Hai Leng Eugene stepped down as the Group Chief Executive Officer with effect from 30 June 2020 and continued as Non-Executive Director with effect from 1 July 2020
(3) Mr Randy Sim Cheng Leong was appointed as the Group Chief Executive Officer and a director of the Company with effect from 1 July 2020
(4) Mr Tam Chee Chong was appointed as a director of the Company with effect from 22 May 2020
(5) Mr Gabriel Teo Chen Thye retired as a director of the Company with effect from 21 May 2020
(6) Mr Manu Bhaskaran retired as a director of the Company with effect from 21 May 2020

Key Management Personnel's Remuneration
A breakdown of the compensation for the Group's key management personnel (who are not directors or the Group Chief Executive Officer of the Company) as at 31 December 2020 into remuneration bands of $250,000 is as follows:

Remuneration Band*	FYE 31 Dec 2020	FYE 31 Dec 2019
$750,000 to below $1,000,000	1	1
$500,000 to below $750,000	0	0
$250,000 to below $500,000	3	4
Below $250,000	3	2
Total	**7**	**7**

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

In aggregate, the total remuneration paid to the above key management personnel of the Group (who are not directors or the Group Chief Executive Officer of the Company) is $1.97 million in the financial year ended 31 December 2020.

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

During the financial year ended 31 December 2020, there was no employee who was a substantial shareholder or an immediate family member of a director or the Group Chief Executive Officer or a substantial shareholder of the Company and whose remuneration exceeds $100,000 during the year.

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

Corporate Governance Report

ACCOUNTABILITY & AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9

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

Accountability

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

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

Risk Management and Internal Controls

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

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

The Board, considering the current Group's business and portfolio size that has grown over the years, established the Risk Management Committee during the financial year ended 31 December 2020 as part of the Group's further effort to strengthen its risk management processes and framework.

Risk Management Committee

As at 31 December 2020, the Risk Management Committee comprises 4 members:

Tan Hai Leng Eugene	Chairman, Non-Independent
Lim Hua Min	Member, Non-Independent
Law Song Keng	Member, Independent
Randy Sim Cheng Leong	Member, Non-Independent

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

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

Corporate Governance Report

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

Board's Commentary on adequacy and effectiveness of internal controls

The Board has received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer that, for the financial year ended 31 December 2020, the Group's financial records have been properly maintained, and the financial statements give a true and fair view of the Group's operations and finances.

The Board has also received assurance from the Group Chief Executive Officer and key management personnel who are responsible that as at 31 December 2020, the Group's risk management and internal control systems are effective and adequate to address the risks which the Group considers relevant and material to its operations.

Based on the risk management framework and the system of internal controls established and maintained by the Group, information furnished to the Board, the internal and external audits conducted and the reviews performed by management, the Board, with the concurrence of the Audit Committee and the Risk Management Committee, is of the opinion that the Group's system of risk management and internal controls addressing financial, operational, compliance and information technology risks was adequate and effective to meet the Group's current business objectives as at 31 December 2020.

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

AUDIT COMMITTEE

Principle 10

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

Composition of the Audit Committee

As at 31 December 2020, the Audit Committee comprises 3 members, all of whom (including the Audit Committee Chairman) are independent Non-Executive Directors:

Tam Chee Chong	Chairman, Independent
Law Song Keng	Member, Independent
Barney Lau Tai Chiau	Member, Independent

Note:
Mr Tam Chee Chong was appointed as the Chairman of the Audit Committee on 22 May 2020. Mr Gabriel Teo Chen Thye ceased to be the Chairman of the Audit Committee on 21 May 2020.
Mr Barney Lau Tai Chiau was appointed as a member of the Audit Committee on 22 May 2020. Mr Manu Bhaskaran ceased to be a member of the Audit Committee on 21 May 2020.

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

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

Corporate Governance Report

Authority and Duties of the Audit Committee

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

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

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

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

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

Review of Financial Statements

In the review of the financial statements for the financial year ended 31 December 2020, the Audit Committee discussed with management and the external auditors on significant issues and assumptions that impact the financial statements, including the assurance from the Group Chief Executive Officer and the Group Chief Financial Officer on the financial records and financial statements. The most significant matters have also been included in the Independent Auditors' Report to the members of the Company under "Key Audit Matters", namely (i) valuation of loan and factoring receivables; (ii) valuation of unquoted investments; (iii) valuation of insurance contract provisions; and (iv) valuation of deferred tax assets. Based on its review as well as discussion with management and the external auditors, the Audit Committee is satisfied that those matters, including the four Key Audit Matters, have been properly dealt with and recommended the Board to approve the financial statements for the financial year ended 31 December 2020 and the Board has approved them.

Review of Independence of External Auditor

The Audit Committee also undertook the annual review of the independence of external auditors through discussions with the external auditors as well as reviewing all the non-audit services provided by the external auditors and the fees payable to them. The Audit Committee is satisfied that the non-audit services performed by them would not affect the independence of the external auditors and has recommended the re-appointment of the external auditors at the Company's forthcoming Annual General Meeting.

A breakdown of the fees of audit and non-audit services paid to the external auditors for the financial year ended 31 December 2020 is found in note 35 of the financial statement on page 112 of this Annual Report.

Corporate Governance Report

Internal Audit

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

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

Adequacy of the Internal Audit Function

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

(i) the scope of the internal auditors' work;

(ii) the quality of their reports, including major findings on internal audit during the year and Management's responses thereto, difficulties encountered during the course of the audit, significant changes to the audit programme and compliance with relevant professional internal audit standards;

(iii) the audit programme and the internal audit charter;

(iv) the hiring, removal, evaluation and compensation of the Head of Internal Audit;

(v) their relationship with the external auditors; and

(vi) their independence of the areas reviewed.

Whistleblowing Policy

The Company has in place a whistle-blowing framework whereby staff of the Group can have access to the Audit Committee Chairman to raise concerns of any improprieties, including in relation to financial report, in confidence. The Audit Committee reviews this framework with an objective to ensure that arrangements are in place for independent investigation of such concerns raised and for appropriate follow-up action.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11

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

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

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

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

Conduct of Shareholder Meetings

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

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

The Company conducts electronic poll voting for all the resolutions passed at the shareholders' meetings for greater transparency in the voting process. Before commencement of the proceedings at the shareholders' meetings, the independent scrutineer appointed by the Company will disclose the voting and vote tabulation procedures. Votes cast for, or against, each resolution will be tallied and displayed live-on-screen to shareholders at the meeting. The total numbers and percentage of votes cast for or against the resolutions are also announced after the meetings via SGXNet.

All directors, in particular the Chairpersons of the Audit Committee, the Risk Management Committee and the Executive Resource and Compensation Committee and the external auditors attend Annual General Meetings to address any questions which may be raised by the shareholders at such meetings.

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

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

Conduct of Annual General Meeting in 2020 ("2020 AGM") amidst current Covid-19 pandemic

In view of the Covid-19 pandemic, the Company issued the Notice of 2020 AGM to notify its shareholders that the 2020 AGM 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 (the "Order") which was gazetted on 13 April 2020. Shareholders were invited to participate in the virtual 2020 AGM by (a) observing and/or listening to the AGM proceedings via live audio-visual webcast or live audio-only stream; (b) submitting questions in advance of the 2020 AGM; and (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the 2020 AGM.

Conduct of Annual General Meeting in 2021 ("2021 AGM")

Due to the current Covid-19 situation in Singapore, shareholders will not be able to attend 2021 AGM in person. Instead, the Company will be holding its 2021 AGM by electronic means on 23 April 2021 and shareholders are invited to participate at its 2021 AGM by (a) observing and/or listening to the 2021 AGM proceedings via live audio-visual webcast or live audio-only stream; (b) submitting questions in advance of the 2021 AGM; and (c) appointing the Chairman of the Meeting as proxy to vote on their behalf at the 2021 AGM. Details of the steps for pre-registration, submission of questions and voting at the 2021 AGM by shareholders, including CPF and SRS investors, are set out in a separate announcement released on SGXNET on 7 April 2021. In view of the constantly evolving Covid-19 situation in Singapore, the Company may be required to change its arrangements for the AGM at short notice and shareholders should check SGXNET for the latest updates on the status of the 2021 AGM.

Corporate Governance Report

ENGAGEMENT WITH SHAREHOLDERS
Principle 12
The Company communicates regularly with its shareholders and facilities the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

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

During the financial year ended 31 December 2020, the Board provided shareholders with half-yearly and and annual financial reports. Results for the half-year were released to the shareholders within 45 days of the reporting period while the full-year results were released to the shareholders within 60 days of the financial year-end. In presenting the annual financial statements and announcements of financial results to the shareholders, the Board aims to provide a balanced and understandable assessment of the Group's financial performance and prospects.

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

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

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

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS
Principle 13
The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

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

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

During the financial year ended 31 December 2020, having considered the environmental, social and governance issues, the Group mapped out the key areas of focus in relation to the management of the respective stakeholder relationships. Please refer to the Sustainability Report on pages 16 and 17.

Code on Dealings in Securities

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

Additional Information

Interested Persons Transactions

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

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
	12 months 31 Dec 2020	**12 months 31 Dec 2019**
Name of Interested Person	**S$'000**	**S$'000**
Credit Facility Granted		
Phillip Credit Pte Ltd	**294**	594
	294	594

Material Contracts Involving Directors' Interest

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

Financial Report

Directors' Statement

YEAR ENDED 31 DECEMBER 2020

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2020.

In our opinion:

(a) the financial statements set out on pages 45 to 159 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 for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

DIRECTORS

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

Lim Hua Min
Barney Lau Tai Chiau
Law Song Keng
Tam Chee Chong (appointed on 22 May 2020)
Tan Hai Leng Eugene
Randy Sim Cheng Leong (appointed on 1 July 2020)

DIRECTORS' INTERESTS

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

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Ultimate holding company		
Phillip Assets Pte. Ltd.		
Lim Hua Min		
- ordinary shares	39,100,000	39,100,000
IFS Capital Limited - Company		
Lim Hua Min		
- ordinary shares		
- deemed interests	226,063,029	226,586,029
Tan Hai Leng Eugene		
- ordinary shares	200,000	200,000
Randy Sim Cheng Leong		
- ordinary shares	1,050,000	1,050,000

Directors' Statement

YEAR ENDED 31 DECEMBER 2020

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
IFS Factors (Malaysia) Sdn. Bhd. - Subsidiary		
Tan Hai Leng Eugene		
- ordinary shares	1	–
Randy Sim Cheng Leong		
- ordinary shares	–	1

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2021.

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

Except for the salaries, bonuses and fees and those benefits that are disclosed in this statement and in notes 35 and 40 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

AUDIT COMMITTEE

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

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

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

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

The Audit Committee also reviewed the following:

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

Directors' Statement

YEAR ENDED 31 DECEMBER 2020

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

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

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

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Randy Sim Cheng Leong
Director

Lim Hua Min
Director

Singapore
26 March 2021

Independent Auditors' Report

YEAR ENDED 31 DECEMBER 2020

Members of the Company
IFS Capital Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of IFS Capital Limited ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 159.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Valuation of loans and factoring receivables ($437.7 million) (Refer to Notes 10, 15 and 41 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
Provision of loans and factoring financing is the principal activity of the Group. Loans and factoring receivables are the most significant financial statement captions in the Group's consolidated statement of financial position. The Group's loans and factoring receivables have exposures in Singapore, Thailand, Malaysia and Indonesia. While the portfolio in Indonesia exhibits higher credit risk, the size of this portfolio is relatively small, as compared to the portfolios in Singapore and Thailand. The application of the expected credit loss ("ECL") model under SFRS(I) 9 *Financial Instruments* and the determination of ECL for the loans and factoring receivables involve significant management judgement. There is a risk that the measurement of ECL allowances for the Group's loans and factoring receivables is inappropriate.	We have involved our accounting specialists in the assessment of the Group's application of the ECL model under SFRS(I) 9 and overall reasonableness of the impairment valuation, in light of the COVID-19 pandemic. Our audit procedures included, among others: • Evaluated the reasonableness of the methodology, assumptions and estimates used in the ECL model for consistency with SFRS(I) 9 requirements; • Discussed the most recent development in the credit risk assessment with focus on sectors that are vulnerable to the COVID-19 pandemic, such as retail and construction etc, and reviewed the resulting changes to the ECL model with the refreshed forward looking elements; • Tested operating effectiveness of controls for credit reviews and assessed the appropriateness of management's internal credit quality grading model for loans and factoring receivables;

Valuation of loans and factoring receivables ($437.7 million) (cont'd) (Refer to Notes 10, 15 and 41 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
	• Independently re-performed the impairment computations on selected accounts and compared with management's computation, including testing of the inputs to the ECL model such as the probability of default, agreed payment plans, payment track records and the valuation of the collaterals held by the Group; and • Assessed the adequacy and completeness of the Group's disclosures on the credit risk in respect of the loans and factoring receivables in the financial statements against SFRS(I) 7. Findings: • Based on the work performed, we found the ECL allowances provided for the loans and factoring receivables to be reasonable. • We also found the disclosures on the valuation of loans and factoring receivables to be materially in accordance with the relevant requirements.

Valuation of unquoted investments ($3.3 million) (Refer to Notes 9 and 41 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group's investments are a significant financial statement caption in the Group's consolidated statement of financial position, and comprise debt securities, unquoted convertible loans and quoted and unquoted equity securities. There is a risk that the assessment of the carrying value does not accurately reflect its fair value as at the reporting date. The risk is not uniform for all investment types and is greatest for the unquoted convertible loans. These are hard-to-value structured financial instruments with embedded derivatives and are subjected to management estimates and judgements.	We have assessed the valuation methodology applied and the assumptions used in the valuation models to determine the fair value of unquoted investments. Our audit procedures included, among others: • Evaluated the appropriateness of the valuation model and the reasonableness of inputs used; • Considered the implication of the COVID-19 pandemic and challenged the Group's key judgements and assumptions used in the determination of the fair value of unquoted investments by corroborating these with external sources and industry information where possible; and • Assessed the adequacy of the disclosures made by the Group in relation to their description of the assumptions, estimates made and the sensitivity of the valuation of the unquoted investments to changes in those assumptions and estimates.

Independent Auditors' Report

Valuation of unquoted investments ($3.3 million) (cont'd) (Refer to Notes 9 and 41 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
	Findings: • In respect of the unquoted convertible loan, we found that the Group's cash flow forecast was reasonably supported, and the discount rate used was balanced in comparison with market data. • Overall, we found the Group's disclosures of the assumptions and estimates made for valuing level 3 financial instruments and the sensitivity analysis to changes in those assumptions and estimates to be materially in accordance with relevant requirements.

Valuation of deferred tax assets ($3.7 million) (Refer to Note 12 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group has significant deferred tax assets amounting to $3.7 million arising mainly from unutilised tax losses as of 31 December 2020. There is inherent uncertainty involved in forecasting future taxable profits, which determines the extent to which deferred tax assets are or are not recognised.	We have assessed the forecasts of future taxable profits prepared by management and the basis used to determine the realisation of deferred tax assets. Our audit procedures included, among others: • Obtained an understanding of the Group's budgeting process upon which the forecasts are based; • Challenged management's key assumptions used in the forecasts, including the projected revenue growth rate, projected gross profit margin and discount rates, against the Group's historical performance and planned activities; • Considered the management's assessment of the Group's taxable position, and applied our knowledge and experience of the relevant tax legislation; and • Assessed the adequacy of the disclosures made by the Group in relation to the deferred tax assets recognised. Findings: • There were assumptions applied by management which trend towards projecting an optimistic forecast of the taxable profits of specific Group entities. However, given the continual availability of such tax losses and the planned activities, there is reasonable basis for the recognition of deferred taxes on their unutilised tax losses. • We found that Note 12 gives appropriate disclosure in respect of the deferred tax assets recognised.

Independent Auditors' Report

<table>
<tr><td colspan="2">Valuation of insurance contract provisions ($15.1 million, net of reinsurance)
(Refer to Note 13 to the financial statements)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group's general insurance operations are conducted through its subsidiary, ECICS Limited (ECICS).

Valuation of insurance contract provisions is inherently judgemental and subjective.

There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately be required to pay as claims.

The valuation of insurance contract liabilities is dependent on estimates including the ultimate settlement cost of claims reported, and claims incurred but not yet reported (IBNR) which is incorporated in ECICS's appointed actuary's valuation model. The estimates are determined based on historical claim experience, existing knowledge of events, the term and conditions of relevant policies and interpretation of circumstances.

Using an inappropriate valuation method could result in material errors to the carrying value of insurance contract liabilities. In addition, changes in the assumptions used in calculation of the valuation could result in a material impact to the valuation of insurance contract liabilities and the related movements in profit or loss.</td><td>We have involved our internal actuarial specialists to assess the methodology applied and the assumptions used in the ECICS's appointed actuary's model to determine the adequacy of insurance contract provisions made for premium and claim liabilities. Our audit procedures included, among others:

• Evaluated the underwriting and claims processes;

• Assessed the design and operating effectiveness of controls over approval and recording of premiums and claims;

• Tested the completeness and accuracy of data used in the valuation of insurance contract liabilities;

• Assessed the appointed actuary's competence, capability and objectivity by reviewing their resume and making enquiries;

• Involved our actuarial specialists to evaluate the methodology, assumptions and estimates used in the ECICS's appointed actuary's model; and

• Assessed the adequacy of the disclosure made by the Group in relation to the assumptions and estimates used and the sensitivity of the insurance contract provisions to changes in the assumptions and estimates.

Findings:

• We independently verified and agreed with management's assessment of the adequacy of provision for insurance claims.

• We have assessed the methodology, assumptions and estimates used by ECICS's appointed actuary and we identified no concerns over the actuary's competence, capability and objectivity.

• We found that the assumptions and estimates used by ECICS's appointed actuary were balanced.

• We found that Note 41 gives appropriate disclosure of the assumptions and estimates made by the Group and the sensitivity of the valuation of insurance contract provisions to changes in those assumptions and estimates.</td></tr>
</table>

Independent Auditors' Report

YEAR ENDED 31 DECEMBER 2020

Other information

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

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report

Auditors' responsibilities for the audit of the financial statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
26 March 2021

Statements of Financial Position

YEAR ENDED 31 DECEMBER 2020

		Group		Company	
		2020	2019	2020	2019
	Note	$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	4	**1,929**	2,165	**247**	213
Intangible assets	5	**769**	990	**637**	773
Investment properties	6	**2,730**	2,981	**–**	–
Subsidiaries	7	**–**	–	**86,663**	86,163
Other investments	9	**18,819**	25,096	**54**	14
Loans, advances, hire purchase and leasing receivables	10	**82,332**	83,092	**75,837**	69,368
Deferred tax assets	12	**3,692**	3,856	**–**	–
Right-of-use assets	38	**2,525**	2,839	**1,834**	2,020
		112,796	121,019	**165,272**	158,551
Current assets					
Reinsurers' share of insurance contract provisions	13	**4,988**	4,533	**–**	–
Insurance receivables	14	**1,497**	1,561	**–**	–
Trade and other receivables	15	**297,580**	321,743	**163,260**	172,220
Property held for sales		**292**	–	**–**	–
Other investments	9	**12,554**	18,737	**444**	312
Cash and cash equivalents	18	**51,720**	37,191	**24,897**	9,065
		368,631	383,765	**188,601**	181,597
Total assets		**481,427**	504,784	**353,873**	340,148
Equity					
Share capital	20	**137,302**	137,302	**137,302**	137,302
Other reserves	21	**2,505**	3,654	**–**	–
Accumulated profits		**35,943**	38,052	**43,190**	41,681
Equity attributable to owners of the Company		**175,750**	179,008	**180,492**	178,983
Non-controlling interests	22	**17,886**	17,945	**–**	–
Total equity		**193,636**	196,953	**180,492**	178,983

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

Statements of Financial Position

YEAR ENDED 31 DECEMBER 2020

		Group		Company	
		2020	2019	2020	2019
	Note	$'000	$'000	$'000	$'000
Non-current liabilities					
Interest-bearing borrowings	23	**13,538**	5,323	**3,745**	–
Employee benefits	24	**1,504**	1,429	**–**	–
Deferred tax liabilities	12	**142**	246	**123**	147
Lease liabilities	38	**1,837**	2,253	**1,192**	1,500
		17,021	9,251	**5,060**	1,647
Current liabilities					
Trade and other payables	25	**14,203**	15,036	**8,805**	8,452
Insurance payables	27	**1,635**	1,792	**–**	–
Interest-bearing borrowings	23	**233,350**	256,975	**158,834**	149,288
Insurance contract provisions for:					
- gross unexpired risks	13	**5,985**	6,738	**–**	–
- gross insurance claims	13	**14,108**	14,859	**–**	–
Lease liabilities	38	**766**	596	**666**	507
Current tax payable		**723**	2,584	**16**	1,271
		270,770	298,580	**168,321**	159,518
Total liabilities		**287,791**	307,831	**173,381**	161,165
Total equity and liabilities		**481,427**	504,784	**353,873**	340,148

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

Consolidated Statement of Profit or Loss

YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Interest income	28	**26,980**	33,033
Interest expense	29	**(5,984)**	(7,745)
Net interest income		**20,996**	25,288
Gross written premiums		**6,188**	5,588
Change in gross provision for unexpired risks	13	**753**	2,067
Gross earned premium revenue		**6,941**	7,655
Written premiums ceded to reinsurers		**(1,115)**	(784)
Reinsurers' share of change in provision for unexpired risks	13	**(996)**	(702)
Reinsurance premium expense		**(2,111)**	(1,486)
Net earned premium revenue (i)	30	**4,830**	6,169
Fee and commission income	31	**6,497**	8,632
Net investment income	32	**709**	4,982
Other income	33	**461**	1,513
Sub-total (ii)		**7,667**	15,127
Non-interest income (i) + (ii)		**12,497**	21,296
Grant income		**1,491**	–
Income before operating expenses		**34,984**	46,584
Business development expenses		**(514)**	(644)
Commission expenses		**(1,596)**	(1,692)
Staff costs		**(14,436)**	(15,414)
General and administrative expenses		**(6,707)**	(6,479)
Operating expenses		**(23,253)**	(24,229)
Change in gross provision for insurance claims	13	**751**	(1,413)
Reinsurers' share of change in provision for insurance claims	13	**1,451**	530
Gross claims paid	13	**(21,964)**	(6,361)
Reinsurers' share of claims paid	13	**12,913**	840
Net claims incurred	30	**(6,849)**	(6,404)
Operating profit before allowances		**4,882**	15,951
(Recognition)/reversal of allowances for loan losses and impairment of other assets	34	**(2,345)**	392
Profit before tax	35	**2,537**	16,343
Tax expense	36	**(176)**	(4,238)
Profit for the year		**2,361**	12,105
Profit attributable to:			
Owners of the Company		**795**	9,388
Non-controlling interests		**1,566**	2,717
Profit for the year		**2,361**	12,105
Earnings per share			
Basic earnings per share (cents)	37	**0.21**	2.50
Diluted earnings per share (cents)	37	**0.21**	2.50

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

Consolidated Statement of Comprehensive Income

YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Profit for the year		**2,361**	12,105
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Defined benefit plan remeasurements		**36**	13
Tax on items that will not be reclassified to profit or loss		**–**	(2)
		36	11
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences of foreign operations		**(1,434)**	3,300
		(1,434)	3,300
Other comprehensive income for the year, net of tax		**(1,398)**	3,311
Total comprehensive income for the year		**963**	15,416
Total comprehensive income attributable to:			
Owners of the Company		**(326)**	11,869
Non-controlling interests		**1,289**	3,547
Total comprehensive income for the year		**963**	15,416

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

Consolidated Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2020

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

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

Consolidated Statement of Changes in Equity (cont'd)

YEAR ENDED 31 DECEMBER 2020

	Note	Attributable to owners of the Company						
		Share capital $'000	Capital reserve $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2019		137,302	108	1,076	30,720	169,206	15,354	184,560
Total comprehensive income for the year								
Profit for the year		–	–	–	9,388	9,388	2,717	12,105
Other comprehensive income								
Foreign currency translation differences		–	–	2,470	–	2,470	830	3,300
Defined benefit plan remeasurements		–	–	–	13	13	–	13
Tax on other comprehensive income	36	–	–	–	(2)	(2)	–	(2)
Total other comprehensive income		–	–	2,470	11	2,481	830	3,311
Total comprehensive income for the year		–	–	2,470	9,399	11,869	3,547	15,416
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Dividends paid to owners of the Company	21	–	–	–	(2,067)	(2,067)	–	(2,067)
Total contributions by and distributions to owners		–	–	–	(2,067)	(2,067)	–	(2,067)
Changes in ownership interests in subsidiaries								
Dividends paid by a subsidiary company to non-controlling interests	22	–	–	–	–	–	(956)	(956)
Total changes in ownership interests in subsidiaries		–	–	–	–	–	(956)	(956)
Total transactions with owners		–	–	–	(2,067)	(2,067)	(956)	(3,023)
At 31 December 2019		137,302	108	3,546	38,052	179,008	17,945	196,953

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

Consolidated Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Profit for the year		**2,361**	12,105
Adjustments for:			
Amortisation of			
- intangible assets	5	**321**	307
- debt securities	32	**14**	57
Net foreign exchange (gain)/loss		**(1,378)**	3,207
Depreciation of property, plant and equipment	4	**390**	441
Depreciation of investment properties	6	**202**	193
Depreciation of right-of-use assets	38	**787**	583
Property, plant and equipment written off	4	**–**	2
Loss on disposal of debt securities	32	**66**	8
Gain on disposal of property, plant and equipment	33	**(15)**	–
Net change in fair value of financial assets through profit or loss	32	**528**	(3,374)
Recognition of allowance for impairment on debt securities at amortised cost	34	**305**	1,034
Provision for/(Reversal of) insurance liabilities, net of reinsurers' share			
- unexpired risks	13	**244**	(1,365)
- insurance claims	13	**(2,202)**	883
Interest income	28	**(26,980)**	(33,033)
Interest income from investments and fixed deposits	32	**(909)**	(1,155)
Dividend income from investments	32	**(376)**	(678)
Interest expense	29	**5,984**	7,745
Interest expense on lease liability	38	**140**	121
Tax expense	36	**176**	4,238
Operating cash flows before changes in working capital		**(20,342)**	(8,681)
Changes in working capital:			
Factoring receivables		**44,483**	4,962
Factoring amounts owing to clients		**(9,754)**	(2,077)
Loans, advances, hire purchase and leasing receivables		**(9,910)**	(26,560)
Insurance and other receivables		**114**	(1,040)
Trade, other and insurance payables		**(848)**	1,694
Cash generated from/(used in) operations		**3,743**	(31,702)
Interest received		**27,943**	34,170
Interest paid		**(6,036)**	(7,555)
Taxes paid, net		**(1,987)**	(1,944)
Net cash from/(used in) operating activities		**23,663**	(7,031)

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

Consolidated Statement of Cash Flows (cont'd)

YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Proceeds from sale of property, plant and equipment		**15**	–
Purchase of property, plant and equipment	4	**(181)**	(133)
Purchase of intangible assets	5	**(103)**	(211)
Purchase of investments		**(7,276)**	(14,664)
Proceeds from disposal of investments		**18,860**	29,920
Dividends received from investments		**376**	677
Net cash from investing activities		**11,691**	15,589
Cash flows from financing activities			
Dividends paid to owners of the Company		**(2,932)**	(2,067)
Dividends paid to non-controlling interests		**(1,348)**	(956)
Repayment of interest-bearing borrowings, net of proceeds from drawdowns	23	**(15,410)**	(17,044)
Repayment of lease liabilities		**(845)**	(605)
Net cash used in financing activities		**(20,535)**	(20,672)
Net increase/(decrease) in cash and cash equivalents		**14,819**	(12,114)
Cash and cash equivalents at 1 January		**37,191**	48,724
Effect of exchange rate fluctuations on cash held		**(290)**	581
Cash and cash equivalents at 31 December	18	**51,720**	37,191

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 26 March 2021

1 DOMICILE AND ACTIVITIES

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

The financial statements of the Group as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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

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

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

2.2 BASIS OF MEASUREMENT

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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 USE OF ESTIMATES AND JUDGEMENTS

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

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

2 BASIS OF PREPARATION (CONT'D)

2.4 USE OF ESTIMATES AND JUDGEMENTS (CONT'D))

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

Measurement of fair values

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

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

Significant valuation issues are reported to the Group Audit Committee.

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

- *Level 1* : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2* : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- *Level 3* : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

2.5 CHANGES IN ACCOUNTING POLICIES

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2020:

- *Amendments to References to Conceptual Framework in FRS Standards*
- *Definition of a Business (Amendments to SFRS(I) 3)*
- *Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)*
- *Interest Rate Benchmark Reform (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7)*

Other than the interest rate benchmark reform, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 BASIS OF CONSOLIDATION

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 BASIS OF CONSOLIDATION (CONT'D)

(ii) Subsidiaries

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

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

(iii) Loss of control

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

(iv) Transactions eliminated on consolidation

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

(v) Subsidiaries in the separate financial statements

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

3.2 FOREIGN CURRENCY

Foreign currency transactions

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

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

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

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 FOREIGN CURRENCY (CONT'D)

Foreign operations

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

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

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

3.3 FINANCIAL INSTRUMENTS

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

(ii) Classification and subsequent measurement

Non-derivative financial assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 FINANCIAL INSTRUMENTS (CONT'D)

Financial assets at amortised cost

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

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

Equity investments at FVOCI

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

Financial assets at FVTPL

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

Financial assets: Business model assessment

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

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

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

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 FINANCIAL INSTRUMENTS (CONT'D)

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

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

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

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

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

Financial assets at FVTPL

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

Financial assets at amortised cost

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

Equity investments at FVOCI

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when:

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

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

Financial liabilities

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

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

(iv) Offsetting

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

(v) Cash and cash equivalents

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

(vi) Share capital

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

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

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

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

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

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

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

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

Subsequent costs

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

Depreciation

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

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

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

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

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

Reclassification to investment property

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 INTANGIBLE ASSETS AND GOODWILL

Goodwill

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

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses.

Membership rights

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

Other intangible assets

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

Amortisation

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

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

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

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

3.6 INVESTMENT PROPERTY

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

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

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 LEASES

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

(i) As a lessee

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 LEASES (CONT'D)

(i) As a lessee (cont'd)

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

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

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

Short-term leases and leases of low-value assets

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

(ii) As a lessor

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

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

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

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

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

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

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

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

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 IMPAIRMENT

(i) Non-derivative financial assets

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

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

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months), financial instrument for which 12-month ECL is recognised are referred to as 'Stage 1 financial instrument'; or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset. Financial instrument for which a lifetime ECL is recognised but which are not credit impaired are referred to as 'Stage 2 financial instrument'.

General approach

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

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

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

Measurement of ECL

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

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;

- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Group expects to recover.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 IMPAIRMENT (CONT'D)

(i) Non-derivative financial assets (cont'd)

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;

- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for a security because of financial difficulties.

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

Presentation of allowance for ECL in the statement of financial position

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 IMPAIRMENT (CONT'D)

(i) Non-derivative financial assets (cont'd)

Write-off

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

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

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

(ii) Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 ASSETS HELD FOR SALE

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

3.10 CLASSIFICATION OF INSURANCE CONTRACTS

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

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

Motor insurance

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

Bond and guarantee insurance contracts

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

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

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 CLASSIFICATION OF INSURANCE CONTRACTS (CONT'D)

Maid insurance

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

Engineering insurance

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

Work injury compensation insurance

The work injury compensation insurance policy is a compulsory insurance by virtue of the Work Injury Compensation Act Cap. 354 whereby it provides compensation to workers or their dependents for specified occupational diseases, personal injuries or deaths caused by accidents arising out of and in the course of employment. In addition, the policy also covers the employers' liability under the common law to his workers, due to negligence leading to accident and resulting in injury and death.

Property insurance

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

Casualty insurance

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 RECOGNITION AND MEASUREMENT OF INSURANCE CONTRACTS

Premiums and provision for unexpired risks

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

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

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

Fees and other charges to policyholders

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

Claims incurred and provision for insurance claims

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

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

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 RECOGNITION AND MEASUREMENT OF INSURANCE CONTRACTS (CONT'D)

Reinsurance

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

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

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

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

Commission expense

Commission expenses are fees paid to intermediaries upon acquiring new and renewal of insurance business. Commission expense is recognised in profit and loss on the effective commencement or renewal dates of the policies..

Commission income

Commission income comprises reinsurance and profit commissions received or receivable which do not require the Group to render further service. Commission income is recognised in profit or loss on the effective commencement or renewal dates of the policies.

Claim recoveries

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

Insurance receivables and payables

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 RECOGNITION AND MEASUREMENT OF INSURANCE CONTRACTS (CONT'D)

Liability adequacy test

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

3.12 EMPLOYEE BENEFITS

Defined contributions plans

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

Defined benefit plans

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

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

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

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

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 EMPLOYEE BENEFITS (CONT'D)

Short-term employee benefits

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

3.13 PROVISIONS

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

3.14 FINANCE INCOME AND FINANCE COST

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

Interest income

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

Interest income from debt securities and bank deposits

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

Dividend income

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

Finance costs

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 FINANCE INCOME AND FINANCE COST (CONT'D)

Finance costs (cont'd)

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

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

3.15 REVENUE RECOGNITION

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

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

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

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

Fee and commission income

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

Rental income

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

Management fees

Management fees are recognised on an accrual basis.

Insurance contracts

Revenue recognition from insurance contracts is explained in Note 3.11.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 GOVERNMENT GRANTS

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

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

3.17 LEASE PAYMENTS

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

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

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

Determining whether an arrangement contains a lease

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 TAX

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

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

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

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

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

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

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

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

3.19 DEPOSITS RELATING TO COLLATERAL OF CLIENTS

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 EARNINGS PER SHARE

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

3.21 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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

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

4 PROPERTY, PLANT AND EQUIPMENT

	Freehold residential properties $'000	Freehold office properties $'000	Renovations $'000	Office equipment, furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Group							
Cost							
At 1 January 2020	183	3,331	432	1,467	1,221	616	7,250
Additions	–	–	61	5	60	55	181
Disposals	–	–	–	–	–	(55)	(55)
Write-offs	–	–	–	–	(13)	–	(13)
Effect of movements in exchange rates	–	(41)	(2)	(20)	(8)	(9)	(80)
At 31 December 2020	183	3,290	491	1,452	1,260	607	7,283
Accumulated depreciation and impairment							
At 1 January 2020	126	1,795	272	1,382	1,057	453	5,085
Depreciation for the year	3	184	48	34	54	67	390
Disposals	–	–	–	–	–	(55)	(55)
Write-offs	–	–	–	–	(13)	–	(13)
Effect of movements in exchange rates	–	(21)	(1)	(18)	(7)	(6)	(53)
At 31 December 2020	129	1,958	319	1,398	1,091	459	5,354
Carrying amounts							
At 1 January 2020	57	1,536	160	85	164	163	2,165
At 31 December 2020	54	1,332	172	54	169	148	1,929

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold residential properties	Freehold office properties	Renovations	Office equipment, furniture and fittings	Computer equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Cost							
At 1 January 2019	183	4,273	430	1,420	1,129	591	8,026
Additions	–	–	1	25	107	–	133
Reclassification to investment properties#	–	(1,111)	–	–	–	–	(1,111)
Disposals	–	–	–	(2)	(11)	–	(13)
Write-offs	–	–	–	(33)	(23)	–	(56)
Effect of movements in exchange rates	–	169	1	57	19	25	271
At 31 December 2019	183	3,331	432	1,467	1,221	616	7,250
Accumulated depreciation and impairment							
At 1 January 2019	122	1,682	228	1,305	1,013	357	4,707
Depreciation for the year	4	195	44	58	60	80	441
Reclassification to investment properties#	–	(156)	–	–	–	–	(156)
Disposals	–	–	–	(2)	(11)	–	(13)
Write-offs	–	–	–	(32)	(22)	–	(54)
Effect of movements in exchange rates	–	74	–	53	17	16	160
At 31 December 2019	126	1,795	272	1,382	1,057	453	5,085
Carrying amounts							
At 1 January 2019	61	2,591	202	115	116	234	3,319
At 31 December 2019	57	1,536	160	85	164	163	2,165

In March 2019, the Group reclassified its office at 1168/53-54 Lumpini Tower #20-00 Unit A, Bangkok, Thailand from property, plant and equipment to investment properties because of a change of usage from owner-occupation to holding to earn rental income and capital appreciation.

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold residential properties $'000	Renovations $'000	Office equipment, furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Company						
Cost						
At 1 January 2019	183	91	167	336	17	794
Additions	–	–	–	55	–	55
Disposals	–	–	–	(2)	–	(2)
Write-offs	–	–	(30)	(23)	–	(53)
At 31 December 2019	183	91	137	366	17	794
Accumulated depreciation						
At 1 January 2019	121	15	139	300	17	592
Depreciation for the year	4	16	8	15	–	43
Disposals	–	–	–	(2)	–	(2)
Write-offs	–	–	(30)	(22)	–	(52)
At 31 December 2019	125	31	117	291	17	581
Carrying amounts						
At 1 January 2019	62	76	28	36	–	202
At 31 December 2019	58	60	20	75	–	213

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

As at 31 December 2020, the Group's properties held as property, plant and equipment consist of the following:

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

5 INTANGIBLE ASSETS

	Computer software $'000	Customer lists $'000	Membership rights $'000	Copyrights $'000	Total $'000
Group					
Cost					
At 1 January 2020	5,483	1,131	24	1,180	7,818
Additions	103	–	–	–	103
Write-off	–	–	–	(1,180)	(1,180)
Effect of movements in exchange rates	(13)	–	–	–	(13)
At 31 December 2020	5,573	1,131	24	–	6,728
Accumulated amortisation and impairment loss					
At 1 January 2020	4,499	1,131	18	1,180	6,828
Amortisation charge for the year	321	–	–	–	321
Write-off	–	–	–	(1,180)	(1,180)
Effect of movements in exchange rates	(10)	–	–	–	(10)
At 31 December 2020	4,810	1,131	18	–	5,959
Carrying amounts					
At 1 January 2020	984	–	6	–	990
At 31 December 2020	763	–	6	–	769

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

5 INTANGIBLE ASSETS (CONT'D)

	Computer software $'000	Customer lists $'000	Membership rights $'000	Copyrights $'000	Total $'000
Group					
Cost					
At 1 January 2019	5,247	1,131	23	1,180	7,581
Additions	211	–	–	–	211
Effect of movements in exchange rates	25	–	1	–	26
At 31 December 2019	5,483	1,131	24	1,180	7,818
Accumulated amortisation and impairment loss					
At 1 January 2019	4,172	1,131	17	1,180	6,500
Amortisation charge for the year	307	–	–	–	307
Effect of movements in exchange rates	20	–	1	–	21
At 31 December 2019	4,499	1,131	18	1,180	6,828
Carrying amounts					
At 1 January 2019	1,075	–	6	–	1,081
At 31 December 2019	984	–	6	–	990

	Computer software 2020 $'000	Computer software 2019 $'000
Company		
Cost		
At 1 January	**2,438**	2,275
Additions	**95**	163
At 31 December	**2,533**	2,438
Accumulated amortisation		
At 1 January	**1,665**	1,488
Amortisation charge for the year	**231**	177
At 31 December	**1,896**	1,665
Carrying amounts		
At 1 January	**773**	787
At 31 December	**637**	773

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

6 INVESTMENT PROPERTIES

	Group 2020 $'000	Group 2019 $'000
Cost		
At 1 January	**3,913**	2,641
Additions		
Reclassification from property, plant and equipment*	**–**	1,111
Effects of movements in exchange rates	**(62)**	161
At 31 December	**3,851**	3,913
Accumulated depreciation		
At 1 January	**932**	547
Reclassification from property, plant and equipment	**–**	156
Depreciation for the year	**202**	193
Effects of movements in exchange rates	**(13)**	36
At 31 December	**1,121**	932
Carrying amounts		
At 1 January	**2,981**	2,094
At 31 December	**2,730**	2,981
Fair value		
At 1 January	**5,804**	3,363
At 31 December	**5,194**	5,804

*The reclassification relates to a change of usage for investment properties held by a subsidiary. See Note 4 for details.

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

As at 31 December 2020, the Group's investment properties consist of the following:

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

7 SUBSIDIARIES

	Company	
	2020	**2019**
	$'000	**$'000**
Quoted ordinary shares, at cost	**9,048**	9,048
Unquoted ordinary shares, at cost	**85,207**	84,707
Quasi-equity loan	**3,000**	3,000
	97,255	96,755
Allowance for impairment	**(10,592)**	(10,592)
	86,663	86,163

Quasi-equity loan

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

In 2020, there is no movement in allowance for impairment loss on subsidiaries (2019: Nil).

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

	2020	**2019**
Forecast years	5	5
Discount rate	6.2%, 8.2%	4.7%, 10.2%
Terminal value growth rate	3.0%, 5.0%	3.0%

7 SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Company name		Proportion of ownership interest					
		2020			2019		
Direct and indirect subsidiaries	Principal place of business/ country of incorporatio	Group's effective interest %	Held by Company %	Held by Subsidiary %	Group's effective interest %	Held by Company %	Held by Subsidiary %
ECICS Limited	Singapore	100	100	–	100	100	–
IFS Asset Management Private Limited	Singapore	100	100	–	–	–	–
IFS Capital Assets Private Limited	Singapore	100	100	–	100	100	–
IFS Consumer Services Private Limited	Singapore	100	100	–	100	100	–
IFS Ventures Private Limited	Singapore	100	–	100	100	–	100
Lendingpot Private Limited	Singapore	100	–	100	100	–	100
Multiply Capital Limited	Singapore	100	25	75	100	25	75
IFS Capital (Malaysia) Sdn. Bhd	Malaysia	70+	70+	–	70+	70+	–
IFS Factors (Malaysia) Sdn. Bhd.	Malaysia	30+	–	30+ *	30+	–	30+ *
PT. IFS Capital Indonesia	Indonesia	85+	85+	–	85+	85+	–
IFS Capital Holdings (Thailand) Limited	Thailand	100	100	–	100	100	–
IFS Capital (Thailand) Public Company Limited	Thailand	73.1	36.5	36.6	73.1	36.5	36.6

+ Consolidation is prepared based on 100% beneficial interest.

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

7 **SUBSIDIARIES (CONT'D)**

The principal activities of the subsidiaries are as follows:

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

[1] Audited by KPMG LLP Singapore
[2] Audited by other member firms of KPMG International
[3] Audited by Deloitte Touche Tohmatsu Jaiyos Co., Ltd., Thailand
[4] Audited by KAP Tanubrata Sutanto Fahmi Bambang & Rekan (an Indonesian Partnership, a member of BDO International Limited)

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

7 SUBSIDIARIES (CONT'D)

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

On 11 February 2020, IFS Capital Limited incorporated a 100% owned subsidiary, IFS Asset Management Private Limited.

8 LOANS TO SUBSIDIARIES

	Note	Company 2020 $'000	Company 2019 $'000
Trade		**46,342**	56,128
Non-trade		**328**	129
		46,670	56,257
Allowance for impairment		**(1,875)**	(1,856)
		44,795	54,401
Due within 12 months	15	**44,795**	54,401

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

	Company 2020 $'000	Company 2019 $'000
At 1 January	**1,856**	1,805
Allowance made during the year	**19**	51
At 31 December	**1,875**	1,856

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

Effective interest rates and repricing analysis:

	Weighted average effective interest rate %	Total 2020 $'000	Weighted average effective interest rate %	Total 2019 $'000
Company				
Loans to subsidiaries				
- variable rate	**2.6**	**44,468**	3.5	54,272
- non-interest bearing	**–**	**327**	–	129
		44,795		54,401

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

9 OTHER INVESTMENTS

		Group		Company	
	Note	2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Non-current					
Amortised cost					
- Quoted debt securities	(a)	**17,124**	16,559	**–**	–
		17,124	16,559	**–**	–
Allowance for impairment loss		**(1,606)**	(1,301)	**–**	–
		15,518	15,258	**–**	–
Mandatorily at FVTPL					
- Unquoted equity securities		**1,801**	3,689	**54**	14
- Unquoted convertible loans	(b)	**1,500**	6,149	**–**	–
		18,819	25,096	**54**	14
Current					
Amortised cost					
- Quoted debt securities	(a)	**2,782**	5,513	**–**	–
Mandatorily at FVTPL					
- Quoted equity securities		**5,221**	6,782	**444**	312
- Quoted perpetual securities	(c)	**4,551**	6,442	**–**	–
		12,554	18,737	**444**	312
Total		**31,373**	43,833	**498**	326

(a) Debt securities classified as at amortised cost (2019: at amortised cost) of the Group have stated interest rates at 0.25% to 4.6% (2019: 0.25% to 4.6%) and mature in years from 2021 to 2050.

(b) Unquoted convertible loans contain embedded equity conversion options. They are non-interest bearing and expected to mature in 2022 (2019: 2020 and 2021).

(c) Perpetual securities at FVTPL have stated interest rates of 2.85% to 5.65% (2019: 3.65% to 5.9%).

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

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

9 OTHER INVESTMENTS (CONT'D)

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

Effective interest rates and epricing analysis:

	Weighted average effective interest rate	Fixed interest rate maturing within 1 year	Fixed interest rate maturing more than 1 year	Total
	%	$'000	$'000	$'000
Group				
31 December 2020				
Debt securities at amortised cost	**3.0**	**2,782**	**15,518**	**18,300**
Perpetual securities at FVTPL	**4.3**	**4,551**	**–**	**4,551**
		7,333	**15,518**	**22,851**
31 December 2019				
Debt securities at amortised cost	3.0	5,513	15,258	20,771
Perpetual securities at FVTPL	4.4	6,442	–	6,442
		11,955	15,258	27,213

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

10 LOANS, ADVANCES, HIRE PURCHASE AND LEASING RECEIVABLES

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Hire purchase and leasing receivables	11	**26,482**	20,857	**–**	59
Less:					
Deposits on leasing receivables		**(3,861)**	(4,695)	**–**	–
		22,621	16,162	**–**	59
Loans and advances		**237,157**	235,623	**185,382**	172,582
		259,778	251,785	**185,382**	172,641
Allowances for expected credit loss					
- hire purchase receivables		**(2)**	–	**–**	–
- leasing receivables		**(376)**	(2,765)	**–**	–
- loans and advances		**(7,908)**	(7,237)	**(3,822)**	(3,888)
		(8,286)	(10,002)	**(3,822)**	(3,888)
	41	**251,492**	241,783	**181,560**	168,753
Due within 12 months	15	**169,160**	158,691	**105,723**	99,385
Due after 12 months		**82,332**	83,092	**75,837**	69,368
		251,492	241,783	**181,560**	168,753

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

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
At 1 January		**10,002**	10,574	**3,888**	4,170
Translation adjustment		**(93)**	136	**–**	–
Allowance made/(reversed) during the year	34	**514**	70	**(18)**	101
Allowance utilised during the year		**(2,137)**	(778)	**(48)**	(383)
At 31 December		**8,286**	10,002	**3,822**	3,888

10 LOANS, ADVANCES, HIRE PURCHASE AND LEASING RECEIVABLES (CONT'D)

Effective interest rates and epricing analysis:

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	Fixed interest rate maturing in 1 to 5 years	Total
	%	$'000	$'000	$'000	$'000
Group					
31 December 2020					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	**9.6**	**–**	**60,913**	**7,699**	**68,612**
- variable rate	**7.2**	**182,880**	**–**	**–**	**182,880**
		182,880	**60,913**	**7,699**	**251,492**
31 December 2019					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	11.0	–	50,015	11,895	61,910
- variable rate	7.2	179,873	–	–	179,873
		179,873	50,015	11,895	241,783
Company					
31 December 2020					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	**5.3**	**–**	**5,761**	**4,109**	**9,870**
- variable rate	**7.1**	**171,690**	**–**	**–**	**171,690**
		171,690	**5,761**	**4,109**	**181,560**
31 December 2019					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	7.2	–	1,437	1,909	3,346
- variable rate	7.0	165,407	–	–	165,407
		165,407	1,437	1,909	168,753

Variable rate loans and advances are repriced at intervals of three or six months (2019: three or six months).

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

11 HIRE PURCHASE AND LEASING RECEIVABLES

	Note	Group		Company	
		2020	**2019**	**2020**	**2019**
		$'000	**$'000**	**$'000**	**$'000**
Gross receivables		**29,082**	22,512	**–**	59
Unearned income		**(2,600)**	(1,655)	**–**	–
	10	**26,482**	20,857	**–**	59
Due within 12 months		**16,476**	10,963	**–**	59
Due after 12 months		**10,006**	9,894	**–**	–
		26,482	20,857	**–**	59

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

12 DEFERRED TAX ASSETS AND LIABILITIES

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislation, except for unutilised tax losses of the Malaysia incorporated subsidiaries which will expire in 2025.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Loans, advances, hire purchase and leasing receivables	**(545)**	(611)	**–**	–
Factoring receivables	**(757)**	(638)	**–**	–
Employee benefits	**(286)**	(278)	**–**	–
Unutilised tax losses and capital allowances	**(2,151)**	(2,377)	**–**	–
Property, plant and equipment	**–**	–	**186**	206
Defined benefit plan	**(17)**	(10)	**–**	–
Other investments	**–**	–	**20**	98
Deferred tax (assets)/liabilities	**(3,756)**	(3,914)	**206**	304
Set-off of tax	**64**	58	**(64)**	(58)
Net deferred tax (assets)/liabilities	**(3,692)**	(3,856)	**142**	246
Company				
Property, plant and equipment	**–**	–	**123**	147

Notes to the Financial Statements

12 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

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

	Balance as at 1/1/2020 $'000	Recognised in profit or loss (Note 36) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	Balance as at 31/12/2020 $'000
Group					
Deferred tax assets					
Loans, advances, hire purchase and leasing receivables	**(611)**	**56**	**–**	**10**	**(545)**
Factoring receivables	**(638)**	**(130)**	**–**	**11**	**(757)**
Employee benefits	**(278)**	**(20)**	**8**	**4**	**(286)**
Defined benefit plan	**(10)**	**1**	**(8)**	**–**	**(17)**
Unutilised tax losses and capital allowances	**(2,377)**	**222**	**–**	**4**	**(2,151)**
	(3,914)	**129**	**–**	**29**	**(3,756)**
Deferred tax liabilities					
Property, plant and equipment	**206**	**(20)**	**–**	**–**	**186**
Other investments	**98**	**(78)**	**–**	**–**	**20**
	304	**(98)**	**–**	**–**	**206**

	Balance as at 1/1/2019 $'000	Recognised in profit or loss (Note 36) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	Balance as at 31/12/2019 $'000
Group					
Deferred tax assets					
Loans, advances, hire purchase and leasing receivables	(746)	172	–	(37)	(611)
Factoring receivables	(1,062)	474	–	(50)	(638)
Employee benefits	(304)	42	–	(16)	(278)
Defined benefit plan	–	(17)	–	7	(10)
Unutilised tax losses and capital allowances	(2,993)	611	–	5	(2,377)
	(5,105)	1,282	–	(91)	(3,914)
Deferred tax liabilities					
Property, plant and equipment	222	(16)	–	–	206
Defined benefit plan	48	(50)	2	–	–
Other investments	634	(536)	–	–	98
	904	(602)	2	–	304

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

12 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

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

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

	Balance as at 1/1/2019 $'000	Recognised in profit or loss $'000	Balance as at 31/12/2019 $'000
Company			
Deferred tax assets			
Unutilised losses and capital allowances	(231)	231	–
Deferred tax liabilities			
Property, plant and equipment	142	5	147
Other investments	78	(78)	–
	220	(73)	147

Unrecognised deferred tax assets

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

	Group	
	2020 $'000	2019 $'000
Unutilised tax losses	**8,395**	20,866

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

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

13 INSURANCE CONTRACT PROVISIONS

	2020			2019		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Group						
Provision for unexpired risks	**5,985**	**(782)**	**5,203**	6,738	(1,778)	4,960
Provision for claims	**14,108**	**(4,206)**	**9,902**	14,859	(2,755)	12,104
	20,093	**(4,988)**	**15,105**	21,597	(4,533)	17,064

Analysis of movements in provision for unexpired risks

	2020			2019		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Group						
At 1 January	**6,738**	**(1,778)**	**4,960**	9,425	(3,101)	6,324
Premium written	**6,190**	**(1,115)**	**5,075**	5,108	784	5,892
Premium earned	**(6,943)**	**2,111**	**(4,832)**	(7,795)	539	(7,256)
At 31 December	**5,985**	**(782)**	**5,203**	6,738	(1,778)	4,960

Analysis of movements in provision for insurance claims

	2020			2019		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Group						
At 1 January	**14,859**	**(2,756)**	**12,103**	13,446	(2,225)	11,221
Claims (paid)/recovered	**(21,964)**	**12,913**	**(9,051)**	(6,361)	840	(5,521)
Claims incurred/ (reversed)	**21,213**	**(14,363)**	**6,850**	7,774	(1,370)	6,404
At 31 December	**14,108**	**(4,206)**	**9,902**	14,859	(2,755)	12,104

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

	Group	
	2020 $'000	2019 $'000
Less than 1 year	**6,307**	8,938
Between 1-5 years	**3,595**	3,166
	9,902	12,104

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

14 INSURANCE RECEIVABLES

	Group	
	2020	2019
	$'000	$'000
Receivables arising from insurance contracts	**1,653**	1,574
Reinsurance contract receivables	**121**	95
	1,774	1,669
Allowance for doubtful receivables	**(277)**	(108)
	1,497	1,561

Insurance receivables are non-interest bearing.

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

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

		Group	
	Note	2020	2019
		$'000	$'000
At 1 January		**108**	115
Allowance provided during the year	34	**169**	(7)
At 31 December		**277**	108

15 TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Loans, advances, hire purchase and leasing receivables	10	**169,160**	158,691	**105,723**	99,385
Factoring receivables	16	**127,324**	161,958	**8,772**	14,596
Amount owing by non-controlling shareholders		**96**	96	**3,681**	3,681
Loans to subsidiaries	8	**–**	–	**44,795**	54,401
Deposits and other receivables	17	**605**	709	**121**	25
Loans and receivables		**297,185**	321,454	**163,092**	172,088
Prepayment		**395**	289	**168**	132
		297,580	321,743	**163,260**	172,220

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

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

16 FACTORING RECEIVABLES

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Factoring receivables	41	**174,062**	218,828	**15,210**	23,196
Less:					
Factoring amounts owing to clients		**(36,683)**	(45,210)	**(6,318)**	(8,363)
		137,379	173,618	**8,892**	14,833
Allowance for doubtful receivables		**(10,055)**	(11,660)	**(120)**	(237)
	15	**127,324**	161,958	**8,772**	14,596

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

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
At 1 January		**11,660**	13,617	**237**	276
Allowance made/(reversed) during the year	34	**1,028**	(1,702)	**(88)**	19
Allowance utilised during the year		**(2,431)**	(655)	**(29)**	(58)
Translation adjustment		**(202)**	400	**–**	–
At 31 December		**10,055**	11,660	**120**	237

The weighted average interest rates of factoring receivables, net of factoring amounts owing to clients included in trade and other payables of $3,008,000 for the Group and Company (2019: Group and Company: $1,485,000) (refer to Note 25), and allowance for doubtful receivables at the reporting date, and the periods in which they reprice are as follows:

	Weighted average effective interest rate %	Total 2020 $'000	Weighted average effective interest rate %	Total 2019 $'000
Group				
Factoring receivables, net				
- variable rate	**8.8**	**124,316**	8.8	160,473
		124,316		160,473
Company				
Factoring receivables, net				
- variable rate	**7.5**	**5,764**	7.8	13,111
		5,764		13,111

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

17 DEPOSITS AND OTHER RECEIVABLES

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Deposits		**21**	30	**5**	13
Tax recoverable		**1**	–	**–**	–
Accrued interest receivables		**200**	255	**–**	–
Other receivables:					
Gross receivables		**1,180**	977	**668**	405
Allowances for expected credit loss		**(797)**	(553)	**(552)**	(393)
Other receivables, net		**383**	424	**116**	12
	15	**605**	709	**121**	25

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

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
At 1 January		**553**	817	**393**	563
Allowance made during the year	34	**301**	204	**164**	159
Allowance utilised during the year		**(55)**	(477)	**(5)**	(329)
Translation adjustments		**(2)**	9	**–**	–
At 31 December		**797**	553	**552**	393

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash at banks and in hand	**40,380**	25,772	**16,711**	5,782
Fixed deposits	**11,340**	11,419	**8,186**	3,283
Cash and cash equivalents in the consolidated statement of cash flows	**51,720**	37,191	**24,897**	9,065

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	Non-interest bearing	Total
	%	$'000	$'000	$'000	$'000
Group					
31 December 2020					
Cash at banks and in hand	**0.1**	**29,533**	**–**	**10,847**	**40,380**
Fixed deposits	**0.3**	**1,248**	**10,092**	**–**	**11,340**
		30,781	**10,092**	**10,847**	**51,720**
31 December 2019					
Cash at banks and in hand	0.3	16,736	–	9,036	25,772
Fixed deposits	1.6	1,744	9,675	–	11,419
		18,480	9,675	9,036	37,191
Company					
31 December 2020					
Cash at banks and in hand	**0.1**	**12,471**	**–**	**4,240**	**16,711**
Fixed deposits	**0.2**	**–**	**8,186**	**–**	**8,186**
		12,471	**8,186**	**4,240**	**24,897**
31 December 2019					
Cash at banks and in hand	*	–	–	5,782	5,782
Fixed deposits	1.9	–	3,283	–	3,283
		–	3,283	5,782	9,065

* Less than 0.05%

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

19 DEPOSITS RELATING TO COLLATERAL OF CLIENTS

The Group has clients' monies placed as fixed deposits of $ 5,807,000 (2019: $6,709,000) held as collaterals for guarantees issued on behalf of policyholders. The fair value of the cash collateral as at reporting dates approximate their carrying amounts. These amounts have been excluded from both cash at bank and other payables in the statement of financial position.

20 SHARE CAPITAL

	Group and Company No. of shares	
	2020	**2019**
Fully paid ordinary shares, with no par value		
At 1 January and 31 December	**375,969,665**	375,969,665

Issue of ordinary shares

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

Capital management

Except for the regulated insurance subsidiary, other significant subsidiaries of the Group are not regulated by externally imposed capital requirements. The capital of this regulated insurance subsidiary is separately managed to comply with the insurance capital requirements required by the local regulator.

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

The regulated subsidiary manages and ensures adequacy of its capital resources requirement in accordance with the computation of risk charge on insurance risk, investment risks and interest rate sensitivity and foreign currency mismatch between assets and liabilities and concentration risks as stipulated under the Insurance (Valuation and Capital) Regulations of the Insurance Acts (Chapter 142). In addition, stress tests are conducted to understand the sensitivity of the key assumptions in the regulated subsidiary's capital to the effects of plausible stress scenarios and evaluate how the regulated subsidiary can continue to maintain adequate capital under such scenarios.

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

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

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

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

21 OTHER RESERVES

The other reserves of the Group and the Company comprise the following balances:

	Group	
	2020	**2019**
	$'000	**$'000**
Capital reserve	**1,604**	1,604
- Statutory reserve	**(1,496)**	(1,496)
- Other capital reserve	**108**	108
	2,397	3,546
Translation reserve	**2,505**	3,654

Statutory reserve

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

Other capital reserve

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

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the functional currency of the Company.

Dividends

The following dividends were declared and paid by the Company:

	2020	**2019**
Dividends paid	**$'000**	**$'000**
A first and final one-tier tax exempt dividend of 0.78 cents per ordinary share (2019: 0.55 cents per ordinary share) paid in respect of previous financial year ended 31 December	**2,932**	2,067

Dividends proposed

A first and final one-tier tax exempt dividend of 0.2 (2019: 0.78) cents per ordinary share in respect of the financial year ended 31 December 2020 was proposed, subject to the approval of the Shareholders at the Annual General Meeting. The dividend has not been provided in these financial statements and there is no income tax consequence.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

22 NON-CONTROLLING INTERESTS

The following subsidiary has material non-controlling interests:

Company name	Principal Place of business/Countryof incorporation	Operating segment	Ownership interests held by non-controlling interests	
			2020	2019
			%	%
IFS Capital (Thailand) Public Company Limited	Thailand	Factoring, hire purchase and leasing	**26.9**	26.9

The following summarises the financial information for IFS Capital (Thailand) Public Company Limited, prepared in accordance with SFRS(I)s, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The information is before inter-company eliminations.

IFS Capital (Thailand) Public Company Limited

	2020	2019
	$'000	**$'000**
Revenue	**14,595**	17,662
Profit	**5,826**	10,111
Other comprehensive income	**(1,066)**	3,097
Total comprehensive income	**4,760**	13,208
Attributable to NCI:		
- Profit	**1,565**	2,717
- Other comprehensive income	**(286)**	832
- Total comprehensive income	**1,279**	3,549
Non-current assets	**8,363**	9,577
Current assets	**141,853**	172,335
Non-current liabilities	**(11,218)**	(6,712)
Current liabilities	**(72,436)**	(108,417)
Net assets	**66,562**	66,783
Net assets attributable to NCI	**17,886**	17,945
Cash flows from operating activities	**34,341**	17,542
Cash used in investing activities	**(10)**	(80)
Cash used in financing activities	**(33,181)**	(17,412)
Net increase in cash and cash equivalents	**1,150**	50
Dividends paid to non-controlling interests during the year*	**1,348**	956

* Included in cash flows from financing activities

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

23 INTEREST-BEARING BORROWINGS

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Payable:				
Within 12 months	**233,350**	256,975	**158,834**	149,288
Between 1 and 5 years	**13,538**	5,323	**3,745**	–
	246,888	262,298	**162,579**	149,288

The interest-bearing borrowings comprise:

		2020		2019	
	Note	Face value	Carrying amount	Face value	Carrying amount
		$'000	$'000	$'000	$'000
Group					
Unsecured short-term bank loans	(a)	**216,467**	**216,467**	247,038	247,038
Unsecured long-term bank loans	(b)	**22,273**	**22,273**	11,817	11,817
Unsecured SPRING and IES loans	(c)	**8,148**	**8,148**	3,443	3,443
		246,888	**246,888**	262,298	262,298
Company					
Unsecured short-term bank loans	(a)	**149,740**	**149,740**	145,845	145,845
Unsecured long-term bank loans	(b)	**4,691**	**4,691**	–	–
Unsecured SPRING and IES loans	(c)	**8,148**	**8,148**	3,443	3,443
		162,579	**162,579**	149,288	149,288

(a) The unsecured short-term bank loans bear nominal interest rates ranging from 1.3% to 9.8% (2019: 1.4% and 9.8%) per annum and are repayable in 2021. For the Group, these include subsidiaries' bank loans denominated in Malaysian Ringgit, Indonesian Rupiah and Thai Baht.

(b) The unsecured long-term bank loans bear nominal interest rates 4% (2019: 4%) per annum and are repayable monthly or quarterly between 2021 to 2025 (2019: 2021). For the Group, these include subsidiaries' bank loans denominated in Thai Baht.

(c) These represent unsecured advances from SPRING Singapore and International Enterprise Singapore ("IES") to fund loans and advances extended by the Company to borrowers under the Local Enterprise Finance Scheme ("LEFS") and Internationalisation Finance Scheme ("IF Scheme") respectively. Credit risk for loans and advances made under these schemes are shared by the providers of these borrowings and the Company.

The interest rates and repayment periods vary in accordance with the type, purpose and security for the facilities granted under the above schemes. Nominal interest rates on the above loans and advances ranged from 4.8% to 15% (2019: 3.5% to 9.8%) per annum and are repayable between 2021 to 2024 (2019: 2020 to 2023).

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

23 INTEREST-BEARING BORROWINGS (CONT'D)

Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities granted by the banks to subsidiaries. Such utilised banking facilities amounted to $6,540,000 as at 31 December 2020 (2019: $7,200,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantees.

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing		
			within 1 year	in 1 to 5 years	Total
	%	$'000	$'000	$'000	$'000
Group					
31 December 2020					
Unsecured short-term bank loans	**1.9**	**216,467**	**–**	**–**	**216,467**
Unsecured long-term bank loans	**2.9**	**17,582**	**946**	**3,745**	**22,273**
Unsecured SPRING and IES loans	**5.4**	**–**	**8,148**	**–**	**8,148**
		234,049	**9,094**	**3,745**	**246,888**
31 December 2019					
Unsecured short-term bank loans	2.7	247,038	–	–	247,038
Unsecured long-term bank loans	3.8	11,817	–	–	11,817
Unsecured SPRING and IES loans	3.6	–	3,443	–	3,443
		258,855	3,443	–	262,298
Company					
31 December 2020					
Unsecured short-term bank loans	**1.8**	**149,740**	**–**	**–**	**149,740**
Unsecured long-term bank loans	**3.2**	**–**	**946**	**3,745**	**4,691**
Unsecured SPRING and IES loans	**5.4**	**–**	**8,148**	**–**	**8,148**
		149,740	**9,094**	**3,745**	**162,579**
31 December 2019					
Unsecured short-term bank loans	2.8	145,845	–	–	145,845
Unsecured SPRING and IES loans	3.6	–	3,443	–	3,443
		145,845	3,443	–	149,288

Notes to the Financial Statements

23 INTEREST-BEARING BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Interest-bearing borrowings	Lease liabilities	Total
	$'000	%	$'000
Balance at 1 January 2020	**262,298**	**2,849**	**265,147**
Changes from financing cash flow:			
Proceeds	**14,640**	**–**	**14,640**
Repayments	**(28,147)**	**(837)**	**(28,984)**
Translation adjustments	**(1,903)**	**(8)**	**(1,911)**
Total changes from financing cash flow	**(15,410)**	**(845)**	**(16,255)**
Other changes:			
Additions	**–**	**459**	**459**
Interest expenses	**–**	**140**	**140**
Total other changes	**–**	**599**	**599**
Balance at 31 December 2020	**246,888**	**2,603**	**249,491**
Balance at 1 January 2019	279,342	–	279,342
Initial recognition under SFRS(I) 16	–	2,685	2,685
Changes from financing cash flow:			
Proceeds	8,709	–	8,709
Repayments	(32,035)	(605)	(32,640)
Translation adjustments	6,282	(2)	6,280
Total changes from financing cash flow	(17,044)	(607)	(17,651)
Other changes:			
Additions	–	650	650
Interest expenses	–	121	121
Total other changes	–	771	771
Balance at 31 December 2019	262,298	2,849	265,147

Notes to the Financial Statements
YEAR ENDED 31 DECEMBER 2020

24 EMPLOYEE BENEFITS

Two foreign subsidiaries of the Group provide for employee benefits under each respective country. In Thailand, severance pay under the Thai Labour Protection Act and long service awards are payable to employees. In Indonesia, post-employment benefits are provided for its employees when their services are terminated due to retirement. The foreign subsidiaries of the Group calculated the provision for employee benefits by using the actuarial technique.

In respect of the actuarial assumptions of Thailand, the principal actuarial assumptions at the reporting date are as follows:

	Group	
	2020	**2019**
Discount rate at 31 December	**1.44%**	2.67%
Resignation rate based on age group of employees	**2%, 9% & 25%**	3%, 4% & 18%
Future salary increases	**4.0%**	5.0%

In respect of the actuarial assumptions of Indonesia, the principal actuarial assumptions at the reporting date are as follows:

	Group	
	2020	**2019**
Discount rate at 31 December	**7.83%**	8.2%
Future salary increases	**5.0%**	5.0%

Provision for employee benefits for the year ended 31 December consists of the following:

		Group	
	Note	**2020**	**2019**
		$'000	**$'000**
At 1 January		**1,429**	1,560
Provision for severance pay and long service awards	**35**	**203**	187
Remeasurements:			
- Experience assumptions		**(36)**	(15)
Benefits paid during the year		**(69)**	(383)
Translation adjustments		**(23)**	80
At 31 December		**1,504**	1,429

An amount of $203,000 (2019: $187,000) in respect of the defined benefit provisions was recognised in "General and administrative expenses" in the consolidated statement of profit or loss for the year ended 31 December 2020, see Note 35.

24 EMPLOYEE BENEFITS (CONT'D)

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percent.

	Defined benefit obligation			
	2020		2019	
	1 percent increase	1 percent decrease	1 percent increase	1 percent decrease
Group	$'000	$'000	$'000	$'000
Discount rate	**(144)**	**167**	(140)	163
Future salary increases	**146**	**(127)**	167	(144)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

25 TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Factoring amounts owing to clients	16	**3,008**	1,485	**3,008**	1,485
Trade payables		**223**	275	**208**	275
Other payables and accruals	26	**10,972**	13,276	**5,589**	6,692
		14,203	15,036	**8,805**	8,452

Group and Company

Trade payables, other payables and accruals are non-interest bearing financial liabilities.

26 OTHER PAYABLES AND ACCRUALS

		Group		Company	
	Note	2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Accrued operating expenses		**6,283**	7,158	**2,448**	2,822
Deferred income		**–**	31	**–**	–
Clients' deposits		**3,986**	5,331	**2,648**	3,241
Accrued interest payable	25	**703**	756	**493**	629
		10,972	13,276	**5,589**	6,692

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

27 INSURANCE PAYABLES

	Group	
	2020	2019
	$'000	$'000
Payables arising from insurance contracts	**775**	786
Payables arising from reinsurance contracts	**860**	1,006
	1,635	1,792

28 INTEREST INCOME

	Group	
	2020	2019
	$'000	$'000
Loans, advances, hire purchase, leasing receivables and factoring receivables	**26,980**	33,033

29 INTEREST EXPENSE

	Group	
	2020	2019
	$'000	$'000
Banks and SPRING Singapore	**5,934**	7,694
Unwinding of discount for loans	**50**	51
	5,984	7,745

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

30 STATEMENT OF PROFIT OR LOSS OF INSURANCE SUBSIDIARY - ECICS LIMITED (AFTER INTERCOMPANY ELIMINATION)

		Group	
	Note	2020 $'000	2019 $'000
Gross written premiums		**6,188**	5,588
Change in gross provision for unexpired risks	13	**753**	2,067
Gross earned premium revenue		**6,941**	7,655
Written premiums ceded to reinsurers		**(1,115)**	(784)
Reinsurers' share of change in provision for unexpired risks	13	**(996)**	(702)
Reinsurance premium expenses		**(2,111)**	(1,486)
Net earned premium revenue		**4,830**	6,169
Other revenue			
Commission income		**183**	133
Investment income		**339**	1,843
Other income		**–**	193
Grant income		**420**	–
		942	2,169
Net income before claims and expenses		**5,772**	8,338
Claims and expenses			
Change in gross provision for insurance claims	13	**751**	(1,413)
Reinsurers' share of change in provision for insurance claims	13	**1,451**	530
Gross claims paid	13	**(21,964)**	(6,361)
Reinsurers' share of claims paid	13	**12,913**	840
Net claims incurred	13	**6,849**	6,404
Commission expenses		**(1,596)**	(1,692)
Distribution expenses		**(34)**	(71)
Administration expenses		**(1,033)**	(1,130)
Staff costs		**(2,034)**	(2,242)
Allowance for impairment of insurance and investment		**(473)**	(1,026)
Total claims and expenses		**(12,019)**	(12,565)
Net loss before tax for the year		**(6,247)**	(4,227)

The statement of profit or loss reflects the credit, maid insurance, engineering and work injury compensation, bonds and guarantee, property, casualty and motor insurance businesses of the insurance subsidiary, ECICS Limited, that are consolidated in the Group's profit or loss. All intra-group transactions relating to credit premium income and expenses are eliminated on consolidation.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

31 FEE AND COMMISSION INCOME

	Group	
	2020	**2019**
	$'000	**$'000**
Fee income	**6,314**	8,500
Underwriting commission income	**183**	132
	6,497	8,632

The fee income are service fees from provision of loans to the customers, received/receivable on the disbursement of the loans, subject to the loan agreements

32 NET INVESTMENT INCOMEE

	Group	
	2020	**2019**
	$'000	**$'000**
Exchange gain/(loss), net	**32**	(160)
Dividend income	**376**	678
Loss on disposal of debt securities	**(66)**	(8)
Net change in fair value of financial assets through profit or loss	**(528)**	3,374
Interest income from bonds, fixed deposits and others	**909**	1,155
Amortisation of debt securities at amortised cost	**(14)**	(57)
	709	4,982

33 OTHER INCOME

	Group	
	2020	**2019**
	$'000	**$'000**
Recoveries - loans, advances and receivables#	**88**	855
Gain on disposal of property, plant and equipment	**15**	–
Others	**358**	658
	461	1,513

Represents excess amount of loans, advances and receivables recovered.

34 (RECOGNITION)/REVERSAL OF ALLOWANCES FOR LOAN LOSSES AND IMPAIRMENT OF OTHER ASSETS

	Note	Group 2020 $'000	Group 2019 $'000
In respect of:			
Trade and other receivables			
- loans, advances, hire purchase, leasing and factoring receivables	10,16	**(1,542)**	1,632
- insurance and other receivables	14,17	**(470)**	(197)
- debt securities at amortised cost	9	**(305)**	(1,034)
- debts written off		**(28)**	(9)
		(2,345)	392

35 PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Note	Group 2020 $'000	Group 2019 $'000
Amortisation of intangible assets	5	**321**	307
Depreciation of property, plant and equipment	4	**390**	441
Depreciation of investment property	6	**202**	193
Depreciation of Right-of-use assets	38	**787**	583
Property, plant and equipment written off	4	**–**	2
Exchange loss/(gain)			
- Investment income		**32**	(160)
- others		**166**	(223)
Audit fees			
- auditors of the Company		**365**	448
- other member firms of KPMG International		**24**	25
- other auditors		**132**	145
Non-audit fees			
- other member firms of KPMG International		**3**	3
- other auditors		**3**	–
Directors' fees		**384**	376
Interest expense and fees paid to corporations in which the directors have interests	40	**476**	713
Contributions to defined contribution plans included in staff costs		**1,195**	1,325
Provision for severance pay and long service awards	24	**203**	187
Operating lease expense		**72**	162

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

36 TAX EXPENSE

	Note	Group 2020 $'000	Group 2019 $'000
Current tax expense			
Current year		**(1,559)**	(3,439)
Over/(Under) provided in prior years		**1,414**	(119)
		(145)	(3,558)
Deferred tax expense			
Movements in temporary differences	12	**(31)**	(680)
		(176)	(4,238)
Reconciliation of effective tax rate			
Profit before tax		**2,537**	16,343
Tax using Singapore tax rate of 17% (2019:17%)		**(431)**	(2,778)
Effect of tax rates in foreign jurisdictions		**(225)**	(588)
Non-deductible expenses		**(204)**	(1,052)
Tax exempt income		**69**	216
Income not subject to tax		**26**	501
Over/(Under) provided in prior years		**1,414**	(119)
Deferred tax asset not recognised		**(825)**	(512)
Others		**–**	94
		(176)	(4,238)

In 2020, current tax expense over provided in prior year arose mainly from utilisation of tax losses for the previous financial year transferred between Group entities under the Group Relief in Singapore. Such transfer was approved and accounted for in the current financial year.

Notes to the Financial Statements

37 EARNINGS PER SHARE

	Group 2020 $'000	Group 2019 $'000
Basic and diluted earnings per share		
Basic earnings per share is based on:		
Net profit attributable to ordinary shareholders	**795**	9,388
	Number of shares	
Issued ordinary shares at beginning and end of the year	**375,969,665**	375,969,665

38 LEASES

Leases as lessee (SFRS(I) 16)

The Group entities lease in office premises. The leases run for a period of 3 - 15 years, two of which have an option to renew the lease for another 3 – 5 years. Lease payments are renegotiated to reflect market rentals upon the renewal. The Group entities are restricted from entering into any sub-lease arrangements.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property:

	2020		2019	
	Group $'000	Company $'000	Group $'000	Company $'000
Balance at 1 January – initial recognition	**2,839**	**2,020**	2,772	2,571
Additions during the year	**479**	**479**	650	–
Depreciation charge for the year	**(787)**	**(665)**	(583)	(551)
Translation difference	**(6)**	**–**	–	–
Balance at 31 December	**2,525**	**1,834**	2,839	2,020

Lease liabilities

	2020 Group $'000	2020 Company $'000	2019 Group $'000	2019 Company $'000
Balance at 1 January – initial recognition	**2,849**	**2,007**	2,685	2,484
Additions during the year	**460**	**460**	650	–
Interest expense on lease liabilities	**140**	**76**	121	84
Repayments	**(837)**	**(685)**	(605)	(561)
Translation adjustments	**(9)**	**–**	(2)	–
Balance at 31 December	**2,603**	**1,858**	2,849	2,007
Payable within 12 months	**766**	**666**	596	507
Payable after 12 months	**1,837**	**1,192**	2,253	1,500
	2,603	**1,858**	2,849	2,007

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

38 LEASES (CONT'D)

Amounts recognised in profit or loss

	Group	
	2020	**2019**
	$'000	**$'000**
Leases under SFRS(I) 16		
Interest on lease liabilities	**140**	121
Depreciation of right-of-use assets	**787**	583

As at 1 January 2019, a subsidiary had an office lease expiring in 10 months, for which the Group elected to apply the practical expedient to account for the lease in accordance with the requirements of SFRS(I) 1-17 until its expiry. The operating lease expense recognised in connection of the said lease in 2019 was $162,000.

Amounts recognised in statement of cash flows

	2020	**2019**
	$'000	**$'000**
Total cash outflow for leases	**837**	605

Extension options

Two office leases held by the Company and one subsidiary contain an extension option exercisable by the Company and the subsidiary each, up to one year before the end of the non-cancellable contract period. The extension option held is exercisable only by the Company/the subsidiary and not by the lessor. The Company assessed at the date of initial application of SFRS(I) 16 and did not consider it is reasonably certain to exercise the option and as such, did not include the extension period of another 5 years in the calculation of the right-of-use assets and the lease liabilities. The subsidiary assessed and considers it is reasonably certain to exercise the option and accordingly included the extension period of another 3 years in the calculation of the right-of-use assets and the lease liabilities.

Leases as lessor

The Group leases out its investment properties (see Note 6).

Operating lease commitment

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2020	**2019**
	$'000	**$'000**
Operating leases under SFRS(I) 16		
Less than one year	**133**	133
One to two years	**33**	133
Two to three years	**–**	33
Total	**166**	299

39 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

As at 31 December, the Group have outstanding standby letters of credit and bankers guarantees issued on behalf of customers as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Letters of credit	**–**	390
Bankers guarantees	**1,904**	1,471
	1,904	1,861

40 SIGNIFICANT RELATED PARTIES TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Key management personnel compensation

	Group	
	2020	**2019**
	$'000	**$'000**
Short-term benefits	**2,397**	2,111
Post-employment benefits	**129**	108
	2,526	2,219

Key management personnel refers to the Group Chief Executive Officer, Chief Executive Officers and Country Head equivalent of the subsidiaries, and Senior Management of the Company, who have the authority and responsibility for planning, directing and controlling the activities of the Group and the Company.

Remuneration comprise salary, allowances, bonuses (comprises annual wage supplement and performance bonus), employers' contributions to defined contribution plans and other benefits including severance and retirement benefits provided for a key management personnel of an overseas subsidiary as required under the country's labour regulations.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

40 SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONT'D)

Other related parties transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Related parties		
Interest charges on borrowings	**294**	594
Professional and brokerage fees incurred	**67**	9
Custodian fee	**44**	18
Fund management fees incurred	**71**	92

41 FINANCIAL AND INSURANCE RISK MANAGEMENT

Accepting and managing risk is central to the business of being a financial services provider and is an important part of the Group's overall business strategy. The Group has adopted formal risk management policies and procedures which are approved by the Board of Directors. These risk management guidelines set out both procedures as well as quantitative limits to minimise risks arising from the Group's exposures to such factors. The main financial and insurance risks that the Group is exposed to and how they are being managed are set out below.

Credit risk

The principal risk to which the Group is exposed is credit risk in connection with its loans, factoring, bond, guarantee and insurance activities. Credit risk is the potential financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its financial and contractual obligations, as and when they fall due. Management has established credit and insurance processes and limits to manage these risks including performing credit reviews of its customers and counterparties, risk-sharing and obtaining collaterals as security where considered necessary.

Other credit risks represent the loss that would be recognised if counterparties in connection with insurance, reinsurance, investment and banking transactions failed to perform as contracted. Credit evaluations are performed on all new brokers, reinsurers, financial institutions and other counterparties.

Credit risk in respect of the Group's lending activities is managed and monitored in accordance with defined credit policies and procedures. Significant credit risk strategies and policies are approved, and reviewed periodically by the Board. These include setting authority limits for approving credit facilities and establishing limits on single client, related entities, and industry exposures to ensure the broad diversification of credit risk and to avoid undue concentration. These policies are delegated to and disseminated under the guidance and control of the Group Chief Risk Officer. A delegated credit approval authority limit structure, approved by the Board, is as follows:

- The Independent Credit Department and senior management staff assess, review and make decisions on credit risks of the Group within the authority limits imposed by the Board;

- The Credit Risk Management Department independently assesses the creditworthiness and risk profile of the obligors and formulates credit policies and procedures for the Group;

- The Client Survey Department conducts audits on new factoring clients and sometimes, loan clients before account activation and for existing ones, on a periodic basis;

- Daily monitoring of accounts is handled by Client Relationship and Business Development Teams together with Operations Department and Credit Risk Management Department;

- The Internal Audit function provides independent assurance to senior management and the Audit Committee concerning compliance with credit processes, policies and the adequacy of internal controls; and

- Established limits and actual levels of exposure are regularly reviewed and reported to the Board of Directors on a periodic basis.

Credit risk arising on loans to customers under the LEFS and IF Scheme are under risk-sharing arrangements with SPRING Singapore and IES respectively, with the risk-sharing ranging from 50% to 90% (2019: 50% to 80%) of the funds disbursed.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(l) Credit quality analysis

The following table sets out information about the credit quality of loans, advances, hire purchase, leasing and factoring receivables measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms 'Stage 1', 'Stage 2', and 'Stage 3' is included in Note 3.8.

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Group				
2020				
Loans advances, hire purchase, and leasing receivables at amortised cost				
Grade 1-10	167,549	–	–	167,549
Grade 11: Special mention	–	12,215	–	12,215
Grade 12: Substandard	–	–	60,913	60,913
Grade 13: Doubtful	–	–	7,282	7,282
Grade 14: Loss	–	–	11,819	11,819
	167,549	12,215	80,014	259,778
Loss allowance	(686)	(253)	(7,347)	(8,286)
Carrying amount	166,863	11,962	72,667	251,492
Factoring receivables at amortised cost				
Grade 1-10	146,980	–	–	146,980
Grade 11: Special mention	–	15,136	–	15,136
Grade 12: Substandard	–	–	1,163	1,163
Grade 13: Doubtful	–	–	28	28
Grade 14: Loss	–	–	10,755	10,755
	146,980	15,136	11,946	174,062
Loss allowance	(4)	(12)	(10,039)	(10,055)
Carrying amount	146,976	15,124	1,907	164,007

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(I) Credit quality analysis (cont'd)

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Group				
2019				
Loans advances, hire purchase, and leasing receivables at amortised cost				
Grade 1-10	179,524	–	–	179,524
Grade 11: Special mention	–	9,470	–	9,470
Grade 12: Substandard	–	–	42,356	42,356
Grade 13: Doubtful	–	–	7,997	7,997
Grade 14: Loss	–	–	12,438	12,438
	179,524	9,470	62,791	251,785
Loss allowance	(937)	(233)	(8,832)	(10,002)
Carrying amount	178,587	9,237	53,959	241,783
Factoring receivables at amortised cost				
Grade 1-10	187,991	–	–	187,991
Grade 11: Special mention	–	15,205	–	15,205
Grade 12: Substandard	–	–	2,749	2,749
Grade 13: Doubtful	–	–	295	295
Grade 14: Loss	–	–	12,588	12,588
	187,991	15,205	15,632	218,828
Loss allowance	(6)	(12)	(11,642)	(11,660)
Carrying amount	187,985	15,193	3,990	207,168

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(l) ***Credit quality analysis (cont'd)***

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Company				
2020				
Loans advances, hire purchase, and leasing receivables at amortised cost				
Grade 1-10	109,977	–	–	109,977
Grade 11: Special mention	–	7,562	–	7,562
Grade 12: Substandard	–	–	60,799	60,799
Grade 13: Doubtful	–	–	3,735	3,735
Grade 14: Loss	–	–	3,309	3,309
	109,977	7,562	67,843	185,382
Loss allowance	(330)	(54)	(3,438)	(3,822)
Carrying amount	109,647	7,508	64,405	181,560
Factoring receivables at amortised cost				
Grade 1-10	8,849	–	–	8,849
Grade 11: Special mention	–	4,648	–	4,648
Grade 12: Substandard	–	–	1,054	1,054
Grade 13: Doubtful	–	–	–	–
Grade 14: Loss	–	–	659	659
	8,849	4,648	1,713	15,210
Loss allowance	(1)	(6)	(113)	(120)
Carrying amount	8,848	4,642	1,600	15,090

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(I) Credit quality analysis (cont'd)

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Company				
2019				
Loans advances, hire purchase, and leasing receivables at amortised cost				
Grade 1-10	117,244	–	–	117,244
Grade 11: Special mention	–	7,183	–	7,183
Grade 12: Substandard	–	–	41,577	41,577
Grade 13: Doubtful	–	–	3,449	3,449
Grade 14: Loss	–	–	3,188	3,188
	117,244	7,183	48,214	172,641
Loss allowance	(424)	(81)	(3,383)	(3,888)
Carrying amount	116,820	7,102	44,831	168,753
Factoring receivables at amortised cost				
Grade 1-10	16,275	–	–	16,275
Grade 11: Special mention	–	3,501	–	3,501
Grade 12: Substandard	–	–	2,509	2,509
Grade 13: Doubtful	–	–	272	272
Grade 14: Loss	–	–	639	639
	16,275	3,501	3,420	23,196
Loss allowance	(2)	(4)	(231)	(237)
Carrying amount	16,273	3,497	3,189	22,959

(a) Factoring receivables

The Group's credit risk exposures on factoring receivables comprise the following types of risks: recourse and non-recourse factoring. The receivables represent the debts that were factored to the Group by its clients of which the Group may provide funding up to 90% of the eligible debts.

The "recourse" factoring relates to debts for which the Group and the Company do not bear the risk of non-payment from the customers. Conversely, in the "non-recourse" factoring, the Group and the Company bear any bad debt risk that may arise. The Group reinsures part of the debts under non-recourse factoring with external reinsurers.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(I) Credit quality analysis (cont'd)

(a) Factoring receivables (cont'd)

The breakdown by type of factoring risk is as follows:

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Recourse		**169,094**	212,207	**10,713**	16,576
Non-recourse		**4,968**	6,621	**4,497**	6,620
	16	**174,062**	218,828	**15,210**	23,196

(b) Insurance receivables

The ageing of past due and impaired insurance receivables at the reporting date are as follows:

	Group 2020 $'000	Group 2019 $'000
91 - 180 days	**250**	76
More than 181 days	**794**	690
	1,044	766

Analysis of receivables that were not past due nor impaired at the reporting date is as follows:

	Note	Group 2020 $'000	Group 2019 $'000
Acceptable risks		**453**	795
Total insurance receivables	14	**1,497**	1,561

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(I) Credit quality analysis (cont'd)

(c) Guarantees

The maximum exposure of the Company in respect of the intra-group financial guarantee is disclosed in Note 23. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

(d) Debt securities (including perpetual securities whose coupon payments cannot be deferred)

The Group invests in debt securities (including perpetual securities whose coupon payments cannot be deferred) and limits its exposure by only investing in debt securities issued by corporates and financial institutions that are deemed to be of reasonable credit quality. As at 31 December 2020, substantially all of these corporates and financial institutions or their respective holding companies are listed on stock exchanges in Singapore or elsewhere. The Group monitors credit risk on an on-going basis.

Investments in debt securities are subject to adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal. Such issuer's ability to meet its debt obligations may also be adversely affected by specific projected business forecast, or the unavailability of additional financing.

The Group does not expect any counterparty to fail to meet their obligations as and when they fall due within the next 12 months. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Group limits its exposure to credit risk on investments held by investing only in liquid debt securities that provide attractive long-term yield and at acceptable credit quality. The aim is to provide a stable stream of positive income on the respective investments.

The Group uses general approach for assessment of ECL for debt securities. 12-month and lifetime probabilities of default are based on historical data supplied by Moody's or its equivalents for each credit rating.

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(I) ***Credit quality analysis (cont'd)***

(d) Debt securities (including perpetual securities whose coupon payments cannot be deferred) (cont'd)

The following table presents an analysis of the credit quality of debt investments at amortised cost and FVTPL. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and, in latter case, whether they were credit-impaired.

	2020				2019			
			At amortised cost				At amortised cost	
	FVTPL	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL- credit impaired	FVTPL	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL- credit impaired
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
BBB- to AAA	**4,551**	**17,936**	**–**	**–**	3,681	11,716	–	–
BB- to BB+	**–**	**–**	**–**	**–**	–	–	–	–
B- to B+	**–**	**–**	**–**	**–**	–	–	–	–
C to CCC+	**–**	**–**	**–**	**–**	–	–	–	–
D	**–**	**–**	**–**	**–**		–	–	–
Not rated	**–**	**–**	**2,000**	**–**	2,761	8,556	2,000	–
Gross carrying amounts	**4,551**	**17,936**	**2,000**	**–**	6,442	20,272	2,000	–
Loss allowance	**–**	**(29)**	**(1,577)**	**–**	–	(114)	(1,187)	–
Amortisation	**–**	**(30)**	**–**	**–**	–	(200)	–	–
Carrying amount	**4,551**	**17,877**	**423**	**–**	6,442	19,958	813	–

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(I) Credit quality analysis (cont'd)

(e) Deposit and other receivables

The Group uses a similar approach for assessment of ECLs for these receivables to those used for cash and cash equivalents. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the credit risk of the exposures. The amount of the allowance is disclosed in Note 17.

(f) Cash and cash equivalents

The cash and cash equivalents are placed with bank and financial institution counterparties which are regulated.

The Group and the Company held cash and cash equivalents of $51,720,000 and $24,897,000 respectively at 31 December 2020 (2019: $37,191,000 and $9,065,000 respectively). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on reputable agency ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

(g) Loans to subsidiaries

The Company held loans to its subsidiaries of $46,670,000 (2019: $56,257,000). These balances are amounts lent to subsidiaries for their working capital requirements. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the credit risk of the exposures. The amount of the allowance is disclosed in Note 8.

(II) Amount arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3.8.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default ("PD") as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 60 days past due.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(II) Amount arising from ECL (cont'd)

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

- Information obtained during periodic review of customer files- e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

The table below provides an indicative mapping of how the Group's internal credit risk grades relate to PD.

The portfolio of the Group is comprised of loans and advances to small and medium enterprises.

Grading	Range of PD
Grades 1-10	0.32% to 34.65%
Grades 11: Special mention	34.65% to 100%
Grades 12-14: Substandard, doubtful, loss	100%

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Group analyses the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(II) Amount arising from ECL (cont'd)

Determining whether credit risk has increased significantly

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. Such qualitative factors are based on its expert judgment and relevant historical experiences.

As a backstop, the Group considers that a significant increase credit risk occurs no later than when an asset is more than 60 days past due or, for a factoring account, if more than 50% of factored receivables are more than 60 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period (normally 6 months) during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when a financial instrument becomes 60 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(II) Amount arising from ECL (cont'd)

Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Group formulates economic scenarios: external information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the International Monetary Fund. The key driver for credit risk identified and used in the Group's ECL model for the Group's loans and factoring receivables is GDP growth.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 to 9 years.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(II) Amount arising from ECL (cont'd)

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Group	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
2020				
Loans advances, hire purchase, and leasing receivables at amortised cost				
Balance at 1 January	936	233	8,833	10,002
Net remeasurement of loss allowance	(242)	23	731	512
New financial assets originated or purchased	2	–	–	2
Financial assets that have been derecognised	–	–	(2,137)	(2,137)
Foreign exchange and other movements	(11)	(2)	(80)	(93)
Balance at 31 December	685	254	7,347	8,286
Factoring receivables at amortised cost*				
Balance at 1 January	6	12	11,642	11,660
Net remeasurement of loss allowance	(2)	–	1,029	1,027
Financial assets that have been derecognised	–	–	(2,431)	(2,431)
Foreign exchange and other movements	–	–	(201)	(201)
Balance at 31 December	4	12	10,039	10,055
Debt investments				
Balance at 1 January	114	1,187	–	1,301
Net remeasurement of loss allowance	(85)	390	–	305
Balance at 31 December	29	1,577	–	1,606

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(II) Amount arising from ECL (cont'd)

Loss allowance (cont'd)

Group	**Stage 1 $'000**	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
2019				
Loans advances, hire purchase, and leasing receivables at amortised cost				
Balance at 1 January	1,024	165	9,385	10,574
Net remeasurement of loss allowance	(179)	63	(536)	(652)
New financial assets originated or purchased	71	–	651	722
Financial assets that have been derecognised	–	–	(778)	(778)
Foreign exchange and other movements	20	5	111	136
Balance at 31 December	936	233	8,833	10,002
Factoring receivables at amortised cost*				
Balance at 1 January	6	28	13,583	13,617
Net remeasurement of loss allowance	–	(16)	(2,430)	(2,446)
New financial assets originated or purchased	–	–	744	744
Financial assets that have been derecognised	–	–	(654)	(654)
Foreign exchange and other movements	–	–	399	399
Balance at 31 December	6	12	11,642	11,660
Debt investments				
Balance at 1 January	164	105	–	269
Net remeasurement of loss allowance	(74)	1,082	–	1,008
New financial assets originated or purchased	24	–	–	24
Balance at 31 December	114	1,187	–	1,301

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(II) Amount arising from ECL (cont'd)

Loss allowance (cont'd)

Company	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
2020				
Loans advances, hire purchase, and leasing receivables at amortised cost				
Balance at 1 January	**425**	**80**	**3,383**	**3,888**
Net remeasurement of loss allowance	**(94)**	**(27)**	**103**	**(18)**
Financial assets that have been derecognised	**–**	**–**	**(48)**	**(48)**
Balance at 31 December	**331**	**53**	**3,438**	**3,822**
Factoring receivables at amortised cost*				
Balance at 1 January	**1**	**5**	**231**	**237**
Net remeasurement of loss allowance	**–**	**1**	**(90)**	**(89)**
Financial assets that have been derecognised	**–**	**–**	**(28)**	**(28)**
Balance at 31 December	**1**	**6**	**113**	**120**
2019				
Loans advances, hire purchase, and leasing receivables at amortised cost				
Balance at 1 January	564	100	3,506	4,170
Net remeasurement of loss allowance	(139)	(20)	(83)	(242)
New financial assets originated or purchased	–	–	343	343
Financial assets that have been derecognised	–	–	(383)	(383)
Balance at 31 December	425	80	3,383	3,888
Factoring receivables at amortised cost*				
Balance at 1 January	1	2	273	276
Net remeasurement of loss allowance	–	3	(60)	(57)
New financial assets originated or purchased	–	–	76	76
Financial assets that have been derecognised	–	–	(58)	(58)
Balance at 31 December	1	5	231	237

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(II) Amount arising from ECL (cont'd)

Loans with renegotiated terms

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

(III) Concentration of credit risk

The Group monitors concentration of credit risk by sectors.

For held to maturity investments in debt securities, the Group invests primarily in securities issued by the Singapore Government, Statutory Boards and high grade corporate bonds. Such investments require approval from two delegated authorities. The Group has put in place investment, counterparty and foreign currency limits in relation to its investment activities to ensure that there is no over-concentration to any one class of investment.

An analysis of concentration of credit risk of loans, investments and factoring receivables at the reporting date is shown below:

	Loans, advances, hire purchase and leasing receivables – net (Note 10)		Investments (Note 9)	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Concentration by sector				
Manufacturing	**55,312**	60,582	**–**	–
Services	**91,826**	81,959	**1,171**	2,586
Holding and investment companies	**43,708**	40,949	**–**	–
Property	**5,712**	7,726	**9,506**	12,900
Financial services	**–**	–	**5,801**	12,099
Transport	**–**	–	**1,751**	1,726
Personnel	**34,705**	28,810	**–**	–
Others	**20,229**	21,757	**6,122**	4,051
	251,492	241,783	**24,351**	33,362
Company				
Concentration by sector				
Manufacturing	**47,262**	49,788	**–**	–
Services	**82,259**	69,790	**–**	–
Holding and investment companies	**43,708**	40,950	**–**	–
Others	**8,331**	8,225	**–**	–
	181,560	168,753	**–**	–

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(III) Concentration of credit risk (cont'd)

	Factoring receivables - gross (Note 16)			
	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Concentration by sector	**76,344**	114,801	**4,886**	8,434
Manufacturing	**40,390**	52,828	**10,324**	14,433
Services	**57,328**	51,199	**–**	329
Others	**174,062**	218,828	**15,210**	23,196

The maximum exposure to credit risk for loans, factoring receivables and investments at the reporting date by geographical region is shown below:

	Loans, advances, hire purchase and leasing receivables - net (Note 10)			
	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Singapore	**218,190**	199,484	**181,560**	168,753
Southeast Asia	**33,302**	42,299	**–**	–
	251,492	241,783	**181,560**	168,753

	Factoring receivables – net (Note 16)/(Note 25)			
	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Singapore	**5,765**	13,111	**5,764**	13,111
Southeast Asia	**118,551**	147,362	**–**	–
	124,316	160,473	**5,764**	13,111

	Investments (Note 9)			
	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Singapore	**25,138**	36,231	**498**	326
Southeast Asia	**521**	528	**–**	–
Rest of Asia	**2,549**	2,805	**–**	–
Others	**3,165**	4,269	**–**	–
	31,373	43,833	**498**	326

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(IV) Collateral

The Group holds collateral against loans and advances to clients in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of the fair value are based on the value of collateral at the time of lending and generally are not updated except when the loan is individually assessed as impaired. Generally, collateral is not held against the Group's investment securities, and no such collateral was held as at 31 December 2020 and 31 December 2019.

An estimate fair value of collateral and other security enhancements held against financial assets is shown below:

	Loans, advances, hire purchase and leasing receivables			
	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Against individually impaired				
Stage 3				
Properties	**153,797**	89,830	**134,770**	70,470
Vessels/motor vehicles	**228**	3,371	**–**	3,371
Equipment	**471**	2,751	**–**	–
Subtotal	**154,496**	95,952	**134,770**	73,841
Against past due but not impaired				
Stage 2				
Properties	**21,899**	15,266	**12,860**	13,900
Fixed/cash deposit	**245**	–	**245**	–
Vessels/motor vehicles	**3,585**	1,531	**3,306**	–
Equipment	**1,238**	–	**–**	–
Subtotal	**26,967**	16,797	**16,411**	13,900
Against neither past due nor impaired				
Stage 1				
Accounts receivable	**–**	610	**–**	610
Fixed/cash deposits	**350**	–	**350**	–
Properties	**266,903**	266,279	**189,230**	187,835
Equipment	**8,922**	18,870	**–**	–
Vessels/motor vehicles	**9,080**	12,782	**–**	6,600
Subtotal	**285,255**	298,541	**189,580**	195,045
Total	**466,718**	411,290	**340,761**	282,786

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Interest rate risk

In carrying out its lending activities, the Group strives to meet client demands for products with various interest rate structures and maturities. Sensitivity to interest rate movements arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. As interest rates and yield curves change over time, the size and nature of these mismatches may result in a loss or gain in earnings.

The Group attempts to minimise the interest rate risks wherever possible over the tenor of the financing. Floating rate lending is matched by floating rate borrowings. For fixed rate loans, these are matched by shareholders' funds and fixed rate borrowings and, if economically feasible, of the same tenor and amount. However, gaps may arise due to prepayments or delays in drawdown by clients.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect the Group's profit or loss.

Sensitivity analysis for variable rate instruments

As at 31 December 2020, it is estimated that a general increase of 100 basis points (bp) in interest rates would have increased the Group's profit before tax by approximately $1,039,000 (2019: $700,000) and decreased the Company's profit before tax by approximately $401,000(2019:$327,000). A decrease in 100 bp in interest rates would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the interest-bearing financial instruments, was as follows:

	Group Nominal amount		Company Nominal amount	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Fixed rate instruments				
Financial assets	**78,705**	71,584	**18,056**	6,629
Financial liabilities	**(12,839)**	(3,443)	**(12,839)**	(3,443)
	65,866	68,141	**5,217**	3,186
Variable rate instruments				
Financial assets	**337,976**	358,828	**189,866**	178,518
Financial liabilities	**(234,049)**	(258,855)	**(149,740)**	(145,845)
	103,927	99,973	**(40,126)**	(32,673)

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages and projects its cash flow commitments on a regular basis and this involves monitoring the concentration of funding maturity at any point in time and ensuring that there are committed credit lines from banks for its funding requirements.

The following are the expected contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
Group						
31 December 2020						
Non-derivative financial liabilities						
Trade and other payables	**14,203**	**14,203**	**14,203**	**–**	**–**	**–**
Insurance payables	**1,635**	**1,635**	**1,635**	**–**	**–**	**–**
Interest-bearing borrowings	**246,888**	**248,517**	**220,741**	**14,123**	**7,443**	**6,210**
Lease liabilities	**2,603**	**2,934**	**436**	**436**	**885**	**1,177**
Bankers guarantees	**–**	**1,904**	**1,904**	**–**	**–**	**–**
	265,329	**269,193**	**238,919**	**14,559**	**8,328**	**7,387**
31 December 2019						
Non-derivative financial liabilities						
Trade and other payables	15,036	15,036	15,036	–	–	–
Insurance payables	1,792	1,792	1,792	–	–	–
Interest-bearing borrowings	262,298	265,057	232,391	25,259	4,404	3,003
Lease liabilities	2,849	3,298	361	364	735	1,838
Letters of credit	–	390	390	–	–	–
Bankers guarantees	–	1,471	1,471	–	–	–
	281,975	287,044	251,441	25,623	5,139	4,841
Company						
31 December 2020						
Non-derivative financial liabilities						
Trade and other payables	**8,805**	**8,805**	**8,805**	**–**	**–**	**–**
Interest-bearing borrowings	**162,579**	**163,449**	**149,521**	**10,321**	**1,085**	**2,522**
Lease liabilities	**1,858**	**1,948**	**360**	**360**	**733**	**495**
	173,242	**174,202**	**158,686**	**10,681**	**1,818**	**3,017**
31 December 2019						
Non-derivative financial liabilities						
Trade and other payables	8,452	8,452	8,452	–	–	–
Interest-bearing borrowings	149,288	150,561	127,150	21,502	781	1,128
Lease liabilities	2,007	2,145	284	287	582	992
	159,747	161,158	135,886	21,789	1,363	2,120

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Currency risk

The Group operates in Southeast Asia with dominant operations in Singapore, Indonesia, Malaysia and Thailand. Entities in the Group also transact in currencies other than their respective functional currencies ("foreign currencies") such as United States Dollar ("USD"), Japanese Yen ("JPY"), Malaysian Ringgit ("MYR") and Thai Baht ("THB").

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk on investments, loans, advances and factoring receivables and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily USD, THB, MYR, Sterling Pound ("GBP"), Australian Dollar ("AUD") and JPY. If necessary, the Group may use derivative financial instruments to hedge its foreign currency risk.

Certain interest-bearing borrowings are denominated in foreign currencies that match cashflows generated by the underlying operations of the Group, primarily USD and JPY. This provides an economic hedge and no derivatives are entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when necessary to address short term imbalances.

The Group's investments in foreign subsidiaries are not hedged as these currency positions are considered to be non-monetary and long-term in nature.

The Group and Company's exposures to major foreign currency risks are as follows:

	USD $'000	THB $'000	GBP $'000	AUD $'000	JPY $'000
Group					
31 December 2020					
Loans and advances, trade and other receivables	**7,117**	**–**	**–**	**–**	**1**
Other investments	**3,024**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**4,497**	**1**	**16**	**44**	**203**
Insurance receivables	**84**	**–**	**–**	**–**	**–**
Trade and other payables	**(2,658)**	**–**	**–**	**–**	**–**
Interest-bearing borrowings	**(4,996)**	**–**	**–**	**–**	**–**
Net currency exposure	**7,068**	**1**	**16**	**44**	**204**
31 December 2019					
Loans and advances, trade and other receivables	11,447	–	(36)	–	1,732
Other investments	3,697	–	–	300	–
Cash and cash equivalents	5,701	1	16	41	1,425
Insurance receivables	182	–	–	–	–
Trade and other payables	(3,275)	–	–	–	(1)
Interest-bearing borrowings	(4,495)	–	–	–	(3,075)
Insurance payables	(3)	–	–	–	–
Net currency exposure	13,254	1	(20)	341	81

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Currency risk (cont'd)

	USD $'000	THB $'000	MYR $'000	GBP $'000	AUD $'000	JPY $'000
Company						
31 December 2020						
Loans and advances, trade and other receivables	**4,203**	**18**	**(13)**	**–**	**–**	**1**
Other investments	**–**	**–**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**3,932**	**1**	**–**	**16**	**44**	**203**
Trade and other payables	**(2,658)**	**–**	**–**	**–**	**–**	**–**
Interest-bearing borrowings	**(4,996)**	**–**	**–**	**–**	**–**	**–**
Net currency exposure	**481**	**19**	**(13)**	**16**	**44**	**204**
31 December 2019						
Loans and advances, trade and other receivables	11,447	19	–	(36)	–	1,732
Other investments	–	–	–	–	–	–
Cash and cash equivalents	4,834	1	–	16	41	1,425
Trade and other payables	(3,275)	–	–	–	–	(1)
Interest-bearing borrowings	(4,495)	–	–	–	–	(3,075)
Net currency exposure	8,511	20	–	(20)	41	81

Sensitivity analysis

A 10 percent strengthening of the Singapore dollar, as indicated below, against the following currencies at the reporting date would have decreased equity and profit or loss before tax by the amounts shown below.

	Profit or loss	
	Group $'000	**Company $'000**
2020		
USD	**(707)**	**(48)**
THB	*****	**(2)**
MYR	**–**	**1**
GBP	**(*)**	**(2)**
AUD	**(*)**	**(4)**
JPY	**(2)**	**(20)**
2019		
USD	(1,325)	(851)
THB	(*)	(2)
GBP	2	2
AUD	(34)	(4)
JPY	(8)	(8)

A 10 percent weakening of the Singapore dollar would have an equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Other market price risk

The Group has equity interests in private companies as well as quoted equity shares which are subject to market risks such as fluctuations in market prices, economic risks, credit default risks and investment risks inherently arising from the nature of the venture capital business activities.

The Group's venture capital investments are managed internally. Venture capital investments are predominantly investments that the Group is looking to divest.

Investments in equity securities arise mainly from structured finance activities and they relate to those financial instruments in which embedded derivatives either in the form of the options or warrants are attached. Upon the maturity of the derivatives, the options or warrants are exercised and converted into equity with the moratorium period attached. As such, the Group has to hold these equities until the expiry of the moratorium before divesting. The Group has established policies and procedures to monitor and control its divestments.

For investments under the Insurance Fund, the Group has asset allocation guidelines which are reviewed periodically by the management and the Board of Directors. Under the asset allocation guidelines, limits are set in place for various asset classes such as equities, bonds and fixed/cash deposits.

Sensitivity analysis - market price risk

For other investments carried at fair value, a 5 percent increase in the underlying equity prices at the reporting date would have increased equity and profit or loss after tax by the amounts shown below:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Profit or loss	**290**	281	**21**	13

A 5 percent decrease in the underlying equity prices at the reporting date would have had the equal but opposite effect to the amounts shown above.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost of effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

Compliance with Group standards is supported by a risk based plan approved by the Audit Committee on an annual basis and carried out by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, and reported to the Audit Committee on a periodic basis.

The Compliance Department of the Group updates management and the Board of Directors on the changes and development in the laws and regulations and assists management to check on the Group's compliance of the limits set by the Risk Management guidelines.

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Insurance contract risk

Underwriting risk

Underwriting risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover.

The principal underwriting risk to which the Group is exposed is credit risk in connection with its bond and guarantee underwriting activities. Management has established underwriting processes and limits to manage this risk including performing credit reviews of its customers and obtaining cash collateral as security where considered necessary.

Pricing risk

The underwriting function carries out qualitative and quantitative risk assessments on all clients before deciding on the risk acceptance. Policies in riskier segment or markets may be rejected or charged at a higher premium rate accompanied by stricter terms and conditions to commensurate the risks.

Concentration risk

Concentration limits are set to avoid heavy concentration within a specific industry. Maximum limits are set on each guarantee facility limits and higher limits require special approval. There is also monthly monitoring and reporting of any heavy concentration of risk exposure towards any industry and client limits. The client facility limits are reviewed on a regular basis to track any deterioration in their financial position that may result in a loss to the Group.

The main exposures of the Group's bond and guarantee insurance contracts are to the property and construction. The Group's concentration of risk relates mainly to customers in Singapore.

Reinsurance outwards

The Group participates in reinsurance treaties to cede risks to its reinsurers, which are internationally established firms with credit ratings and reviewed by the Board. Under the treaties, the Group undertakes to cede to its reinsurers between 80% to 95% of its total written premium as well as the same proportion of corresponding losses for 2020. Risks undertaken which do not fall within the treaty scope of cover are ceded to reinsurers on a facultative basis.

Asset-liability management ("ALM")

The ALM policy is designed to ensure financial assets are managed with maturity profile that matches the projected cash-flows for the Group's liabilities. In addition, the Group maintains at least 30% of claims liability in cash and cash equivalents to meet claims settlements as and when they arise.

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Insurance contract risk (cont'd)

Claims development table

Claims development tables are disclosed to allow comparison of the outstanding claim provisions with those of prior years. In effect, the tables highlight the Group's ability to provide an estimate of the total value of claims. The top part of the table provides a review of current estimates of cumulative claims and demonstrates how the estimated claims have changed at subsequent reporting or accident year-ends. The estimate is increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimated cumulative claims.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Group believes that the provisions for insurance claims outstanding as at the reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

The analysis of claims development has been performed on a net basis after accounting for reinsurance and grossed up based on historical incurred net-to-gross loss experience as well as expected. There is no significant change in the approach adopted by the certifying actuary.

The claims information for the accident years below is based on the following:

Accident year:

- 2014 - 12 months ended 31 December 2014 and prior
- 2015 - 12 months ended 31 December 2015
- 2016 - 12 months ended 31 December 2016
- 2017 - 12 months ended 31 December 2017
- 2018 - 12 months ended 31 December 2018
- 2019 - 12 months ended 31 December 2019
- 2020 - 12 months ended 31 December 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Insurance contract risk (cont'd)

(i) Analysis of claims development – gross of reinsurance basis

Group
Gross loss development tables as at 31 December 2020
$'000s

Estimate of cumulative claims

Accident year	**2014 and prior**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	Total
At end of accident year	30,366	24,454	11,649	13,819	10,488	7,945	23,946	
One year later	13,393	6,376	11,798	14,105	9,868	6,422		
Two years later	10,916	5,514	11,627	14,188	9,703			
Three years later	9,271	5,055	11,708	13,632				
Four years later	7,924	5,123	11,801					
Five years later	8,918	4,214						
Six years later	8,889							
Current estimate of ultimate claims	8,889	4,214	11,801	13,632	9,703	6,422	23,946	78,607
Cumulative payments	(8,887)	(4,136)	(11,209)	(12,603)	(7,958)	(2,880)	(18,964)	(66,637)
Gross estimate of outstanding claim liability	2	78	592	1,029	1,745	3,542	4,982	11,970
Unallocated loss adjustment expenses	–	2	21	34	54	122	139	372
Best estimate of gross outstanding claim liability								12,342
Provision for adverse deviation								1,766
Gross provision for insurance claims (Note 13)								14,108

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Insurance contract risk (cont'd)

(i) Analysis of claims development – gross of reinsurance basis (cont'd)

Group
Gross loss development tables as at 31 December 2019
$'000s

Estimate of cumulative claims

Accident year	2013 and prior	2014	2015	2016	2017	2018	2019	Total
At end of accident year	9,254	21,112	24,454	11,649	13,819	10,488	7,945	
One year later	8,488	4,905	6,376	11,798	14,105	9,868		
Two years later	6,170	4,746	5,514	11,627	14,188			
Three years later	4,593	4,678	5,055	11,708				
Four years later	4,257	3,667	5,123					
Five years later	5,248	3,670						
Six years later	5,248							
Current estimate of ultimate claims	5,248	3,670	5,123	11,708	14,188	9,868	7,495	57,300
Cumulative payments	(5,248)	(3,643)	(4,101)	(10,934)	(12,023)	(7,381)	(1,333)	(44,663)
Gross estimate of outstanding claim liability	–	27	1,022	774	2,165	2,487	6,162	12,637
Unallocated loss adjustment expenses	–	–	12	25	78	105	215	435
Best estimate of gross outstanding claim liability								13,072
Provision for adverse deviation								1,787
Gross provision for insurance claims (Note 13)								14,859

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Insurance contract risk (cont'd)

(ii) Analysis of claims development – net of reinsurance basis

Group
Net loss development tables as at 31 December 2020
$'000s

Estimate of cumulative claims

Accident year	2014 and prior	2015	2016	2017	2018	2019	2020	Total
At end of accident year	16,907	8,227	7,882	10,701	7,516	6,032	9,030	
One year later	10,607	1,220	6,396	10,937	7,249	5,347		
Two years later	10,637	1,079	7,907	10,979	6,706			
Three years later	7,526	2,143	7,992	10,447				
Four years later	7,892	2,164	8,131					
Five years later	8,128	1,892						
Six years later	7,914							
Current estimate of ultimate claims	7,914	1,892	8,131	10,447	6,706	5,347	9,030	49,467
Cumulative payments	(7,912)	(1,839)	(7,539)	(9,459)	(5,475)	(2,689)	(6,232)	(41,145)
Net estimate of outstanding claim liability	2	53	592	988	1,231	2,658	2,798	8,322
Unallocated loss adjustment expenses	–	2	21	34	54	122	139	372
Effect of discounting	–	–	–	–	–	–	–	–
Best estimate of outstanding claim liability								8,694
Provision for adverse deviation								1,208
Net provision for insurance claims (Note 13)								9,902

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Insurance contract risk (cont'd)

(ii) Analysis of claims development – net of reinsurance basis (cont'd)

Group
Net loss development tables as at 31 December 2019
$'000s

Estimate of cumulative claims

Accident year	**2013 and prior**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	Total
At end of accident year	11,282	5,625	8,227	7,882	10,701	7,516	6,033	
One year later	8,928	1,679	1,220	6,396	10,937	7,249		
Two years later	10,170	467	1,079	7,907	10,979			
Three years later	7,098	428	2,143	7,992				
Four years later	6,677	1,215	2,164					
Five years later	7,027	1,191						
Six years later	6,727							
Current estimate of ultimate claims	6,727	1,191	2,165	7,992	10,979	7,249	6,034	42,337
Cumulative payments	(6,727)	(1,189)	(1,830)	(7,265)	(8,880)	(4,905)	(1,290)	(32,086)
Net estimate of outstanding claim liability	–	2	335	727	2,099	2,344	4,744	10,251
Unallocated loss adjustment expenses	–	–	12	25	78	105	215	435
Effect of discounting	–	–	–	–	–	–	–	–
Best estimate of outstanding claim liability								10,686
Provision for adverse deviation								1,418
Net provision for insurance claims (Note 13)								12,104

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Estimation of fair value

Investments in equity and debt securities

The fair values of quoted equity securities are their last bid price at the reporting date. The fair values of unquoted corporate bonds, unquoted unit trusts and money market funds are their indicative prices at the reporting date. The fair value of investments at amortised cost is determined for disclosure purposes only.

The fair values of unquoted equity securities are determined using the realisable net asset value approach, which takes into consideration the fair value of the underlying assets and liabilities of the entities to which the equity securities relate. The assets and liabilities held by the relevant entities comprise mainly financial assets and financial liabilities whose carrying amounts are found to approximate their fair values. As such, management has determined that the share of the reported net asset value represents the fair value of the unquoted equity securities at the date of the statement of financial position.

Loans, advances, hire purchase, leasing and factoring receivables

The fair values of loans, advances, hire purchase, leasing and factoring receivables that reprice within six months of reporting date are assumed to equate the carrying values. The fair values of fixed rate loans, advances, hire purchase, leasing and factoring receivables were calculated using discounted cash flow models based on the maturity of the loans. The discount rates applied in this exercise were based on the current interest rates of similar types of loans, advances, hire purchase, leasing and factoring receivables if these assets were performing at the reporting date.

Other financial assets and liabilities

The Company and the Group granted convertible loans to finance residential projects in Singapore. The convertible loans contain embedded equity conversion options and are expected to convert or mature in 2022 (2019: between 2020 and 2021) following extension of a project. These have been classified as mandatory at FVTPL financial assets Level 3 (2019: Level 3). Management has used discounted cash flow technique in which inputs were based on units sold and sales projections and development cost projections as at 31 December 2020. The discount rate of 6% (2019: 5% to 6%) were used to calculate the fair value.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Estimation of fair value (cont'd)

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount $'000	Fair value Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group					
31 December 2020					
Financial assets measured at fair value					
FVTPL financial assets					
- Equity securities	**7,022**	**5,221**	**–**	**1,801**	**7,022**
- Debt securities	**4,551**	**4,551**	**–**	**–**	**4,551**
- Convertible loans	**1,500**	**–**	**–**	**1,500**	**1,500**
	13,073	**9,772**	**–**	**3,301**	**13,073**
Financial assets not measured at fair value					
Debt securities at amortised cost	**18,300**	**18,310**	**500**	**–**	**18,810**
31 December 2019					
Financial assets measured at fair value					
FVTPL financial assets					
- Equity securities	10,471	6,783	–	3,688	10,471
- Debt securities	6,442	6,442	–	–	6,442
- Convertible loans	6,149	–	–	6,149	6,149
	23,062	13,225	–	9,837	23,062
Financial assets not measured at fair value					
Debt securities at amortised cost	20,771	20,158	500	–	20,658
Company					
31 December 2020					
Financial assets measured at fair value					
FVTPL financial assets					
- Equity securities	**498**	**444**	**–**	**54**	**498**
	498	**444**	**–**	**54**	**498**
31 December 2019					
Financial assets measured at fair value					
FVTPL financial assets					
- Equity securities	312	312	–	14	326
	312	312	–	14	326

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Estimation of fair value (cont'd)

Level 3 fair values relate to unquoted equity securities, funds and convertible loans which have no observable market prices.

During the financial years presented, there have been no transfers between level 1, 2 and 3.

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of fair value hierarchy:

	Group $'000	Company $'000
At 1 January 2019	20,137	6,424
Addition	56	–
Redemptions	(9,237)	(6,461)
Fair value change recognised in profit or loss	(1,119)	51
At 31 December 2019	9,837	14
Addition	–	–
Redemptions	**(5,436)**	–
Fair value change recognised in profit or loss	**(1,100)**	**40**
At 31 December 2020	**3,301**	**54**

The following table shows the valuation technique used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Convertible loans	*Discounted cash flows* The fair value is computed based on units sold, sales projections on unsold units and development costs projections, discounted to the present value using a risk-adjusted discount rate.	Risk-adjusted discount rate of 6% (2019: 5% to 6%)	The estimated fair value would increase (decrease) if the risk-adjusted rate was lower (higher).
Equity securities	*Net asset value* The valuation model inputs are based on net assets value of the equity securities invested.	Net asset value of the underlying entities	The estimated fair value would increase (decrease) if the net asset value was higher (lower).
Funds	*Net asset value* The valuation model inputs are based on net assets value of the funds invested.	Net asset value of the funds	The estimated fair value would increase (decrease) if the net asset value was higher (lower).

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

41 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Estimation of fair value (cont'd)

Sensitivity analysis – Level 3 valuation

For the fair values of unquoted convertible loans, reasonably possible changes at the reporting date to risk-adjusted discount rate by 1%, holding other inputs constant, would have the following effects.

	Income statement			
	Group		Company	
Risk-adjusted discount rate (1% movement)	**Increase**	**Decrease**	**Increase**	**Decrease**
	$'000	**$'000**	**$'000**	**$'000**
2020				
Convertible loans	**(53)**	**(11)**	–	–
2019				
Convertible loans	(104)	94	–	–

Summary

The aggregate net fair values of recognised financial assets which are not carried at fair values in the statement of financial position as at 31 December are represented in the following table:

	2020		2019	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Financial assets				
Debt securities at amortised cost	**18,300**	**18,810**	20,771	20,658
Unrecognised gain/(loss)		**510**		(113)

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

42 ACCOUNTING JUDGEMENTS AND ESTIMATES

Management has assessed the development, selection and disclosure of the significant accounting judgements and estimates, and the application of these policies and estimates.

The following are critical accounting judgements or estimates made by the management in applying accounting policies:

Significant accounting estimates

Impairment losses on loans, advances, hire purchase, leasing and factoring receivables

The Group reviews its loan portfolio to assess impairment on a regular basis. To determine whether there is an impairment loss, the Group makes judgements as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows of the loan portfolio. The evidence may include observable data indicating adverse changes in the payment status of the borrowers or local economic conditions that correlate with defaults in the loan portfolio. The methodology and assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between estimated and actual loss experience.

Impairment losses on debt securities at amortised cost

The impairment provisions for debt securities at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, existing market conditions, as well as forward looking estimates at the end of each reporting period. The Group uses 12-month and lifetime probabilities of default based on data from Moody's or its equivalents for each credit rating.

Provisions for unexpired risks and insurance claims

Provisions for unexpired risks and insurance claims as at 31 December 2020 have been assessed by the approved actuary (JPWALL Consulting Partners (Singapore) Pte. Ltd.) in accordance with local insurance regulatory requirements.

The description of the principal estimates and assumptions underlying the determination of provisions for unexpired risks and insurance claims and the impact of changes in these estimates and assumptions are discussed in the sensitivity analysis set out in sections I and II of this note.

The process of establishing the provision for insurance claims is described in section II of this note.

The sensitivity analysis has been performed on a gross basis before accounting for reinsurance and on a net basis after accounting for reinsurance.

Users of these financial statements should take note of the following:

1) The sensitivity analysis in sections I and II is based upon the assumptions set out in the actuarial report issued to the Group by the approved actuary for the financial year ended 31 December 2020. The sensitivity analysis is subject to the reliance that the approved actuary has placed on management and limitations described in the report. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full;

2) The estimates and assumptions discussed are independent of each other. However, in practice, a combination of adverse and favourable changes can occur; and

3) The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

42 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

I. Provision for unexpired risks - sensitivity analysis

The provision for unexpired risks is the higher of:

(i) The aggregate of the total best estimates of unexpired risk and the provision for adverse deviation ("PAD"); and

(ii) Unearned premium reserves.

The provision for unexpired risks includes a PAD which is intended to provide a 75% probability of adequacy for the provision for unexpired risks. The PAD assumption relied on the approved actuary's inputs. An allowance for future management expenses and claim handling costs is made.

Based on the current assumptions, the gross and net provisions for unexpired risks are as follows:

	Net ($'000)	Gross ($'000)
At 31 December 2020		
Estimated provision for unexpired risks under the base scenario	**5,203**	**5,985**
At 31 December 2019		
Estimated provision for unexpired risks under the base scenario	4,960	6,738

Provision for adverse deviation

The actuary has assumed unexpired premium PAD of 15% to 32% (2019: 15% to 38%) under the base scenario. If the assumed PAD is increased or decreased by 2% (2019: 2%), the resulting provision will be as follows:

	Net ($'000)		Gross ($'000)	
	High +2%	Low -2%	High +2%	Low -2%
At 31 December 2020				
Provision for unexpired risks	**5,266**	**5,142**	**6,063**	**5,909**
At 31 December 2019				
Provision for unexpired risks	5,019	4,901	6,822	6,654

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

42 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

I. Provision for unexpired risks - sensitivity analysis (cont'd)

Ultimate loss ratio

The actuary has presumed an Ultimate Loss Ratio ("ULR") of 0% to 167% (2019: 0% to 213%) under the base scenario. If the assumed ULR increased or decreased by 2% (2019: 2%), the resulting provision will be as follows:

	Net ($'000)		Gross ($'000)	
	High	Low	High	Low
	+2%	-2%	+2%	-2%
At 31 December 2020				
Provision for unexpired risks	**5,305**	**5,103**	**6,104**	**5,868**
At 31 December 2019				
Provision for unexpired risks	5,031	4,889	6,768	6,708

Management Expenses Rate ("MER")

Allowance for MER relates to the costs of administering unexpired policies for which the Group has risk. MER is computed based on 8.1% (2019: 8%) of the Group's unearned premium reserves for all classes of business. The effects of increasing and reducing MER by 2% (2019: 2%) are presented below:

	Net ($'000)		Gross ($'000)	
	High	Low	High	Low
	+2%	-2%	+2%	-2%
At 31 December 2020				
Provision for unexpired risks	**5,280**	**5,128**	**6,062**	**5,910**
At 31 December 2019				
Provision for unexpired risks	5,041	4,879	6,819	6,657

42 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

II. Provision for insurance claims - sensitivity analysis

Process of establishing provision for insurance claims

For short term insurance contracts, the Group sets aside specific provisions based on actual claims notified by the policyholders. Each notified claim is assessed on a case-by-case basis with regards to the claim circumstances and information available from external sources. These specific provisions are reviewed and updated regularly as and when there are developments and are not discounted for the time value of money.

The Group closely monitors the relevant projects for which the bonds and guarantees are issued, and makes specific provisions should the Group be made aware of potential claim payments through its regular project monitoring.

Given the uncertainty in estimating the provision for insurance claims, it is likely that the actual outcome will be different from the provisions made based on internal provisioning. Accordingly, the Group engages an approved actuary to assess the adequacy of the Group's provision for insurance claims on an annual basis.

The reserving methodology and assumptions used by the approved actuary, which remain unchanged from prior year, are intended to produce a "best" estimate of the provision for insurance claims through the analysis of historical claims payment and recovery data to project future claims payment. The "best" estimate is intended to represent the mean value of the range of future outcomes of the claim costs.

In estimating the provision for insurance claims, the actuary includes an allowance for claims handling expenses and maintenance cost which are intended to cover the costs of administering outstanding claims until all claims are fully settled.

The actuary's estimate for the provision for insurance claims is subject to uncertainty and variations of the actual and expected experience are to be expected. The inherent uncertainty is due to the fact that the ultimate claim cost is subject to the outcome of future events. Possible uncertainties include those related to the selection of models and assumptions, the statistical uncertainty, the general business and economic environment, and the impact of legislative reform. A PAD is therefore made to allow for uncertainty surrounding the estimation process and is intended to provide a 75% probability of adequacy for the provision for insurance claims. The PAD assumption relied on the actuary's inputs. An allowance for future management expenses and claim handling costs is made.

Based on the current assumptions, the gross and net provisions for insurance claims are as follows:

	Net ($'000)	Gross ($'000)
At 31 December 2020		
Estimated provision for insurance claims under the base scenario	**9,902**	**14,108**
At 31 December 2019		
Estimated provision for insurance claims under the base scenario	12,103	14,859

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

42 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

II. Provision for insurance claims - sensitivity analysis (cont'd)

Provision for adverse deviation

Provision for insurance claims also includes a PAD which will provide a 75% (2019: 75%) probability of adequacy for the provision for insurance claims.

The actuary has assumed a claim PAD of 12% to 21% (2019: 12% to 18%) under the base scenario. Increasing or decreasing the PAD by 2% (2019: 2%) results in changes in provision as follows:

	Net ($'000)		Gross ($'000)	
	High	Low	High	Low
	+2%	-2%	+2%	-2%
At 31 December 2020				
Provision for insurance claims	**10,050**	**9,754**	**14,318**	**13,898**
At 31 December 2019				
Provision for insurance claims	12,285	11,921	15,081	14,637

Ultimate loss ratio

The actuary has presumed an Ultimate Loss Ratio ("ULR") of 0% to 1865% (2019: 0% to 213%) under the base scenario. If the assumed ULR increased or decreased by 2% (2019: 2%), the resulting provision will be as follows:

	Net ($'000)		Gross ($'000)	
	High	Low	High	Low
	+2%	-2%	+2%	-2%
At 31 December 2020				
Provision for insurance claims	**10,027**	**9,777**	**14,267**	**13,949**
At 31 December 2019				
Provision for insurance claims	12,250	11,956	14,942	14,777

Claim Handling Expenses ("CHE")

Allowance for claims handling expenses relates to the costs of administering outstanding claims until all claims are fully settled. CHE is computed based on 7% (**2019**: 7%) of incurred-but-not-reported claims and 7% (**2019**: 7%) of half of the case reserve assuming that half of the CHE is expended when a loss is reported and half when it is paid.

The effects of varying CHE by 2% (both upwards and downwards) are presented below:

	Net ($'000)		Gross ($'000)	
	High	Low	High	Low
	+2%	-2%	+2%	-2%
At 31 December 2020				
Provision for insurance claims	**10,023**	**9,781**	**14,229**	**13,987**
At 31 December 2019				
Provision for insurance claims	12,244	11,962	15,000	14,718

43 OPERATING SEGMENTS

The Group has three reportable segments which relate to the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. The reportable segment presentation is prepared based on the Group's management and internal reporting structure. As some of the activities of the Group are integrated, internal cost allocation has been made in preparing the segment information such as the Group's centralised support costs and funding costs. Inter-segment pricing where appropriate, is determined on an arm's length basis. The Group's CEO reviews the internal management reports on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

Credit financing:	Credit financing encompasses commercial finance businesses focuses on providing services to corporate clients, mainly the small and medium-sized enterprises. The commercial services provided include factoring, accounts receivable financing, trade financing, property loan, working capital, leasing, hire purchase as well as participating in financing by SPRING and IES under LEFS and IF Scheme respectively. Credit financing also include consumer loans service.
Insurance:	The issue of performance bonds and guarantees, domestic maid insurance, property and casualty insurance, motor insurance, engineering and work injury compensation insurance. The segment includes holding of equity securities and bonds under the regulated insurance fund.
Private equity and other investments:	The provision of development capital in the form of convertible debt instruments.

Total operating income comprises net interest income, net earned premium revenue, fee and commission income and investment income. Performance is measured based on segment profit before tax.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

43 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Credit financing $'000	Insurance $'000	Private equity and other investments $'000	Total $'000
2020				
Operating results				
Total operating income	**27,397**	**5,352**	**371**	**33,120**
Reportable segment profit/(loss) before tax	**8,414**	**(6,247)**	**370**	**2,537**
Net interest income	**20,996**	**–**	**–**	**20,996**
Net earned premium revenue	**–**	**4,830**	**–**	**4,830**
Non-interest income	**6,773**	**524**	**370**	**7,667**
Other material non-cash items:				
- Recognition of allowances for loan losses and impairment of other assets	**(1,872)**	**(473)**	**–**	**(2,345)**
- Depreciation and amortisation	**(1,632)**	**(68)**	**–**	**(1,700)**
Assets and liabilities				
Reportable segment assets	**432,182**	**41,558**	**4,057**	**477,797**
Capital expenditure	**732**	**31**	**–**	**763**
Reportable segment liabilities	**263,517**	**22,986**	**418**	**286,921**
2019				
Operating results				
Total operating income	34,376	8,144	3,406	45,926
Reportable segment profit/(loss) before tax	17,430	(4,227)	3,140	16,343
Net interest income	25,288	–	–	25,288
Net earned premium revenue	–	6,169	–	6,169
Non-interest income	9,819	2,169	3,139	15,127
Other material non-cash items:				
- Reversal/(recognition) of allowances for loan losses and impairment of other assets	1,418	(1,026)	–	392
- Depreciation and amortisation	(1,415)	(109)	–	(1,524)
Assets and liabilities				
Reportable segment assets	441,155	49,460	10,352	500,967
Capital expenditure	981	4	–	985
Reportable segment liabilities	280,364	24,221	599	305,184

43 OPERATING SEGMENTS (CONT'D)

Reconciliations of reportable segment operating income, profit or loss, assets and liabilities and other material items

	2020 $'000	2019 $'000
Operating income		
Net interest income	**20,996**	25,288
Net earned premium revenue	**4,830**	6,169
Fee and commission income	**6,497**	8,632
Investment income	**709**	4,982
Others*	**88**	855
Total operating income for reportable segments	**33,120**	45,926
Profit		
Total profit before tax for reportable segments	**2,537**	16,343
Consolidated profit before tax	**2,537**	16,343
Non-interest income		
Total non-interest income for reportable segments	**12,497**	21,296
Consolidated non-interest income	**12,497**	21,296
Assets		
Total assets for reportable segments	**477,797**	500,967
Other unallocated amounts	**3,630**	3,817
Consolidated assets	**481,427**	504,784
Liabilities		
Total liabilities for reportable segments	**286,921**	305,184
Other unallocated amounts	**870**	2,647
Consolidated liabilities	**287,791**	307,831

* Represents excess amount of loans, advances and receivables recovered included in other income

Geographical segments

In view of the Group's continuing efforts to develop its businesses across the region, resources are now allocated mainly to four principal geographical areas.

Geographical segments are analysed by four principal geographical areas. *Singapore, Thailand, Malaysia and Indonesia* are the major markets for credit financing and insurance activities. *Others* are also the markets for private equity and other investment activities.

In presenting information on the basis of geographical segments, segment operating income is based on the geographical location of the clients. Segment assets are based on the geographical location of the assets.

Notes to the Financial Statements

YEAR ENDED 31 DECEMBER 2020

43 OPERATING SEGMENTS (CONT'D)

Geographical information

	Operating income $'000	Non-current assets $'000	Total assets $'000
2020			
Singapore	**16,565**	**2,845**	**300,448**
Thailand	**14,031**	**4,219**	**150,657**
Malaysia	**1,825**	**626**	**12,615**
Indonesia	**699**	**264**	**17,707**
	33,120	**7,954**	**481,427**
2019	24,170	3,166	285,949
Singapore	17,085	4,753	182,394
Thailand	2,542	740	15,212
Malaysia	2,129	308	21,160
Indonesia	–	–	69
Others	45,926	8,967	504,784

44 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's financial statements.

- SFRS(I) 17 *Insurance Contracts*
- *Classification of Liabilities as Current or Non-current* (Amendments to SFRS(I) 1-1)
- *Covid-19-Related Rent Concessions* (Amendment to SFRS(I) 16)
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)
- *Reference to the Conceptual Framework* (Amendments to SFRS(I) 3)
- *Property, Plant and Equipment – Proceeds before Intended Use* (Amendments to SFRS(I) 16)
- *Onerous Contracts – Costs of Fulfilling a Contract* (Amendments to SFRS(I) 1-37)
- *Annual Improvements to SFRS(I)s 2018 – 2020*

Statistic of Shareholdings

AS AT 12 MARCH 2021

SHARE CAPITAL

Issued and Paid-up Share Capital	:	$137,906,932
Number of Shares	:	375,969,665
Class of Shares	:	ordinary shares
Voting Rights	:	one vote per share
Number of Treasury Shares	:	nil
Number of Subsidiary Holdings[1]	:	nil

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	156	4.42	5,953	0.00
100 - 1,000	137	3.88	59,607	0.02
1,001 - 10,000	2,239	63.39	8,825,613	2.35
10,001 - 1,000,000	985	27.89	48,623,084	12.93
1,000,001 and above	15	0.42	318,455,408	84.70
Total	3,532	100.00	375,969,665	100.00

TOP TWENTY SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	PHILLIP SECURITIES PTE LTD	236,697,494	62.96
2	DBS NOMINEES PTE LTD	54,986,107	14.63
3	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	6,459,524	1.72
4	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,101,943	0.83
5	LIM WAH TONG	2,463,000	0.66
6	LIM HOW TECK	2,170,000	0.58
7	RAMESH S/O PRITAMDAS CHANDIRAMANI	2,067,200	0.55
8	RAFFLES NOMINEES (PTE) LIMITED	1,695,700	0.45
9	CITIBANK NOMINEES SINGAPORE PTE LTD	1,679,430	0.45
10	CHUA MAISIE	1,552,400	0.41
11	LIM CHIN CHOO @ ELIZABETH LIM	1,243,500	0.33
12	YEO WEI HUANG	1,155,000	0.31
13	TAN SOON LIN	1,080,460	0.29
14	BOON KIA HENG JUSTIN (WEN JIAQING)	1,068,650	0.28
15	TEO YEW HOCK	1,035,000	0.28
16	LEE SOON KIE	992,900	0.26
17	OCBC SECURITIES PRIVATE LTD	747,442	0.20
18	MAYBANK KIM ENG SECURITIES PTE LTD	723,550	0.19
19	NG POH CHENG	670,450	0.18
20	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	615,125	0.16
	Total	322,204,875	85.72

Notes:

[1] "Subsidiary Holdings" is defined in the Listing Manual issued by the Singapore Exchange Securities Trading Limited to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

Statistic of Shareholdings

AS AT 12 MARCH 2021

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 12 March 2021, approximately 30.34% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as recorded in the Register of Substantial Shareholders as at 12 March 2021

	No. of Shares			
Substantial Shareholder	**Direct Interest**	**Deemed Interest**	**Total Interest**	**%**
Phillip Assets Pte. Ltd.	226,586,029[1]	-	226,586,029	60.27
Lim Hua Min	-	226,586,029[2]	226,586,029	60.27
Factorie, L.P.	25,773,280	-	25,773,280	6.86
Factorie Ltd	-	25,773,280[3]	25,773,280	6.86
Diamond GP Holdings Ltd.	-	25,773,280[4]	25,773,280	6.86
Dymon Asia Private Equity (S.E. Asia) Ltd	-	25,773,280[5]	25,773,280	6.86
DAPE Ltd	-	25,773,280[6]	25,773,280	6.86
Tan Keng Soon	-	25,773,280[7]	25,773,280	6.86
Dymon Asia Capital Ltd	-	25,773,280[8]	25,773,280	6.86
Yong Ming Chong		25,773,280[9]	25,773,280	6.86

Notes:

1 Deposited with the Depository Agent, Phillip Securities Pte. Ltd.

2 Lim Hua Min is deemed to have an interest in the 226,586,029 shares held by Phillip Assets Pte. Ltd.

3 Factorie Ltd is the general partner of Factorie, L.P. and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.

4 Diamond GP Holdings Ltd. has a controlling interest in Factorie Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.

5 Dymon Asia Private Equity (S.E. Asia) Ltd has a controlling interest in Diamond GP Holdings Ltd. and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.

6 DAPE Ltd has a controlling interest in Dymon Asia Private Equity (S.E. Asia) Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.

7 Tan Keng Soon holds more than 20% voting rights in DAPE Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.

8 Dymon Asia Capital Ltd holds more than 20% voting rights in DAPE Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.

9 Yong Ming Chong has a controlling interest in Dymon Asia Capital Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.

Notice of Annual General Meeting

IFS CAPITAL LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 198700827C

NOTICE IS HEREBY GIVEN that the Thirty-Fourth (34th) Annual General Meeting of IFS Capital Limited (the "**Company**") will be held by electronic means on Friday, 23 April 2021 at 2.30 p.m. to transact the following business:

ROUTINE BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2020 together with the Auditors' Report thereon. . **(Resolution 1)**

2. To approve the payment of a first and final one-tier tax exempt ordinary cash dividend of 0.2 cents per share for the financial year ended 31 December 2020. **(Resolution 2)**

3. To approve the Directors' fees of S$233,180 (2019: S$233,181) for the financial year ended 31 December 2020. **(Resolution 3)**

4. To re-elect the following Directors retiring by rotation in accordance with article 94 of the Constitution of the Company:
   (a) Mr Eugene Tan Hai Leng **(Resolution 4(a))**
   (b) Mr Law Song Keng **(Resolution 4(b))**

5. To re-elect the following directors retiring in accordance with article 100 of the Constitution of the Company:
   (a) Mr Tam Chee Chong **(Resolution 5(a))**
   (b) Mr Randy Sim Cheng Leong **(Resolution 5(b))**

6. To re-appoint KPMG LLP as Auditors and authorise the Directors to fix their remuneration. **(Resolution 6)**

SPECIAL BUSINESS

To consider, and if thought fit, to pass with or without modifications, the following Resolution which will be proposed as an Ordinary Resolution:

7. That authority be and is hereby given to the Directors to:

   (a) (i) issue shares of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

,

   provided that:

   (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent. of the total number of issued shares of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent. of the total number of issued shares of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below);

Notice of Annual General Meeting

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares of the Company excluding treasury shares and subsidiary holdings at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. **(Resolution 7)**

By Order of the Board

Chionh Yi Chian/Angeline Ng
Company Secretary/Assistant Company Secretary
IFS Capital Limited

Singapore
7 April 2021

Explanatory Notes:

1. **Notes to Resolutions 4(a) and 4(b):**

In relation to Resolution 4(a), Mr Eugene Tan Hai Leng will, upon re-election as a Director of the Company, continue to serve as the Chairman of the Risk Management Committee.

In relation to Resolution 4(b), Mr Law Song Keng will, upon re-election as a Director of the Company, continue to serve as a Member of the Audit Committee, a Member of the Executive Resource and Compensation Committee and a Member of the Risk Management Committee. Mr Law is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. As of 1 January 2022, as Mr Law Song Keng has been a Director of the Company for a period of more than 9 years, he will cease to be regarded as independent on such date pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (which will come into effect on 1 January 2022).

Please refer to the "Board of Directors" and the "Additional Information on Directors Seeking Re-election" in the Company's Annual Report 2020 for further information on Mr Eugene Tan Hai Leng and Mr Law Song Keng.

2. **Notes to Resolutions 5(a) and 5(b):**

In relation to Resolution 5(a), Mr Tam Chee Chong will, upon re-election as a Director of the Company, continue to serve as the Chairman of the Audit Committee. Mr Tam is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

In relation to Resolution 5(b), Mr Randy Sim Cheng Leong will, upon re-election as a Director of the Company, continue to serve as a Member of the Risk Management Committee.

Please refer to the “Board of Directors” and the “Additional Information on Directors Seeking Re-election” in the Company’s Annual Report 2020 for further information on Mr Tam Chee Chong and Mr Randy Sim Cheng Leong.

3. **Notes to Resolution 7:**

Resolution 7 is to empower the Directors to issue shares of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50 per cent. of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), with a sub-limit of 20 per cent. for issues other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of the issued shares of the Company (excluding treasury shares and subsidiary holdings) at the time that Resolution 7 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 7 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares. As at 5 April 2021, the Company had no treasury shares and no subsidiary holdings.

Notes:

1. The Company’s Annual General Meeting (the “**AGM**”) is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM will not be sent to members. Instead, this Notice of AGM will be disseminated to members by electronic means via publication on the Company’s website at the URL https://www.ifscapital.com.sg/annualgeneralmeetings#2021agm and on the Singapore Exchange’s (“**SGX**”) website at the URL https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company’s announcement dated 7 April 2021. This announcement may be accessed at the Company’s website at the URL https://www.ifscapital.com.sg/annualgeneralmeetings#2021agm and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

3. Due to the current COVID-19 situation in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The accompanying proxy form for the AGM may be downloaded from the Company’s website at the URL https://www.ifscapital.com.sg/annualgeneralmeetings#2021agm and from the SGX website at the URL https://www.sgx.com/securities/company-announcements. Printed copies of the proxy form will not be sent by post to members.

   In appointing the Chairman of the AGM as proxy, a member must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

   CPF and SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 p.m. on 13 April 2021**.

Notice of Annual General Meeting

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner: (a) if submitted by post, be deposited with the Company's share registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902; or (b) if submitted electronically, be submitted via email to gpe@mncsingapore.com, in either case, by **2.30 p.m. on 20 April 2021**, being 72 hours before the time appointed for holding the AGM.

   A member who wishes to submit an instrument of proxy must first download a copy of the proxy from the Company's website or the SGX website, and complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. Due to the current COVID-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms electronically via email.

6. The Company's Annual Report 2020 may be accessed at the Company's website at the URL https://www.ifscapital.com.sg/annualgeneralmeetings#2021agm or the SGX website at the URL https://www.sgx.com/securities/company-announcements.

7. Due to the constantly evolving COVID-19 situation, the Company may be required to change its AGM arrangements at short notice. Members are advised to regularly check the Company's website or announcements released on SGXNET for latest updates on the AGM.

Personal data privacy:

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

Additional Information on Directors Seeking Re-election

At the 34th Annual General Meeting

[Pursuant to SGX-ST Listing Manual - Rule 720(6) and Appendix 7.4.1]

Name of Director	EUGENE TAN HAI LENG
Date of Appointment	12 October 2015
Date of last re-appointment	20 April 2018
Age	62
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board had considered the Executive Resource and Compensation Committee's recommendation and assessment on Mr Tan's background, experience and commitment in the discharge of his duties as a Director of IFS Capital Limited and is satisfied that he will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	- Non-Executive Director - Chairman of the Risk Management Committee
Professional qualifications	- Bachelor of Arts and Social Sciences (majored in Political Science and History) Degree, National University of Singapore
Working experience and occupation(s) during the past 10 years	October 2015 – June 2020: Group Chief Executive Officer IFS Capital Limited 1999 – 2013: Managing Director for Commercial Banking in ASEAN (appointed in 2007) Citibank Singapore
Shareholding interest in the listed issuer and its subsidiaries	IFS Capital Limited – 200,000 shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments (Including Directorships)	
Past (for the last 5 years)	- Chairman, IFS Capital (Thailand) Public Company Limited - Group Chief Executive Officer, IFS Capital Limited
Present	- Director, IFS Capital Limited

Additional Information on Directors Seeking Re-election

At the 34th Annual General Meeting

[Pursuant to SGX-ST Listing Manual - Rule 720(6) and Appendix 7.4.1]

Name of Director	LAW SONG KENG
Date of Appointment	31 January 2011
Date of last re-appointment	20 April 2018
Age	76
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board had considered the Executive Resource and Compensation Committee's recommendation and assessment on Mr Law's background, experience, independence and commitment in the discharge of his duties as a Director of IFS Capital Limited and is satisfied that he will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	- Independent, Non-Executive Director - Lead ID, Audit Committee Member, Executive Resource and Compensation Committee Member and Risk Management Committee Member
Professional qualifications	- Bachelor of Science (Maths, First Class Honours), University of Singapore - Master of Science (Actuarial Science), Northeastern University - Fellow Member of the Society of Actuaries, USA
Working experience and occupation(s) during the past 10 years	1992 – 2003: Managing Director & Chief Executive Director Overseas Assurance Corporation Limited Singapore
Shareholding interest in the listed issuer and its subsidiaries	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments (Including Directorships) Past (for the last 5 years) Present	 - Director, ECICS Limited - Chairman, Asia Capital Reinsurance Group Pte Ltd - Director, ACR Capital Holdings Pte Ltd - Director, Asia Capital Reinsurance Malaysia Sdn Bhd - Chairman, Concord Insurance Company Limited - Director, IFS Capital Limited - Director, Great Eastern Holdings Ltd - Chairman, Frasers Hospitality Asset Management Pte Ltd - Chairman, Frasers Hospitality Trust Management Pte Ltd

Additional Information on Directors Seeking Re-election

At the 34th Annual General Meeting

[Pursuant to SGX-ST Listing Manual - Rule 720(6) and Appendix 7.4.1]

Name of Director	TAM CHEE CHONG
Date of Appointment	22 May 2020
Date of last re-appointment	-
Age	58
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board had considered the Executive Resource and Compensation Committee's recommendation and assessment on Mr Tam's background, experience, independence and commitment in the discharge of his duties as a Director of IFS Capital Limited and is satisfied that he will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	- Non-Executive, Independent Director - Chairman of the Audit Committee
Professional qualifications	- Fellow Chartered Accountant of both England & Wales and Singapore
Working experience and occupation(s) during the past 10 years	2018 -2019: Group Chief Financial Officer Fullerton Healthcare Corporation Ltd 2016 - 2018: - Deputy Managing Partner - Markets, Singapore - Leader - Deloitte Private Southeast Asia - Partner - Family Enterprise Consulting Deloitte Southeast Asia 2006 – 2016: Regional Managing Partner - Financial Advisory Services Deloitte Southeast Asia
Shareholding interest in the listed issuer and its subsidiaries	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments (Including Directorships) Past (for the last 5 years)	 - Council Member, Institute of Singapore Chartered Accountants - Board Member, Deloitte Southeast Asia - Steward, Singapore Turf Club - Chairman, Kembangan Chai Chee Citizens Consultative Committee - Chairman of Audit Committee, Marine Parade Town Council - Board Member, Halogen Foundation Singapore - Board Member, YMCA Singapore
Present	- Director, IFS Capital Limited - Director, GSH Corporation Limited - Director, Boustead Projects Limited - Perun Consultants (Singapore) Pte. Ltd. - Director, Kairos Corporate Advisory Pte Ltd - Board Member, NTUC Education & Training

Additional Information on Directors Seeking Re-election

At the 34th Annual General Meeting

[Pursuant to SGX-ST Listing Manual - Rule 720(6) and Appendix 7.4.1]

Name of Director	RANDY SIM CHENG LEONG
Date of Appointment	1 July 2020
Date of last re-appointment	-
Age	41
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board had considered the Executive Resource and Compensation Committee's recommendation and assessment on Mr Sim's background, experience and commitment in the discharge of his duties as a Director of IFS Capital Limited and is satisfied that he will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive. Responsible for the overall business and operations of the Group
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	- Group Chief Executive Officer and Executive Director - Risk Management Committee Member
Professional qualifications	- Bachelor of Engineering (Honours), Electrical and Electronic Engineering, Nanyang Technological University, Singapore
Working experience and occupation(s) during the past 10 years	July 2020 – Present: Group Chief Executive Officer & Executive Director IFS Capital Limited Feb 2016 – June 2020: Chief Executive Officer/Country Head IFS Capital Limited, Singapore Office June 2014 - Feb 2016: Team Head - Middle Markets, Commercial Bank Citibank May 2010 - June 2014: AVP & VP - Middle Markets, Commercial Bank Citibank
Shareholding interest in the listed issuer and its subsidiaries	IFS Capital Limited – 1,050,000 shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments (Including Directorships) Past (for the last 5 years) Present	 Nil - Group CEO & Director, IFS Capital Limited - Director, IFS Capital Assets Private Limited - Director, Lendingpot Private Limited - Director, IFS Ventures Private Limited - Director, Multiply Capital Limited - Director, IFS Consumer Services Private Limited - Director, IFS Asset Management Private Limited - Chairman, IFS Capital (Thailand) Public Company Limited - Director, IFS Capital Holdings (Thailand) Limited - Director, IFS Factors (Malaysia) Sdn. Bhd

Additional Information on Directors Seeking Re-election

At the 34th Annual General Meeting

[Pursuant to SGX-ST Listing Manual - Rule 720(6) and Appendix 7.4.1]

		EUGENE TAN HAI LENG	LAW SONG KENG	TAM CHEE CHONG	RANDY SIM CHENG LEONG
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.					
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	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	No
c)	Whether there is any unsatisfied judgment against him	No	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	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	No
f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No

Additional Information on Directors Seeking Re-election

At the 34th Annual General Meeting

[Pursuant to SGX-ST Listing Manual - Rule 720(6) and Appendix 7.4.1]

		EUGENE TAN HAI LENG	LAW SONG KENG	TAM CHEE CHONG	RANDY SIM CHENG LEONG
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	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	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	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
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	No

This page has been intentionally left blank

IFS CAPITAL LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 198700827C

PROXY FORM
Thirty-Fourth (34th)
Annual General Meeting

IMPORTANT
1. This Proxy Form may be accessed at the Company's website at the URL https://www.ifscapital.com.sg/annualgeneralmeetings#2021agm and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements. **Printed copies of this Proxy Form will not be sent to members.**
2. The AGM (as defined below) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM will not be sent to members. Instead, the Notice of AGM will be sent to members by electronic means via publication on the Company's website at the URL https://www.ifscapital.com.sg/annualgeneralmeetings#2021agm and on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
3. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in Notice of AGM and the accompanying Company's announcement dated 7 April 2021 which may be accessed at the Company's website at the URL https://www.ifscapital.com.sg/annualgeneralmeetings#2021agm and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
4. **Due to the current Covid-19 situation in Singapore, a member will not be able to attend the AGM in person.** A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
5. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 13 April 2021.
6. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 7 April 2021.
7. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.**

I/We ____________________ (Name) ____________________ (NRIC/Passport No./Co. Regn No.)

of ____ (Address)

being a member/members of **IFS Capital Limited** (the "**Company**"), hereby appoint the Chairman of the Meeting as my/our proxy, to attend, speak and vote for me/us on my/our behalf at the Thirty-Fourth (34th) Annual General Meeting of the Company ("**AGM**") to be convened and held by electronic means on Friday, 23 April 2021 at 2.30 p.m. and at any adjournment thereof in the following manner:

	Resolutions Relating To:	**For**	**Against**	**Abstain**
Routine Business				
1	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report			
2	Payment of a First and Final One-Tier Tax Exempt Ordinary Cash Dividend of 0.2 cents per share			
3	Approval of Directors' fees amounting to S$233,180			
4(a)	Re-election of Director: Mr Eugene Tan Hai Leng			
4(b)	Re-election of Director: Mr Law Song Keng			
5(a)	Re-election of Director: Mr Tam Chee Chong			
5(b)	Re-election of Director: Mr Randy Sim Cheng Leong			
6	Re-appointment of KPMG LLP as Auditors			
Special Business				
7	Ordinary Resolution: Authority for Directors to Issue Shares and Instruments Convertible into Shares			

Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against", please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**

Dated this __________ day of ______________ 2021

Total No. of Shares Held:

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

IMPORTANT: PLEASE READ NOTES TO PROXY FORM OVERLEAF

NOTES TO PROXY FORM:

1. A member should insert the total number of shares held. If the member has shares entered against his/her/its name in the Depository Register (maintained by The Central Depository (Pte) Limited), he/she/it should insert that number of shares. If the member has shares registered in his/her/its name in the Register of Members (maintained by or on behalf of the Company), he/she/it should insert that number of shares. If the member has shares entered against his/her/its name in the Depository Register as well as shares registered in his/her/its name in the Register of Members, he/she/it should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

2. **Due to the current COVID-19 situation in Singapore, a member will not be able to attend the Annual General Meeting in person.** A member (whether individual or corporate) 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 if such member wishes to exercise his/her/its voting rights at the Annual General Meeting. This proxy form may be accessed at the Company's website at the URL https://www.ifscapital.com.sg/annualgeneralmeetings#2021agm, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the 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 or SRS Operators to submit their votes by 5.00 p.m. on 13 April 2021.

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 be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the office of the Company's share registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902; or
   (b) if submitted electronically, be submitted via email to the Company's share registrar at gpe@mncsingapore.com,

   in either case, by 2.30 p.m. on 20 April 2021, being 72 hours before the time appointed for holding the Annual General Meeting.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   Due to the current Covid-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised. Where an instrument appointing the Chairman of the 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), if the instrument appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

6. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy (including any related attachment). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged or submitted if such members, being the appointor, are not shown to have shares entered against their names in the Depository Register at least 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

1st fold here

Affix Postage Stamp

IFS Capital Limited

c/o M & C Services Private Limited

112 Robinson Road #05-01

Singapore 068902

2nd fold here

Corporate Information

BOARD OF DIRECTORS

Lim Hua Min
Chairman

Law Song Keng
Lead Independent Director

Tam Chee Chong

Barney Lau Tai Chiau

Tan Hai Leng Eugene

Randy Sim Cheng Leong
Executive Director and Group Chief Executive Officer

AUDIT COMMITTEE

Tam Chee Chong
Chairman

Law Song Keng

Barney Lau Tai Chiau

EXECUTIVE RESOURCE AND COMPENSATION COMMITTEE

Barney Lau Tai Chiau
Chairman

Lim Hua Min

Law Song Keng

RISK MANAGEMENT COMMITTEE

Tan Hai Leng Eugene
Chairman

Lim Hua Min

Law Song Keng

Randy Sim Cheng Leong

GROUP MANAGEMENT COMMITTEE

Randy Sim Cheng Leong
Chairman

Chionh Yi Chian

Ang Iris

Zeng Renchun

Choi Kin Seng

Tan Ley Yen

AB. Razak Khalil

Giovanni Florentinus E.J.

REGISTERED OFFICE

10 Eunos Road 8
#09-04 Singapore Post Centre
Singapore 408600
Tel: 6270 7711
Fax: 6339 1076
Website: www.ifscapital.com.sg
Email: IR@ifscapital.com.sg

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

COMPANY SECRETARY

Chionh Yi Chian

ASSISTANT COMPANY SECRETARY

Angeline Ng Ching Loo

AUDITORS

KPMG LLP
Public Accountants and
Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Partner-In-Charge

Hong Cho Hor Ian
(since FY2020)

IFS CAPITAL LIMITED
(Reg No: 198700827C)

10 Eunos Road 8
#09-04 Singapore Post Centre
Singapore 408600
Tel: (65) 6270 7711
Fax: (65) 6339 1076

SUBSIDIARIES

ECICS LIMITED
10 Eunos Road 8
#09-04A Singapore Post Centre
Singapore 408600
Tel: (65) 6337 4779
Fax: (65)-6338 9267

IFS CAPITAL ASSETS PRIVATE LIMITED
IFS CONSUMER SERVICES PRIVATE LIMITED
IFS VENTURES PRIVATE LIMITED
MULTIPLY CAPITAL LIMITED
10 Eunos Road 8
#09-04 Singapore Post Centre
Singapore 408600
Tel: (65) 6270 7711
Fax: (65) 6339 1076

IFS ASSET MANAGEMENT PRIVATE LIMITED
LENDINGPOT PRIVATE LIMITED
10 Eunos Road 8
#09-02A Singapore Post Centre
Singapore 408600
Tel: (65) 6653 3351 / (65) 6653 3353

IFS CAPITAL (MALAYSIA) SDN. BHD.
IFS FACTORS (MALAYSIA) SDN. BHD.
Suite 2-01, 2nd Floor
Menara Atlan
161B Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel : (603) 2161 7080
Fax : (603) 2161 9090

PT. IFS CAPITAL INDONESIA
Rukan Cordoba Blok G
No. 37 Jl. Marina Raya
Pantai Indah Kapuk
Jakarta 14470
Indonesia
TEL: (6221) 225 730 29

IFS CAPITAL (THAILAND) PUBLIC COMPANY LIMITED
IFS CAPITAL HOLDINGS (THAILAND) LIMITED
20th Floor, Lumpini Tower
1168/55 Rama IV Road
Tungmahamek Sathorn
Bangkok 10120
Thailand
Tel : (662) 285 6326
Fax : (662) 285 6335