SING INVESTMENTS & FINANCE LIMITED

ANNUAL REPORT 2019

ALWAYS WITH YOU

A NEW DIGITAL CONNECTIVITY

GOING DIGITAL WITH A HUMAN TOUCH

Extension of Time for Annual General Meeting ("**AGM**")

In view of the COVID-19 situation, Singapore Exchange Regulation and the Accounting and Corporate Regulatory Authority had on 7 April 2020 granted an automatic extension of time to hold our AGM on or before 29 June 2020. We will provide the Notice of AGM, Proxy Form and the updated Statistics of Shareholdings (made up to a date not more than 1 month before the date of the Notice of AGM) in due course prior to the AGM. As the situation is fluid, we will monitor the development closely and inform all shareholders via SGXNET if there are further developments.

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ABOUT US

Sing Investments & Finance Limited ("SIF") was incorporated in Singapore on 13 November 1964 and was listed on the Singapore Stock Exchange in July 1983. The company has more than 50 years of lending experience in the financing arena in Singapore.

We have four branches strategically located at 96 Robinson Road, Ang Mo Kio Avenue 6, Bedok North Street 1 and Jurong Gateway Road.

The Company has one subsidiary, Sing Investments & Finance Nominees (Pte.) Ltd. The principal activities of the subsidiary are those of a nominee service company.

WHAT WE DO

SIF is a licensed finance company under the Finance Companies Act, and our principal activities are the acceptance of fixed and savings deposits from the public and the provision of loans and credit facilities to individuals and corporations, particularly the small and medium-sized enterprises (SMEs) in Singapore.

In December 2019, SIF rolled out its retail mobile app with biometric secure access. The app offers a suite of online services, including account opening and a consolidated view of all accounts with SIF.

OUR OBJECTIVE

Over the years, SIF has built trust among its customers. We have many loyal customers who continue to support the company. SIF will continue to develop its business with integrity and high standard of business ethics, be responsive to its customers' needs and provide flexible financing solutions to address their financing needs and be their go-to financial partner.

OUR PRODUCTS & SERVICES

SIF offers a full range of products and services to both its retail and corporate/SME customers.

Deposits

- Business Current Account (with chequing)
- Fixed Deposits
- FD Online
- GoSavers Account (online)
- GIRO Saver Account
- Conveyancing Account
- Savings Account

Personal E-Services

- SIF Mobile app
- SIF Online (web-based)

Personal Financing

- Housing Loan
- HDB Loan
- Car Loan
- Share Loan
- Commercial Property Loan

Corporate/SME Financing

- Commercial Property Loan
- Land & Construction Loan
- Machinery Loan
- Government-Backed SME Loan (Enterprise Financing Scheme)
- Block Discounting Financing
- Floor Stock Financing
- Shipping Loan
- Account Receivables/Invoice Factoring
- Unsecured Business Loan

AWARDS

SIF is honoured to be recognised for its achievements in the industry, and the awards are a testament to its business approach and the expertise of our directors, management and staff.

2019

- Singapore Corporate Awards 2019 – Mr Lee Sze Leong, Best Chief Executive Officer (Winner) in the less than $300 million market capitalisation category
- Singapore Corporate Awards 2019 – Best Risk Management (Merit) in the less than $300 million market capitalisation category
- SIAS 20th Investors' Choice Awards 2019 – Singapore Corporate Governance Award (Small Cap) – Runner Up

2018

- SIAS 19th Investors' Choice Awards 2018 – Singapore Corporate Governance Award (Small Cap) – Winner

2017

- SIAS 18th Investors' Choice Awards 2017 – Singapore Corporate Governance Award (Small Cap) – Winner

2016

- Singapore Corporate Awards 2016 – Best Managed Board Award (Gold) in the less than $300 million market capitalisation category
- Singapore Governance and Transparency Forum 2016 – Special Commendation Award (Small Cap)

2015

- Singapore Corporate Awards 2015 – Best Managed Board Award (Bronze) in the less than $300 million market capitalisation category

CHAIRMAN'S STATEMENT

THE LAUNCH OF SIF MOBILE IS A KEY ENABLER FOR OUR GROUP TO BETTER SERVE OUR CUSTOMERS AND TO CATCH UP WITH THE COMPETITION

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the annual report of the Group and the Company for the financial year ended 31 December 2019.

2019, A DEFINING YEAR

2019 was a defining year for the Group and Sing Investments & Finance Limited ("SIF"). We were the first finance company in Singapore to launch our own retail mobile application and web-based online services in December 2019. We were also the first and only finance company to join the Fast and Secured Transfers ("FAST") network so as to provide ease of payments for our customers on a digital platform. For the financial year 2019, the Group for the first time, managed to sustain our earnings to exceed $20 million for three consecutive years.

These milestones were achieved against the backdrop of a slowdown in the domestic economy and weaker business sentiments. The Singapore's economy grew by a modest 0.7% in 2019, slower than the 3.4% recorded in 2018. Deepening trade conflicts and the geopolitical tensions in 2019 resulted in sluggish global trade volumes. Singapore's manufacturing sector contracted by 1.4%, a sharp reversal from the 7.0% growth in 2018. Meanwhile, the construction and service sectors grew by 2.8% and 1.1% respectively. This helped to cushion the contraction in the manufacturing sector.

Despite the less favourable external environment, the Group continued to explore new business opportunities and strive to build our operating capabilities to strengthen our competitive position. In the latter half of 2019, we successfully replaced our legacy core banking system and moved to a digital enabled 24/7 platform. This made it possible for us to roll out our own mobile app, SIF Mobile, and web-based online services within in a short span of three months after the new core banking system was successfully implemented. The launch of SIF Mobile is a key enabler for our Group to better serve our customers and to catch up with the competition; especially in the context of the up and coming issuance of digital bank licences in the middle of 2020.

We continue to be humbled by the recognition given by the industry for our sound practices in corporate governance. In 2019, we were awarded the Singapore Corporate Governance Award (Small Cap)-Runner-Up by the Securities Investors Association Singapore ("SIAS").

We were also honoured to receive the inaugural Singapore Corporate Award – Risk Management (Merit Award) for the Small Cap category. This award affirmed the Group's robust risk management and control framework as well as the strong risk management culture.

For the second year running, SIF continues to be under SGX Fast Track programme, which affirms listed companies that have been publicly recognised for high corporate governance standards and have maintained a good compliance track record. The programme also accords companies in the programme with prioritised clearance for selected corporate action submissions to SGX Regco.

Additionally, SIF also obtained renewal of its Premium Status for the GST-Assisted Compliance Assurance Programme ("ACAP") for another six years till June 2025. The benefits of the Premium Status, which SIF has enjoyed since 2014, include step-down of IRAS-GST compliance activities for the Company, expeditious GST refunds and a dedicated team to handle GST rulings and resolved GST issues expeditiously.

These recognitions by the industry and regulators encouraged us to continue strengthening our sound corporate governance and compliance culture within the Group. This will reinforce the trust and confidence which our investors and customers have in us.

FINANCIAL PERFORMANCE

For year 2019, the Group recorded a profit after tax of $20.0 million, which is $4.0 million or 16.7% lower than the $24.0 million reported in 2018. The weaker performance was mainly due to lower net interest income, higher operating expenses as well as higher loan allowances;

partially cushioned by a lower tax charge arising from adjustment for the over provision of prior year's tax.

Loans and advances totalled $2.19 billion at the end of 2019, an increase of $106 million or 5.1% from $2.08 billion a year ago. In tandem with the higher loan balance, deposits and balances of customers also grew by $95 million or 3.9% to $2.50 billion as at the end of 2019. The loan to deposit ratio was 87.5% at the end of 2019 as compared to 86.6% in 2018.

Total shareholders' fund rose by 2.7% to reach $373 million at the end of 2019, supported by higher retained earnings. Total assets also grew correspondingly to a new high of $2.92 billion as at 31 December 2019.

DIVIDENDS

The Board has recommended a first and final one-tier tax exempt dividend of 6 cents per share for approval at the forthcoming Annual General Meeting. The dividend pay-out is in line with our performance in 2019.

SUSTAINABILITY

For 2019, we have stepped up our recycling efforts by providing recycled bins for SIF building and encouraged both staff and tenants to participate in this initiative. To-date, the responses have been encouraging and we are targeting to increase the recycling output in the coming year. Another initiative was encouraging staff to participate in sustainability-related activities, such as the World Cleanup Day. Eighty of our staff took part in this activity and within 2 hours, more than 60 kg of trash were collected. A Christmas Charity Flea market event was also organised with its proceeds being contributed to the local community. The Group will continue to cultivate and nurture this spirit of giving and volunteerism among staff members and plan more of such activities for the staff to participate.

FORGING AHEAD IN 2020

Just when the global economy was beginning to recover, and the trade tensions eased with the conclusion of the Phase one trade agreement between USA and China in January 2020, the Coronavirus Disease 2019 ("COVID-19") outbreak descended upon us.

The Ministry of Trade and Industry has since downgraded the Singapore's GDP forecast for 2020 from between 0.5% to 2.5%, to between -0.5% and 1.5%. The Singapore Government acted swiftly with the Budget 2020's Stabilisation and Support Package to help and support businesses affected by the COVID-19 outbreak. One of the broad-based measures is to provide higher loan quantum and government risk-share for "SME Working Capital Loans" under the Enterprise Financing Scheme ("EFS") as well as the "Temporary Bridging Loan Programme" for specific tourism sector related enterprises. SIF, being one of the participating financial institutions under the EFS scheme, will extend full support, within our credit granting criteria, to these new financing schemes to help our local enterprises pull through this challenging period.

During this period of great uncertainties and volatilities, the Group will continue to be customer-focused to support and service their needs. Our credit marketing team will be proactive to reach out to both new and existing customers to understand and help them overcome any temporary cashflow problems as a result of the Covid-19 outbreak. We value our long standing relationship with our customers and seek to strengthen these relationships during difficult times like this.

Notwithstanding the progress made in 2019, the Group will forge ahead with our digital transformation. We plan to roll out the mobile app for our corporate customers in the coming year. It will offer faster and more efficient payment channels and other value-added services which will benefit our corporate customers. The Group is also open to working with fintech firms to come up with new digital products and solutions.

Our digital initiatives will help us remain relevant and connect to the younger and more tech-savvy customers. At the same time we will continue to cater to the needs of our senior customers, who continue to prefer traditional banking services delivered by friendly staff at our branches.

The objective is to give the customers the best of both worlds – digital options with a human touch.

ACKNOWLEDGEMENT AND APPRECIATION

I am delighted to share that our MD & CEO, Mr Lee Sze Leong, was awarded the BEST CEO (Small Cap category) at the Singapore Corporate Awards 2019. This award is an affirmation of Mr Lee's strong leadership and management capabilities.

On behalf of the Board, I wish to express our appreciation to all our valued customers and shareholders for their continued trust and unwavering support.

I would also like to thank my fellow directors for their insights and guidance and the management and staff members for their hard work and commitment, especially during the stressful period of the new core banking system implementation and the launch of the mobile app, which enabled the Group to embark in the new digital journey in 2019.

The Board looks forward to the future with confidence that the Group will continue to grow and generate sustainable value to all our stakeholders in this age of technology and disruption.

NG TAT PUN

Chairman
19 February 2020

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Ng Tat Pun
Chairman

Mr Lee Sze Leong
Managing Director/Chief Executive Officer

Mr Lee Sze Siong
Deputy Managing Director

Mr Chee Jin Kiong
Non-Executive & Independent Director

Mr Michael Lau Hwai Keong
Non-Executive & Independent Director

Mr Joseph Toh Kian Leong
Non-Executive & Independent Director

AUDIT COMMITTEE

Mr Joseph Toh Kian Leong *Chairman*
Mr Chee Jin Kiong
Mr Michael Lau Hwai Keong

RISK MANAGEMENT COMMITTEE

Mr Michael Lau Hwai Keong *Chairman*
Mr Ng Tat Pun
Mr Lee Sze Leong
Mr Lee Sze Siong
Head, Risk Management Department
Head, Product Management Department
Head, Finance Department
Head, Compliance Department
Head, Branches/Treasury Department

NOMINATING COMMITTEE

Mr Ng Tat Pun *Chairman*
Mr Chee Jin Kiong
Mr Lee Sze Leong

REMUNERATION COMMITTEE

Mr Chee Jin Kiong *Chairman*
Mr Ng Tat Pun
Mr Joseph Toh Kian Leong

LOAN COMMITTEE

Mr Lee Sze Leong *Chairman*
Mr Lee Sze Siong
Mr Ng Tat Pun
Ms Lim Lee Mei
Ms Rena Hioe Siew Peng

REGISTERED & HEAD OFFICE

96 Robinson Road
#01-01 SIF Building
Singapore 068899
Tel: (65) 6305 0300
Fax: (65) 6305 0328
Website: www.sif.com.sg

BRANCH OFFICES

Ang Mo Kio Branch

Blk 715 Ang Mo Kio Ave 6
#01-4006
Singapore 560715
Tel: (65) 6456 0588
Fax: (65) 6456 9715

Bedok Branch

Blk 202 Bedok North Street 1
#01-479/481
Singapore 460202
Tel: (65) 6445 9596
Fax: (65) 6449 3254

Jurong Branch

Blk 131 Jurong Gateway Road
#01-255
Singapore 600131
Tel: (65) 6775 7248
Fax: (65) 6775 3463

COMPANY SECRETARIES

Ms Ong Beng Hong
Ms Lee Yuan

AUDITORS

Deloitte & Touche LLP

6 Shenton Way
OUE Downtown 2
#33-00
Singapore 068809
Partner-in-charge: Ms Giam Ei Leen
Date of appointment: 24 April 2018

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

INVESTOR RELATIONS

96 Robinson Road
#08-01 SIF Building
Singapore 068899
Tel: (65) 6438 7060
Fax: (65) 6305 0281
Email: investor_relations@sif.com.sg

BOARD OF DIRECTORS

AS AT 12 FEBRUARY 2020

MR NG TAT PUN, 75

Role:
- Chairman
- Non-Executive and Independent Director

Date of first appointment as a director: 1 March 2012

Date of appointment as Chairman: 1 May 2015

Date of last re-election as a director: 24 April 2019

Length of service as a director: 7 years 11 months

Board/Working Committee(s) served on:
- Nominating Committee (Chairman)
- Remuneration Committee (Member)
- Risk Management Committee (Member)
- Loan Committee (Member)

Academic & Professional Qualification(s):
- Bachelor of Arts Degree in Economics and History, University of Singapore

Present Directorships in other listed companies:
- Thai Beverage Public Company Limited

Other Appointments:
- SP Chemicals Pte Ltd (Chairman & Independent Director)

Past Directorships in listed companies held over the preceding 3 years:
- Engro Corporation Limited

MR LEE SZE LEONG, 61

Role:
- Chief Executive Officer
- Managing Director and Non-Independent Director

Date of first appointment as a director: 20 February 1989

Date of last re-election as a director: 24 April 2019

Length of service as a director: 30 years 11 months

Board/Working Committee(s) served on:
- Loan Committee (Chairman)
- Nominating Committee (Member)
- Risk Management Committee (Member)

Academic & Professional Qualification(s):
- Bachelor of Business Administration, University of Hawaii

Present Directorships in other listed companies:
- Sing Holdings Limited (Non-Executive Chairman)

Other Appointments:
- F.H. Lee Holdings (Pte) Limited (Director)
- Sing Investments & Finance Nominees (Pte.) Ltd. (Director)
- Hire Purchase, Finance and Leasing Association of Singapore (Chairman)
- Finance Houses Association of Singapore (Chairman)
- 60th Singapore Chinese Chamber of Commerce & Industry (SCCCI) (Council Member)
- 60th SCCCI Finance Committee (Member)
- 60th SCCCI General Affairs Committee (Member)
- 60th SCCCI Property Management Committee (Member)
- Chinese Development Assistance Council (CDAC) Board of Trustees (Member)
- CDAC Investment Committee (Member)
- Tanjong Pagar – Tiong Bahru Citizens' Consultative Committee (Honorary Chairman)

Past Directorships in listed companies held over the preceding 3 years:
- Nil

BOARD OF DIRECTORS

AS AT 12 FEBRUARY 2020

MR LEE SZE SIONG, 58

Role:
- Deputy Managing Director
- Executive and Non-Independent Director

Date of first appointment as a director: 19 March 1997

Date of last re-election as a director: 24 April 2017

Length of service as a director: 22 years 11 months

Board/Working Committee(s) served on:
- Risk Management Committee (Member)
- Loan Committee (Member)

Academic & Professional Qualification(s):
- Bachelor of Business Administration, University of Hawaii
- Master in Accounting, University of Southern Queensland

Present Directorships in other listed companies:
- Nil

Other Appointments:
- F.H. Lee Holdings (Pte) Limited (Director)
- Sing Investments & Finance Nominees (Pte.) Ltd. (Director)

Past Directorships in listed companies held over the preceding 3 years:
- Nil

MR CHEE JIN KIONG, 73

Role:
- Non-Executive and Independent Director

Date of first appointment as a director: 1 September 2014

Date of last re-election as a director: 24 April 2018

Length of service as a director: 5 years 5 months

Board/Working Committee(s) served on:
- Remuneration Committee (Chairman)
- Audit Committee (Member)
- Nominating Committee (Member)

Academic & Professional Qualification(s):
- Bachelor of Accountancy Degree, University of Singapore
- Fellow, Institute of Singapore Chartered Accountants

Present Directorships in other listed companies:
- Nil

Other Appointments:
- Nil

Past Directorships in listed companies held over the preceding 3 years:
- Nil

MR MICHAEL LAU HWAI KEONG, 59

Role:
- Non-Executive and Independent Director

Date of first appointment as a director: 2 January 2019

Date of last re-election as a director: 24 April 2019

Length of service as a director: 1 year 1 month

Board/Working Committee(s) served on:
- Risk Management Committee (Chairman)
- Audit Committee (Member)

Academic & Professional Qualification(s):
- Bachelor of Business Administration (First Class Honours), National University of Singapore
- Chartered Financial Analyst, CFA Institute

Present Directorships in other listed companies:
- Nil

Other Appointments:
- Octagon Advisors Pte Ltd (Managing Director, Advisory Services)
- Octagon Advisors (Shanghai) Co Ltd (Director)
- Advisory Council of Private Exchange Group Pte. Ltd. (PrivEx) (Member)

Past Directorships in listed companies held over the preceding 3 years:
- Thai Beverage Public Company Limited

MR JOSEPH TOH KIAN LEONG, 64

Role:
- Non-Executive and Independent Director

Date of first appointment as a director: 2 January 2019

Date of last re-election as a director: 24 April 2019

Length of service as a director: 1 year 1 month

Board/Working Committee(s) served on:
- Audit Committee (Chairman)
- Remuneration Committee (Member)

Academic & Professional Qualification(s):
- Fellow, Institute of Singapore Chartered Accountants
- Fellow, Association of Chartered Certified Accountants

Present Directorships in other listed companies:
- Nil

Other Appointments:
- Nil

Past Directorships in listed companies held over the preceding 3 years:
- Nil

FORGING AHEAD WITH DIGITAL TRANSFORMATION

CORPORATE GOVERNANCE STATEMENT

Sing Investments & Finance Limited ("SIF" or the "Company"), believes that strong and effective corporate governance is vital to protect the interests of all stakeholders of the Company and to enhance long-term shareholder value. Our corporate governance policies and practices are reviewed regularly to take into account changes in corporate governance best practices.

SIF has received accolades from various organisations for our achievements in corporate governance practices. Please refer to the "About Us – Awards" section of this Annual Report for more details.

For the financial year ended 31 December 2019 ("FY2019"), SIF has complied with and adhered to the spirit of the Code of Corporate Governance issued on 6 August 2018 (the "Code") in its corporate governance practices. Our corporate governance practices described in this report demonstrate the board of directors' ("Board") application of good governance which is underpinned by sound risk management and robust internal controls with reference to the Code. Where there is any variation in SIF's practices from the provisions of the Code, appropriate explanation has been provided in this report. We provide a Summary of Disclosures on our compliance with the Code on Page 32 of this Annual Report.

OUR CORPORATE GOVERNANCE FRAMEWORK

The foundation of SIF's corporate governance structure is supported by 3 key pillars as follows:

1. The Board

2. The Board Committees – consisting of the following:
    - Audit Committee ("AC")
    - Risk Management Committee ("RMC")
    - Nominating Committee ("NC")
    - Remuneration Committee ("RC")

3. Controls functions by the following key departments:
    - Risk Management Department
    - Compliance Department
    - Internal Audit Department

SIF's "3 Pillars of Corporate Governance" is designed to assist the Board in assessing and monitoring its performance and compliance with the Code and the guidelines on corporate governance.

The following key principles guide the Board in ensuring effective corporate governance:

LEADERSHIP AND STRATEGY

- To establish and document the Company's medium and long-term strategic plans and review the results periodically against the strategic plans;
- To formalise terms of reference for the Board and delegated Board Committees;
- To establish channels for whistle-blowing and feedback; and
- To establish a policy and strategy to promote board renewal and succession planning.

ACCOUNTABILITY AND AUDIT

- To ensure independence of the AC and that the members of the AC are suitably qualified to discharge their responsibilities;
- To ensure independence of the risk management, compliance and internal audit functions from Management in order to carry out their respective responsibilities effectively; and
- To ensure that a sound system of internal controls for the Company is maintained and monitored.

COMMUNICATION WITH STAKEHOLDERS

- To ensure that the Company engages in regular, effective and fair communication with shareholders, including the manner and frequency with which information is disseminated;
- To ensure that in disclosing information, the Company be as descriptive, detailed and forthcoming as possible; and
- To ensure that all investors, whether institutional or retail, should be entitled to the same level of communication and disclosure.

The following sections describe the Board's primary corporate governance policies and practices with specific references to the Principles of the Code.

CORPORATE GOVERNANCE STATEMENT

BOARD MATTERS

PRINCIPLE 1
THE BOARD'S CONDUCT OF AFFAIRS

BOARD RESPONSIBILITY

The Board is responsible for overseeing and managing the Company's business and is accountable to shareholders for creating shareholder value within a framework that protects the rights and interests of shareholders. The Board acts objectively in the best interests of the Company and holds Management accountable for performance. The Board ensures that an appropriate balance between promoting long-term business strategies and delivering short-term objectives is formulated and achieved. These objectives are met through the following functions exercised by the Board, either directly or through committees established by the Board:

- Providing leadership, overseeing and formulating long-term business strategies and policies and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives, which include appropriate focus on value creation, innovation and sustainability;
- Identifying the principal risks of the Company's business and establishing a framework of prudential controls to assess and manage these risks, and to achieve an appropriate balance between risks and the Company's performance;
- Monitoring and reviewing management performance, succession and development plans;
- Identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation as well as to ensure transparency and accountability to these key stakeholder groups;
- Setting the Company's values, code of conduct and standards (including ethical standards) and ensuring that obligations to shareholders and stakeholders are understood and met;
- Maintaining a culture of integrity by reviewing and monitoring internal controls and procedures for financial reporting and compliance;
- Considering sustainability issues as part of its strategic formulation; and
- Ensuring that directors recuse themselves from discussions and decisions where there is a potential conflict of interest.

BOARD INDUCTION AND TRAINING

The Board believes that board induction, regular training and continuous development programmes are essential to equip all directors (including executive, non-executive and independent directors) with the appropriate skills and knowledge to understand the Company's business and to perform their roles as directors on the Board and Board Committees effectively. Directors are allowed to attend courses or seminars at the Company's expense to acquire or maintain relevant skill sets or knowledge.

Upon appointment of a new director, a formal letter of appointment setting out the director's duties and obligations is provided so that the new director will understand his/her responsibilities and the Board's expectation. A comprehensive and tailored induction programme is provided to new directors joining the Board to provide them an overview of various aspects of the Company in order to facilitate them in discharging their responsibilities as directors. An induction programme was conducted for the two new directors appointed in 2019 (Mr Michael Lau Hwai Keong and Mr Joseph Toh Kian Leong) before their attendance at the first Board meeting of 2019. Accounting matters, risk-related issues, regulatory compliance updates, legal and other industry-specific topics were included in the induction programme. Department Heads of various departments conducted presentations on key functions and responsibilities of the respective departments to enable the two new directors to gain a better understanding of the businesses and operations of the Company.

In addition to the above and in compliance with Rule 210(5)(a) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") (the "Listing Manual"), Mr Joseph Toh Kian Leong who is a first-time director of a listed company attended the Listed Entity Director Programme conducted by Singapore Institute of Directors, so as to equip him with the relevant skills and knowledge to discharge his responsibilities effectively.

CONTINUOUS DEVELOPMENT PROGRAMME 2019

On an annual basis, the NC assesses the skills that the Board collectively needs in order to discharge its responsibilities effectively and identifies ways to improve its effectiveness.

As part of the Board members' continuous development programme for the year and in addition to the various courses and seminars attended by the directors, in-house training on "Anti-Money Laundering (AML)/Countering Financing of Terrorism (CFT)" and "Security Trends Updates" were conducted in 2019. The Executive Directors also attended seminars during the Singapore FinTech Festival 2019 to keep abreast with the latest trends, technologies and inventions that are relevant to the banking and finance industry.

In addition to the above, the Company also arranged for directors to attend external courses in 2019, including "ACRA-SGX-SID Audit Committee Seminar", "SGX Regulatory Symposium", "Global Corporate Governance Conference" and "The Rise of the Machines: Now and the future".

The purpose of the Continuous Development Programme 2019 is to keep the directors abreast of the latest developments in risk management, regulatory compliance and industry-specific issues. The courses attended are important to equip directors with appropriate skills to discharge their responsibilities as members of the Board and Board Committees.

The NC has assessed and is satisfied that the training, courses and seminars attended by the directors in FY2019 have adequately fulfilled their purposes.

MATERIAL TRANSACTIONS WHICH REQUIRE BOARD APPROVAL

As defined under the Schedule of Matters Reserved for the Board in our Board framework, material transactions, projects and commitments which require Board approval include the following:

- Acquisitions and disposals of subsidiaries;
- Acquisitions and disposals of other material assets;
- Major investments including any takeover bids and capital projects of a similar scale; and
- Substantial commitments, material contracts or transactions, either by reason of size or strategy, in the ordinary course of business.

DELEGATION BY THE BOARD

The Board delegates authority and powers to Board Committees to oversee specific responsibilities without abdicating its responsibilities. These Board Committees are formed with clear written terms of reference setting out their compositions, authorities and duties, and they report on a periodic basis to the Board and enable the Board to better carry out its stewardship and fiduciary responsibilities.

The Board has established the Board Committees to assist in the execution of its duties and to allow detailed consideration of complex issues. The following Board Committees have been set up to assist the Board in the management of the Company:

1. AC
2. RMC
3. NC
4. RC

Please refer to the sections on Principles 4 to 10 in this report for further information on the details and activities of the AC, RMC, NC and RC.

CORPORATE GOVERNANCE STATEMENT

MEETINGS OF THE BOARD AND BOARD COMMITTEES

The Board met 4 times during FY2019. The Chairman would brief the Board on the issues to be discussed during the Board meetings. Board papers are circulated to directors for review before the Board meeting.

The Constitution of the Company provides that directors may meet by telephone or video conference.

The directors' attendance at the Board and Board Committees' meetings during FY2019 are set out as follows:

ATTENDANCE AT THE BOARD AND BOARD COMMITTEE MEETINGS

Board/Board Committees	Board	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee	Non-Executive Directors' meeting (without presence of management)	Annual General Meeting (AGM)
No. of Meetings Held	4	4	4	2	2	1	1
Mr Ng Tat Pun[(1)]	4	–	4	2	–	1	1
Mr Lee Sze Leong	4	–	4	2	–	–	1
Mr Lee Sze Siong	4	–	4	–	–	–	1
Mr Chee Jin Kiong	4	4	–	1	2	1	1
Mr Michael Lau Hwai Keong[(2)]	4	4	4	–	–	1	1
Mr Joseph Toh Kian Leong[(3)]	4	4	–	–	2	1	1
Dr Joseph Yeong Wee Yong[(4)]	1	–	1	–	1	–	–
Mr Lim Poh Suan[(5)]	2	2	–	–	2	–	1
Mr Kim Seah Teck Kim[(6)]	2	2	–	1	–	–	1

Notes:

(1) Following the cessation of Mr Kim Seah Teck Kim as a Director of the Company on 24 April 2019, Mr Ng Tat Pun was subsequently appointed as Chairman of the NC on the same day.

(2) Mr Michael Lau Hwai Keong was appointed as an Independent Director of the Company on 2 January 2019. Mr Michael Lau Hwai Keong was appointed as a member of the AC. The announcement relating to Mr Michael Lau Hwai Keong's appointment was released via SGXNET on 2 January 2019. Following the cessation of Dr Joseph Yeong Wee Yong as a Director of the Company on 24 April 2019, Mr Michael Lau Hwai Keong was subsequently appointed as Chairman of the RMC on the same day.

(3) Mr Joseph Toh Kian Leong was appointed as an Independent Director of the Company on 2 January 2019. Mr Joseph Toh Kian Leong was appointed as a member of the AC and RC. The announcement relating to Mr Joseph Toh Kian Leong's appointment was released via SGXNET on 2 January 2019. Following the cessation of Mr Lim Poh Suan as a Director of the Company on 24 April 2019, Mr Toh Kian Leong Joseph was subsequently appointed as Chairman of the AC on the same day.

(4) Dr Joseph Yeong Wee Yong retired as a Director of the Company on 24 April 2019. Pursuant to his cessation, Dr Joseph Yeong Wee Yong also ceased to be a Non-Independent and Non-Executive Director of the Company, the Chairman of the RMC and a member of the RC. The announcement relating to Dr Joseph Yeong Wee Yong's cessation as a Director of the Company was released via SGXNET on 24 April 2019.

(5) Mr Lim Poh Suan retired as a Director of the Company on 24 April 2019. Pursuant to his cessation, Mr Lim Poh Suan also ceased to be an Independent Director of the Company, the Chairman of the AC and a member of the RC. The announcement relating to Mr Lim Poh Suan's cessation as a Director of the Company was released via SGXNET on 24 April 2019.

(6) Mr Kim Seah Teck Kim retired as a Director of the Company on 24 April 2019. Pursuant to his cessation, Mr Kim Seah Teck Kim also ceased to be an Independent Director of the Company, the Chairman of the NC and a member of the AC. The announcement relating to Mr Kim Seah Teck Kim's cessation as a Director of the Company was released via SGXNET on 24 April 2019.

ACCESS TO INFORMATION

Prior to each Board meeting, the Management provides the Board with information relevant to matters on the agenda for the Board meeting. The Management also provides adequate information in their regular reports to the Board pertaining to operational issues, financial performance and any matters which require the attention of the Board.

Such reports enable the directors to be aware of key issues pertaining to financial statements, internal controls, compliance and risk management of the Company. A risk management dashboard that summarises the main risks and Key Risk Indicators ("KRIs") is presented during each Board meeting to facilitate the risk oversight function by the Board. In respect of budgets, material variances between the projection and actual results are explained in the salient reports circulated to the Board members. Monthly and quarterly reports are provided to the directors.

The Board has separate and independent access to the Senior Management and the Company Secretary at all times. Procedures are also in place for directors and the Board Committees, where necessary, to seek independent professional advice at the Company's expense.

COMPANY SECRETARY

At least one of the Company Secretaries attends the Board meetings and is responsible for, among other things, ensuring that Board procedures are observed and that the Board is in compliance with relevant regulatory and legal requirements, particularly under the Companies Act. The appointment and removal of the Company Secretaries are subject to the approval of the Board.

PRINCIPLE 2
BOARD COMPOSITION AND GUIDANCE

The Board, through the NC, strives to ensure that there is an independent element and diverse composition on the Board to facilitate effective decision making.

BOARD OF DIRECTORS

There are in total 6 Board members, of which 4 directors are independent. The current Board comprises the following members:

1. Mr Ng Tat Pun(1)
2. Mr Lee Sze Leong
3. Mr Lee Sze Siong
4. Mr Chee Jin Kiong(1)
5. Mr Michael Lau Hwai Keong(1)
6. Mr Joseph Toh Kian Leong(1)

Note:

(1) Non-Executive and Independent Director

BOARD INDEPENDENCE

The NC assesses the independence of each director, taking into account guidelines of the Code and provisions in the Listing Manual for assessing the independence element. An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company.

On an annual basis, the NC is responsible for determining the independence of all the directors, taking into consideration the circumstances indicated in the Code and the Listing Manual. The NC has ascertained that a majority of the Board members are independent.

Based on the current Board's composition, the Non-Executive Directors make up a majority of the Board.

BOARD COMPOSITION

On an annual basis, the NC reviews the size and composition of the Board and Board Committees. The NC also examines the skill sets and core competencies of all Board members to ensure the balance and diversity of skills and experience. All evaluations are presented to the Board.

The NC seeks to ensure that the size of the Board is conducive for effective discussion and decision making, and that the Board has an appropriate number of independent directors. The size and composition of the Board are reviewed periodically. Taking into account the scope and nature of SIF's operations and the number of Board Committees, the Board, in concurrence with the NC, is of the view that a Board size of at least six directors with majority of members being independent is appropriate and necessary. The Board currently meets this requirement as it consists of six (6) directors, the majority of whom are independent – four (4) Non-Executive and Independent Directors and two (2) Executive Directors.

DIVERSITY POLICY

The Board understands and embraces the benefits of having diversity in the Board and views Board diversity as important to achieving the Company's business objectives. Differences in background, skills, experience, knowledge, gender and other relevant qualities will be considered in determining the optimum composition of the Board.

The appointment of directors should reflect a need to add complementary skills and experience to the Board. The Board has not set a quota for any specific criteria and the Board believes that all Board appointments should be made on the basis of merit, with due regard to diversity.

The Board through the NC seeks to maintain an appropriate balance and diversity of experience, skills, knowledge and attributes among the directors. The current Board has core competencies and expertise in accounting, finance, risk management, business management, industry knowledge, strategic planning experience and customer-based experience. The current Board consists of individuals with various qualifications and backgrounds. Their professions include accountant, consultant and senior management of financial

CORPORATE GOVERNANCE STATEMENT

institution. More than half of the Independent Directors have experience in the finance and banking industry, being the industry that the Company operates in.

MEETING OF DIRECTORS WITHOUT MANAGEMENT

Led by the Non-Executive and Independent Chairman of the Board, Mr Ng Tat Pun, the Non-Executive and Independent Directors conduct at least one meeting annually without the presence of the Executive Directors and Management. Feedback from the meeting will be shared by the Independent Chairman of the Board with all the Board members for follow up actions, if any.

PRINCIPLE 3
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In compliance with the Code's provisions on the clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business, Mr Ng Tat Pun is the Non-Executive and Independent Chairman and Mr Lee Sze Leong is the Managing Director/CEO of the Company.

The Chairman and Managing Director/CEO of the Company are separate persons and are not related. The roles of the Chairman and the Managing Director/CEO are deliberately kept distinct through a clear division of responsibilities to ensure effective oversight, appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

Mr Ng Tat Pun has more than 40 years of experience in the banking and finance industry. As Non-Executive and Independent Chairman of the Board, he has the overall responsibility for the leadership of the Board. His key roles include:

- leading the Board to ensure its effectiveness on all aspects of its roles and setting its agenda;
- ensuring that the directors receive accurate, timely and clear information;
- ensuring effective communication with shareholders;
- encouraging constructive relations between the Board and Management;
- facilitating the effective contribution of Non-Executive Directors;
- encouraging constructive relations between Executive Directors and Non-Executive Directors;
- promoting high standards of corporate governance; and
- promoting a culture of openness and debate at the Board.

Mr Lee Sze Leong, the Managing Director/CEO, focuses on managing the business and operations of the Company, in particular, driving the financial performance and spearheading the strategic development of the Company and execution of the strategic plans set out by the Board. He also ensures that the directors are kept updated and informed of the Company's business and operations.

No Lead Independent Director is required to be appointed as the roles of the Chairman and CEO are separate and the Chairman is independent.

PRINCIPLE 4
BOARD MEMBERSHIP

The appointment and re-appointment of directors to the Board is assessed and recommended by the NC, taking into account the need for progressive renewal of the Board.

The NC comprises Mr Ng Tat Pun (Chairman), Mr Chee Jin Kiong and Mr Lee Sze Leong. The majority of the directors in the NC, including the NC Chairman, are non-executive and independent.

The main terms of reference of the NC are as follows:

- To assess and recommend candidates for appointment and re-appointment on the Board and Board Committees;
- To determine annually whether a director is independent. Where a director is a member of multiple boards, the NC also considers if such a director is able to adequately carry out his/her responsibilities as a director of the Company;
- To review the composition of the Board and assess annually the effectiveness of the Board as a whole, the Board Committees and the contribution by each individual director;
- To assess and recommend the objective performance criteria and process and for evaluation of the effectiveness and performance of the Board, its Board Committees and directors;
- To review the training and professional development programmes for the Board and its directors; and

- To review and initiate succession planning to ensure the continuity of leadership for key Board members, in particular, the Chairman, the Managing Director/CEO and Key Management Personnel.

PROCESS FOR THE SELECTION, APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS TO THE BOARD

The NC establishes and reviews the key criteria for the selection of Board members and makes recommendations to the Board on the appointment, re-appointment and retirement of directors.

The composition of the Board is reviewed regularly to ensure that it has the appropriate mix of expertise and experience. The selection and appointment process of new directors to the Board is reviewed, formalised and endorsed by the Board. The formal and transparent procedures for the selection and appointment of new directors to the Board help to promote understanding and confidence in the process. The appointment of new members to the Board is considered by the NC.

When there is a need to appoint a new director, whether due to retirement of a director, growth or complexity of the Company's business, the NC and each individual director will source for suitable candidates based on their extensive networks and contacts. External consultants may also be engaged to identify potential candidates.

In the selection process, the NC determines the skills and experience appropriate for the appointee having regard to those of the existing directors and any other likely changes to the Board. Diversity of experience and appropriate skills which are considered in the selection process include leadership, banking industry experience, management expertise and knowledge in accounting, internal controls, compliance and risk management. In addition, the NC takes into consideration the current Board size and its mix, the additional skills and experience that will enhance the core competencies of the Board.

The NC identifies and shortlists potential candidates for interview. The NC then proceeds to assess the suitability of the candidates based on the following criteria before recommending the appointment to the Board:

(a) Independence;
(b) Whether the candidate can fulfil the Monetary Authority of Singapore's ("MAS") fit and proper guidelines;
(c) Other directorships held;
(d) Ability to commit sufficient time to the affairs of the Company;
(e) Contribution to the overall balance of the composition of the Board; and
(f) Age, experience, track record and other relevant factors as determined by the NC.

The fit and proper test assesses the candidate based on honesty, integrity and reputation, competence and capability and financial soundness.

During the review and selection process, the NC, with the concurrence of the Board, adopts the approach of looking for a candidate with specific skill sets in view of the changing financial landscape as well as for succession planning. The NC identifies the candidate based on his/her skill and diversity of his/her experience. Following the rigorous selection process, the Board, with the recommendation of the NC, seeks approval from the MAS to appoint the candidate as a director. Upon approval from the MAS, the Board will recommend the appointee for re-election as a director at the following Annual General Meeting ("AGM").

A formal letter setting out the director's duties and obligations will be given to the new director upon his/her appointment to ensure that the new director is aware of his/her duties and obligations.

In its deliberations on the re-appointment of existing directors, the NC takes into consideration the director's contribution and performance. The assessment parameters include time commitment, attendance record, preparedness and intensity of participation at meetings of the Board and its Board Committees.

The Company's Constitution provides that at least one-third of its directors shall retire from office at every AGM of the Company. All directors are required to retire from office at least once every three years. A retiring director shall be eligible for re-election at the meeting at which he retires. Directors newly appointed during the year must also retire at the next AGM immediately following their appointment and shall then be eligible for re-election.

The directors standing for re-election at the forthcoming AGM pursuant to the Company's Constitution are Mr Chee Jin Kiong (Non-Executive and Independent Director) and Mr Lee Sze Siong (Executive Director). The NC has evaluated and recommended to the Board that Mr Chee Jin Kiong and Mr Lee Sze Siong

CORPORATE GOVERNANCE STATEMENT

be re-elected as directors at the forthcoming AGM by virtue of their skills, experience and their contributions to the Board's deliberations. Pursuant to Rule 720(6) of the Listing Manual, the information as set out in Appendix 7.4.1 of the Listing Manual relating to Mr Chee Jin Kiong and Mr Lee Sze Siong, who are the directors seeking re-election at the forthcoming AGM, is set out in pages 145 to 150.

ANNUAL REVIEW OF DIRECTORS' INDEPENDENCE

The NC conducts the annual evaluation of director independence based on the following procedures and criteria:

- Review all directors' declaration forms on their independent status;
- Review report from the Company on the business relationship of the Company with directors;
- Perform the due diligence process and review the factors considered to arrive at the conclusions as to the independent status of the directors and to consider any particular cases of potential material relationships;
- A checklist is drawn up based on the guidance in the Code and provisions in the Listing Manual to facilitate the evaluation by the NC; and
- Report to the Board on the independent status of the directors.

In assessing the independence of the directors, the NC examined the different relationships that might impair the directors' independence and objectivity and is satisfied that all the Independent Directors are able to act independently.

Any director who has served on the Board beyond nine years from the date of his first appointment shall be deemed as non-independent. Any director who has been employed by the Company or any of its related corporations for the current or any of the past three financial years, or who is an immediate family member of any employee of the Company and its related corporations in any of the past three financial years shall be deemed as non-independent for the purposes of Rule 210(5)(d) of the Listing Manual. No director with the existence of relationships or circumstances as mentioned in the Code or the Listing Manual has been deemed as independent for FY2019.

The Board, after taking into account the view of the NC, has determined that the majority of the Board, which includes Mr Ng Tat Pun, Mr Chee Jin Kiong, Mr Michael Lau Hwai Keong and Mr Joseph Toh Kian Leong, is independent. These Independent Directors are also Non-Executive Directors. Mr Lee Sze Leong, the Managing Director/Chief Executive Officer ("CEO"), and Mr Lee Sze Siong, the Deputy Managing Director, are the only non-independent directors on the Board.

DIRECTORS' TIME COMMITMENT

The directors must ensure that they are able to give sufficient time and attention to the affairs of the Company and as part of the review process, the NC decides on the commitment level of the director and whether he/she has been able to adequately carry out the responsibilities required of him/her as a director. The NC has also adopted several measures that seek to address the competing time commitments that may be faced when a director holds multiple board appointments. Some of these guidelines include:

(a) *Number of Board Memberships*
Carrying out the duties and fulfilling the responsibilities of a director requires a significant commitment of an individual's time and attention. The Board does not believe, however, that explicit limits on the number of other boards on which the directors may serve, or on other activities the directors may pursue, are appropriate. The Board, however, recognises that excessive time commitments to other positions and appointments can interfere with a director's ability to perform his or her duties effectively. Accordingly, directors should not serve on more than five (5) boards of directors of public listed companies in addition to the Company's Board. This guideline is established following the careful assessment by the NC and the Board after taking into consideration the scope and complexity of the Company's business. Currently, the highest number of directorships in listed companies that is held by an individual director is two (2) directorships.

(b) *Attendance at Meetings*
Each member of the Board is expected to make reasonable efforts to attend at least 50% of the regularly scheduled meetings of the Board and to participate in telephone conference meetings or other special meetings of the Board.

All directors have met the above requirements on time commitment as required by the Board for FY2019. The NC and the Board are of the view that each director has been able to diligently discharge his/her duties. The listed company directorships (where applicable) and principal commitments of each director are disclosed in the 'Board of Directors' section of this Annual Report.

ALTERNATE DIRECTORS

SIF has no alternate directors on its Board.

SUCCESSION PLANNING FOR THE BOARD AND SENIOR MANAGEMENT

The NC conducts an annual review of succession planning to ensure the continuity of leadership for key Board members and Senior Management. During the review, the NC considers the desired collective competencies needed on the Board in light of the Company's business and strategies. By comparing the desired competencies and the key competencies of the current Board, the NC will be able to identify possible gaps. The NC also reviews the Board, Board Committees and individual director evaluation results for identification of candidates for appointment and retirement. Through careful consideration, the NC ensures that an effective Board renewal and succession planning process is in place.

KEY INFORMATION ON DIRECTORS

Key information on each director can be found in the 'Board of Directors' section of the Annual Report.

PRINCIPLE 5
BOARD PERFORMANCE

The NC ensures that the Board consists of directors that possess the necessary experience, knowledge and skills required by the business so as to enable the Board to make sound and well considered decisions.

The NC assesses the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board on an annual basis based on the criteria developed by the NC and reviewed by the Board. No external facilitators have been engaged for FY2019.

EVALUATION OF BOARD AND BOARD COMMITTEES

The NC takes into consideration quantitative criteria and qualitative measures when reviewing the performance of the Board. All Board members are required to complete the Board Assessment Checklist which consists of the following sections:

- Quantitative factors such as Revenue, Return on Equity (ROE) and Portfolio size;
- Qualitative indicators include Board composition, the quality of risk management, adequacy of internal controls, Board information and accountability and Board performance in relation to discharging its principal functions; and
- Overall rating of the Board.

A consolidated report is prepared based on the responses from all directors and is discussed in the NC meeting and reviewed by the Board.

In evaluating the Board's performance, NC members deliberate and try to identify the key strengths and areas of improvement which will be highlighted in the Board meeting.

Each Board Committee also performs a self-assessment which is evaluated by the NC. To avoid any conflict of interest, the self-assessment of the NC is reviewed by the Board. The self-assessment criteria proposed by the NC and approved by the Board for assessment of a Board Committee's performance include:

- Composition and Quality (including the independence, quality and skill sets);
- Committee responsibilities as required by the Code and regulatory requirements;
- Meeting and procedures; and
- Overall assessment.

The results of the assessment of the Board and the Board Committees are presented and reported to the Board for approval. The Board and the Board Committees have met the performance objectives for FY2019.

EVALUATION OF INDIVIDUAL DIRECTORS

The NC evaluates the performance of individual directors by taking into consideration the attendance, time commitment and overall participation and contribution of each director. In addition, the NC also considers specific expertise of the individual director from the legal, business and risk perspective. When the NC is evaluating the performance of a particular member of the NC, that member will recuse himself from the deliberations.

On top of the evaluation exercise, the contributions and performance of each director are assessed by the NC as part of its periodic reviews of the composition of the Board and the various Board Committees. In the process, areas for improvement are identified to enhance the effectiveness of the Board and its various committees. The performance of the individual directors is taken into consideration by the NC and the Board when recommending them for re-election.

The Board is satisfied with the performance of all the individual directors in the recent evaluation exercise for FY2019 performed by the NC.

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REMUNERATION MATTERS

PRINCIPLE 6
PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

REMUNERATION COMMITTEE

The RC comprises Mr Chee Jin Kiong (Chairman), Mr Ng Tat Pun and Mr Joseph Toh Kian Leong, all of whom are non-executive and independent.

The primary role of the RC under its terms of reference is to assist the Board in fulfilling its objectives as follows:

- To minimize the risk of any potential conflict of interest by putting in place formal and transparent procedures for developing policies on director and executive remuneration and for determining the remuneration packages of individual directors and Senior Management;
- To review and make recommendations to the Board on the Group's general framework of remuneration or specific remuneration packages (if any) for the Board and Key Management Personnel with the aim to be fair and avoid rewarding poor performance;
- To review the adequacy, fairness and terms of compensation for each of the directors, the CEO and Senior Management to ensure that the compensation is commensurate with the duties, responsibilities and risks involved in being an effective director, CEO or Senior Management; and
- To review the Company's obligations arising in the event of termination of the Executive Directors' contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC will seek remuneration consultants' advice or perform a market survey of benchmarking directors' compensation every 3 to 5 years depending on market conditions and the results of the survey will be presented to the Board. No remuneration consultants have been engaged for FY2019.

PRINCIPLE 7
LEVEL AND MIX OF REMUNERATION

DIRECTOR REMUNERATION POLICY CRITERIA FOR SETTING REMUNERATION

The key principles of the director compensation philosophy are as follows:

- To establish a level of remuneration that is market competitive to attract, motivate and retain highly-skilled directors to manage the Company successfully, but at the same time to avoid paying more than what is necessary;
- To link a significant proportion of Executive Directors' remuneration to corporate and individual performance, so as to align the interests of Executive Directors with those of shareholders;
- To link the remuneration of Non-Executive Directors to the amount of responsibilities, effort and time spent by the directors; and
- To align director compensation with prudent risk-taking and effective supervisory oversight.

STRUCTURE OF NON-EXECUTIVE DIRECTORS' FEE

For Non-Executive Directors, their remuneration comprises mainly director's fees. When reviewing the structure and level of directors' fees, the RC takes into consideration the directors' respective roles and responsibilities in the Board and Board Committees. Each of the directors receives a base director's fee. The Board Chairman receives an additional fee to reflect his expanded responsibilities. Directors who serve on the various Board Committees also receive additional fees in respect of each Board Committee that they serve on, with the chairmen of the Board Committees generally receiving a higher fee in respect of their service as chairmen of the respective committees.

STRUCTURE OF EXECUTIVE DIRECTORS' REMUNERATION

For Executive Directors, the overall remuneration package comprises both fixed and variable components. The fixed component of the compensation package includes base salary (inclusive of employer's CPF) and other allowance and benefits such as medical, car programme allowance and club membership allowance.

The variable component of the compensation package consists of cash incentives, such as variable bonus. There is no long-term incentive scheme. The remuneration package takes into account amongst other factors, the performance of the Company and the Executive Directors based on key performance indicators set by the Board, guidance from the National Wages Council, competitive market practices and information gathered from market surveys conducted by the Company's Human Resources Department. In addition, a corporate risk scorecard factor is also included in the remuneration framework to ensure that compensation is adjusted for the risks undertaken by the Company and the framework is aligned with the risk management policies of the Company.

In view that the variable components of the remuneration package of the Executive Directors and the Key Management Personnel are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

Directors' fees are recommended by the RC, concurred by the Board and submitted for approval during the AGM. No director is involved in deciding his own remuneration.

PRINCIPLE 8
DISCLOSURE OF REMUNERATION

LINK BETWEEN REMUNERATION AND PERFORMANCE OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

The RC reviews the performance of Executive Directors and Key Management Personnel using the pre-defined financial targets of the Company, individual key performance indicators and corporate risk scorecard factor. Their remuneration depends on the degree of the performance criteria being met.

The variable components of the Executive Directors and Key Management Personnel take into account financial performance indicators amongst other factors, the profitability of the Company, loan growth, return on equity and quality of loans. Other non-financial performance indicators include time commitment, contribution towards the Company's strategic directions, internal controls and risk management skills, integrity and accountability.

A corporate risk scorecard is added to the remuneration framework to provide the balance between the business and risk drivers to ensure that the structure of remuneration is aligned with long-term interests of the Company. There is no long-term incentive scheme.

Both Executive Directors and Key Management Personnel met the pre-defined performance conditions.

DIRECTORS' REMUNERATION

The remuneration of each director has been disclosed to the nearest thousand dollars with breakdown of base salary, variable bonus, directors' fees and other benefits in percentage terms. There are no stock options granted, share-based incentives and awards and other long-term incentives.

Other than Mr Lee Sze Leong, the Managing Director/CEO, and Mr Lee Sze Siong, the Deputy Managing Director, the remaining 4 Board members are Non-Executive Directors. The aggregate Directors' fees to be paid to the Non-Executive Directors are subject to the approval of shareholders at the Company's AGM.

Directors' remuneration with the breakdown of fees is shown in the Directors' Remuneration section on page 142.

KEY MANAGEMENT PERSONNEL'S REMUNERATION

Provision 8.1 of the Code states that the company should disclose the names, amounts and breakdown of remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000 and in aggregate the total remuneration paid to them.

However, this information is not disclosed in this report as the Board is of the opinion that such disclosure would be disadvantageous to the Group's business interests, given the highly competitive conditions in the finance industry where poaching of executives is not uncommon.

REMUNERATION OF EMPLOYEES WHO ARE IMMEDIATE FAMILY MEMBERS OF A DIRECTOR, CEO OR SUBSTANTIAL SHAREHOLDER

Other than Mr Lee Sze Leong, the Managing Director/CEO, and Mr Lee Sze Siong, the Deputy Managing Director, whose remuneration have been disclosed in the Directors' Remuneration section on page 142, there are no employees of the Company who are immediate family members of a director, the Managing Director/

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CEO or a substantial shareholder of the Company. Mr Lee Sze Leong and Mr Lee Sze Siong are siblings.

EMPLOYEE SHARE SCHEME

The Company is proposing the adoption of a new performance share plan at the forthcoming AGM. Please refer to the Letter to Shareholders, which will be issued on the same date as the notice of the forthcoming AGM, for more details. Save for the new performance share plan, if adopted, the Company does not have any employee share scheme.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 9
RISK MANAGEMENT AND INTERNAL CONTROLS

RISK GOVERNANCE

Under the Group's risk governance framework, the Board has overall responsibility for providing leadership, articulating the risk appetite and tolerance levels and ensuring that a robust risk management and compliance culture prevails. The Board is assisted by the RMC to oversee the development of robust Enterprise Wide Risk Management ("EWRM") policies and processes which are aligned with the strategic direction set by the Board, to identify and manage the material business risks as well as to establish KRIs, risk tolerance and internal limits to guide risk-taking activities of the Group.

RISK MANAGEMENT COMMITTEE

The RMC is a board risk committee and is chaired by Non-Executive and Independent Director, Mr Michael Lau Hwai Keong, and comprises Mr Ng Tat Pun (Non-Executive and Independent Chairman), Mr Lee Sze Leong (Managing Director/CEO), Mr Lee Sze Siong (Deputy Managing Director) and Heads of Risk Management, Compliance, Product Management, Finance and Treasury/Branches Departments.

In line with its terms of reference, the RMC assists the Board in identifying the principal risks of the Company's business and to institute a framework of prudential controls to assess, monitor and manage these risks. These risks include credit risk, liquidity risk, market risk, operational risk, reputational risk and risks related to asset and liability management, new products, information technology, regulatory compliance, outsourcing and business continuity. The RMC is supported by the Risk Management and Compliance Departments.

RISK MANAGEMENT DEPARTMENT

The Risk Management Department assists the RMC by ensuring that the risk management framework, structure, policies and procedures are aligned to the Company's risk appetite, and business and regulatory requirements, and are appropriate for the management of the Company's risk exposures. The Risk Management Department also assesses the impact of key risks to the business.

The Risk Management Department also assists the RMC in providing oversight of the development and implementation of risk models, monitoring limits set by the Board, reporting risk measurements, gap analysis, risk profiling, stress testing and control systems, risk limit breaches, highlighting exceptions and deviations, providing risk assessments, risk strategies and recommendations for deliberations and decision making. The Risk Management Department reports independently to the RMC.

The Board is responsible for approving the appointment, remuneration, resignation or dismissal of the Head of Risk Management Department.

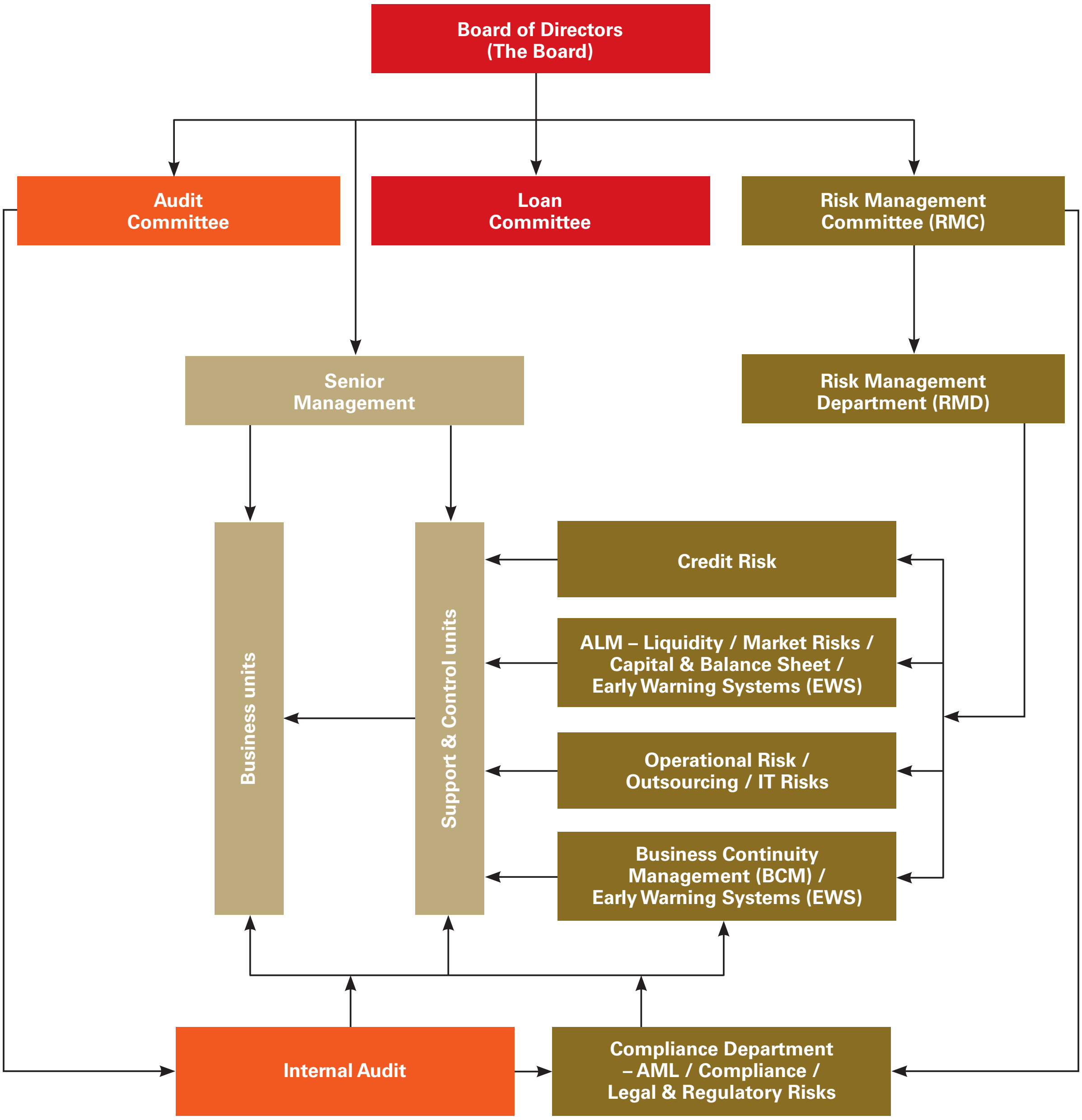
COMPLIANCE DEPARTMENT

The Compliance Department assists the RMC by ensuring that the Company, Management and staff continuously observe all policies and guidelines set by the Board and comply with applicable laws, regulations, regulatory guidelines and professional standards, including those for anti-money laundering and countering the financing of terrorism. The Compliance Department also ensures that the Company's internal policies and procedures are aligned with the regulatory requirements. These are achieved through compliance monitoring and testing. The Compliance Department reports independently to the RMC.

SENIOR MANAGEMENT, BUSINESS AND SUPPORT UNITS

Senior Management is accountable to the Board for ensuring the effective implementation of risk management and adherence to the risk appetite, risk tolerance limits and internal control limits established by the Board. Business and Support units are primarily responsible for managing risk arising from their respective operations while the various independent monitoring and control units provide timely oversight, assessment and reporting of key risk exposures and breaches to Senior Management.

ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK



CORPORATE GOVERNANCE STATEMENT

For FY2019, the Board has received assurance from:

(a) the Managing Director/CEO and Head of Finance Department that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
(b) the Managing Director/CEO and other Key Management Personnel who are responsible that the Company's risk management and internal control systems are adequate and effective.

ENTERPRISE WIDE RISK MANAGEMENT (EWRM) FRAMEWORK

An effective EWRM framework is critical in ensuring the overall financial soundness of the Group's business operations and in creating sustainable growth in shareholders' value. In addition, it encourages sound business practices and decision making that adequately balances risk and reward.

The Group's EWRM framework establishes the governance, accountability, policies and processes to ensure that major risk types and exposures are identified, measured, managed, controlled and reported. The framework provides the Board and Management with the necessary tools to anticipate and manage both the existing and potential risks.

Material business risks relating to the Group can be categorized as: capital and balance sheet management, credit, market, liquidity and operational risks (including regulatory compliance, information technology risk, outsourcing, reputational risk, contagion risk and business continuity management) assumed by the Group in the course of carrying on its business.

In ensuring that risks are managed at the early stage of the risk-taking process, introduction of new products, outsourcing arrangements, new/revision of policies are subjected to approval by the RMC. New and revision of policies are reviewed by the Risk Management and Compliance Departments. They are to ensure issues relating to risk, regulatory compliance and internal controls are addressed before submission to the RMC for approval. The Credit Control Department provides independent inputs on valuations, credit evaluations and recommendations to enable risk to be priced appropriately in relation to returns.

The Board and the RMC reviewed and ranked key material risks, determined the risk tolerance limits for each risk type, set KRI parameters for each risk type and approved the EWRM framework and policies for the year to ensure adequate internal control and management of risks.

Both the Board and the RMC received and reviewed periodic (monthly/quarterly) reports on Risk Dashboard, status of each of the KRIs, Asset Liabilities Management, regulatory and internal limits compliance, gap and sensitivity analysis, stress testing, concentration risks, Business Continuity Plan (BCP) exercises, Risk Control Self Assessments (RCSA), Risk Management Attestation statement, and residual risks.

For FY2019, the Board has reviewed the various risk reports, processes, together with the external and internal auditors' reports and is satisfied with the adequacy and effectiveness of the risk management framework, policies and internal control processes that are currently in place.

FINANCIAL REPORTING, INTERNAL CONTROLS & COMPLIANCE WITH POLICIES AND REGULATIONS

While no system can provide absolute assurance against material loss or financial misstatement, the Group's internal financial controls are designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information used by the Company and all of its publications are reliable and accurate. In reviewing these controls, the directors have considered the risks to which the business is exposed to, the likelihood of such risks occurring and the costs of safeguarding the Company against such risks.

A system of effective internal controls plays a crucial role in the financing operations as it sets a foundation for the safe and sound operation of financial institutions, thus safeguarding shareholders' investments and the Group's assets. The Board of Directors recognises that it has overall responsibility to ensure accurate financial reporting for the Group and the adequacy and effectiveness of the Group's system of internal controls.

The Board, with the assistance of the AC and RMC, reviews the adequacy and effectiveness of the Group's risk management and internal control systems. In compliance with Rule 1207(10) of the Listing Manual, the Board, with the concurrence of the AC and RMC, is of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems are adequate and effective.

ACCOUNTABILITY

The Board provides shareholders with quarterly and annual financial results. In presenting these statements, the Board aims to provide shareholders with an assessment of the Group's performance and position with a commentary at the date of announcement of the competitive conditions within the industry in which it operates.

The Management provides all directors periodically with monthly accounts and detailed reports on the Group's financial performance and related matters prior to each Board meeting. The directors may at any time seek further information from and discuss with the Management on the Group's operations and performance. The Compliance Department with a direct reporting line to the RMC has been set up to ensure compliance with legislative and regulatory requirements.

The Board believes in conducting itself in a way that delivers sustainable value to all shareholders.

PRINCIPLE 10
AUDIT COMMITTEE

The AC comprises Mr Joseph Toh Kian Leong (Chairman), Mr Chee Jin Kiong and Mr Michael Lau Hwai Keong, all of whom are non-executive and independent.

The Chairman of the AC, Joseph Toh Kian Leong, and another AC member, Mr Chee Jin Kiong, are certified fellow members of Institute of Singapore Chartered Accountants and have strong accounting qualifications. Mr Joseph Toh Kian Leong is a certified fellow member of Association of Chartered Certified Accountants. Mr Michael Lau Hwai Keong has a number of years of experience in the financial services industry, including in risk management and banking business and operations. The Board is of the view that the members of the AC have recent and relevant accounting and financial management expertise or experience to discharge the AC's functions.

The AC does not comprise any former partners or directors of the Company's existing external auditors.

The AC is responsible for assisting the Board in its oversight of the reliability and integrity of the accounting policies and financial reporting as well as to scrutinize the adequacy and effectiveness of the internal controls. In discharging its oversight role, the AC is authorized and empowered to investigate any matter within its terms of reference and has full access to and cooperation of the Management.

The AC, together with the Management and the external auditors, reviews the Group's audited financial statements and the accounting principles applied. Through the maintaining and application of appropriate accounting and financial reporting principles and policies and internal controls and procedures, the AC assesses whether the financial statements comply with the accounting standards and applicable laws and regulations.

The AC conducts an annual review of all non-audit services by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The AC holds private meetings with the internal auditors and external auditors at least once a year without the presence of Management. It examines the audit findings of the external and internal auditors. It also reviews with the Internal Audit Manager on the scope, results and effectiveness of the audits and approves the internal audit plan in consultation with the Management. Any factors that may adversely affect the internal audit function's independence, objectivity or effectiveness will be reviewed by the AC.

In FY2019, the AC's activities, in line with its terms of reference, included:

- Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the Group's quarterly, half year and full year financial results and any announcements relating to the Company's financial performance;
- Recommending the unaudited results and related SGXNET announcements for the Board's approval;
- Reviewing the annual audit plan;
- Reviewing the adequacy, effectiveness, scope and results of the external audit;
- Reviewing the independence and objectivity of the external auditors;

CORPORATE GOVERNANCE STATEMENT

- Reviewing the adequacy, effectiveness, independence, scope, quarterly findings and reports of the internal audit function;
- Reviewing and reporting to the Board on the adequacy and effectiveness of SIF's internal controls, risk management systems and internal audit function annually;
- Reviewing the assurance from the CEO and the Head of Finance Department on the financial records and financial statements;
- Considering and recommending the re-appointment of the external auditors, and the remuneration and terms of engagement of the external auditors, to the Board;
- Reviewing related party transactions; and
- Reviewing 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 AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements by attending relevant training and via meetings with the external auditors who will update the AC on recent developments in accounting standards and other relevant matters.

FINANCIAL MATTERS

In the review of the financial statements, the AC discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters were discussed with Management and the external auditors and were reviewed by the AC:

Significant financial reporting matters	How the AC reviewed these matters and what decisions were made
Allowance for impairment on loans and advances	Determining the adequacy of allowances against the loan portfolio under the Expected Credit Loss ("ECL") model under *SFRS (I) 9: Financial Instruments* requires greater judgements and estimates compared to the incurred loss model under the previous SFRS 39. The AC reviewed the Company's Loan Policy for classification of loans as "non-impaired" and "impaired" in accordance with MAS Notice 811 based on the assessment of the borrower's ability to repay the loan. The AC in conjunction with the RMC reviewed the ECL model for the criteria in identifying the significant increase in credit risk for the staging of loans into Stage 2 in accordance with SFRS (I) 9 and the assumptions & methodologies used to compute the probability-weighted outcome with forward looking information ECL for the loan allowances. For "Impaired" loans categorised as Stage 3 under SFRS (I) 9, the AC examined the procedure how the allowances are computed after deducting the estimated force sale value of the applicable collaterals. The AC discussed allowance for loan impairment with Management and the external auditors and was satisfied that the overall loan impairment allowances, the underlying assumptions and methodologies were reasonable and applied consistently.

Following the review and discussions, the AC recommended to the Board to approve the audited financial statements for FY2019.

INTERNAL AUDIT DEPARTMENT

Effective risk management is a vital part of the Company's business strategy. The key role of the internal audit function of the Group is to evaluate the effectiveness of the organisation's risk management, control and governance processes. The AC ensures that the internal audit function is adequately resourced and has appropriate standing within the Company. Internal audit activity is primarily directed at improving the Company's internal controls with the objective of improving the effectiveness and efficiency of operations, reliability of financial reporting and compliance with internal policies and processes and laws and regulations. Audit tests are performed by the Internal Audit Department to ensure the integrity of the Group's financial system and operating procedures as well as the soundness of the Group's internal controls. The internal auditors have unfettered access to the AC, the Board and the Management where necessary, as well as the right to seek information and explanations from relevant parties. Management is responsible for addressing issues identified by the internal auditors.

The Internal Audit Department reports independently to the AC.

The AC is responsible for approving the appointment, remuneration, resignation or dismissal of the Head of Internal Audit function.

The AC has appointed Ernst & Young Advisory Pte Ltd ("EY") to perform the internal audit functions for the Information Technology Department of the Company. Both the in-house internal auditors and EY subscribe to and are guided by the Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors, Inc ("IIA") and have incorporated these standards into its audit practices and meet the standards set by the IIA. The AC is satisfied that the internal audit function is independent, adequately resourced and has appropriate standing within the Company.

EXTERNAL AUDIT

The AC is responsible for recommending to the Board the proposal to the shareholders on the appointment, re-appointment and removal of the external auditors. The AC evaluates the external auditors based on factors such as the adequacy of the resources and experience of the auditing firm and audit engagement partner assigned to the audit, the firm's time commitment to the audit engagement, the number and experience of supervisory and professional staff assigned to the audit, the performance and quality of their audit and independence of the external auditors. After the evaluation, the AC recommends its decision to the Board. The AC also approves the external auditors' remuneration and terms of engagement.

SIF is in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of its auditing firm. The AC has reviewed the non-audit services provided during FY2019 and the fees paid for such services. The total fees paid to the external auditors, Deloitte & Touche LLP, are disclosed in Note 21 to the Financial Statements in the Annual Report. Deloitte & Touche LLP is the external auditor for both SIF and SIF Nominees (Pte) Ltd.

The AC is satisfied that the independence of the external auditors has not been impaired and the external auditors have also provided a confirmation of their independence to the AC.

WHISTLE-BLOWING POLICY

The Company is committed to a high standard of ethical conduct with no tolerance for fraudulent practices and has put in place a whistle-blowing policy and procedures which provide employees and the public with well-defined and accessible channels within the Company, including a direct channel to the AC, to raise genuine concerns or suspicions about possible improprieties in accounting, auditing and financial reporting or any other fraudulent activities.

The whistle-blowing policy aims to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, protected from reprisal. SIF will ensure the confidentiality of the whistle-blower and allow disclosures to be made anonymously. On an ongoing basis, the whistle-blowing policy is covered during staff training and periodic communication to all staff as part of the Company's efforts to promote awareness of fraud control. Procedures for handling of feedback/complaints received from customers and independent investigations to be conducted have also been established. The Company undertakes to investigate complaints of suspected fraud in an objective manner.

CORPORATE GOVERNANCE STATEMENT

COMPLAINT HANDLING PROCEDURES

Clear complaint handling procedures are in place and communicated to customers to ensure that all complaints are dealt with professionally, fairly, promptly and diligently.

SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11
SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

SHAREHOLDER RIGHTS

The Company advocates fair and equitable treatment to all shareholders. All price-sensitive information is disclosed publicly in a timely manner. Shareholders are given the opportunity to participate effectively in and vote at general meetings of shareholders and they are informed of the rules, including voting rights and the procedures that govern such general meetings of shareholders.

Shareholders are entitled to attend and vote at the AGM in person or by proxy. The Constitution of the Company allows shareholders to appoint up to two proxies; however, pursuant to Section 181 of the Companies Act, a shareholder who is a relevant intermediary may appoint more than two proxies.

CONDUCT OF SHAREHOLDER MEETINGS

The Company strongly encourages and supports shareholder attendance and participation at its AGMs. The Company sends out the notice of the AGM on a timely basis to provide ample time for shareholders to receive and review the notice and reply with their attendance.

The Company holds the AGM at a central location with convenient access to public transportation. As the authentication of shareholder identity information and the integrity of the information transmitted still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Normally, all the directors and Senior Management are in attendance at general meetings to address queries and concerns about the Company. The Company's external auditors are also invited to attend the AGM to assist the directors to address shareholders' queries that are related to the conduct of the audit and the preparation and content of the auditors' reports. All directors except for Dr Joseph Yeong Wee Yong including the Chairman of the Board and Managing Director/CEO attended the last AGM held in FY2019. Dr Joseph Yeong Wee Yong was absent due to illness.

Separate resolutions on each distinct issue are tabled at the general meeting. The Company does not "bundle" resolutions, unless the resolutions are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company will explain the reasons and material implications in the notice of meeting.

The Company Secretary prepares minutes of general meetings that include responses from the Board and Management to queries and comments from shareholders. The minutes are published on our website and the Company will furnish the minutes of the AGM upon request by any shareholder.

For greater transparency, the Company conducts the voting of all the resolutions tabled at the AGM by poll. Shareholders are briefed on the voting process and vote tabulation procedures prior to the meeting. Independent scrutineers are appointed to count and validate the votes at the AGM. Votes cast for and against each resolution and the respective percentages on each resolution are announced and displayed. The results of the AGM are also released via SGXNET on the same day.

DIVIDEND POLICY

The Company has in place a general policy on the factors to be considered for payment of dividends. The Board will continue to evaluate and recommend dividends to be paid to shareholders taking into consideration the following factors:–

- The Company's financial results;
- Compliance with regulatory capital requirements;
- Sufficiency of retained earnings and reserves for capital expenditure and business operations and expansion;
- A fair and sustainable return on investment for the shareholders;
- The Company's past dividend payment history; and
- Economic and market conditions.

In compliance with Rule 704(24) of the Listing Manual, in the event that the Board decides not to declare or recommend a dividend, the Company will expressly disclose the reason(s) for the decision together with the announcement of the relevant financial statements.

PRINCIPLE 12
ENGAGEMENT WITH SHAREHOLDERS

The Company has in place an Investor Relations Policy which sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions. The Company is committed to maintaining high standards of disclosure and corporate transparency. The Company provides consistent, relevant and timely information regarding the Group's performance with the fundamental aim of assisting our shareholders and investors in their investment decision-making.

The Company's financial results are released via SGXNET. These include the quarterly, half-year and full-year results which are also freely and publicly available at the Company's website at www.sif.com.sg. All relevant and material information are also released to the public and announced in accordance with the applicable laws and regulations. Apart from SGXNET announcements and Annual Reports, the Company updates shareholders with information via its website and during the AGM.

The Company maintains a corporate website to communicate and engage regularly with its shareholders. Feedback mechanisms are in place to solicit the views of shareholders and to address requests and concerns raised by shareholders outside of the AGM. Communication with shareholders is done by the Executive Directors. In addition, all shareholders will receive the annual report of the Company upon request and the notice of the AGM which is also published via SGXNET. Meetings with institutional and retail investors are arranged upon request. Shareholders are also welcome to express their views via email to investor_relations@sif.com.sg. The policy and processes in place allow for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.

MANAGING STAKEHOLDERS RELATIONSHIPS

PRINCIPLE 13
ENGAGEMENT WITH STAKEHOLDERS

The Company adopts an inclusive approach by engaging with its key stakeholders, including customers, investors, employees and regulators to ensure that the best interests of the Company are served. The Company's senior executives are involved in ongoing engagements with these stakeholders through various channels. The Company maintains a current corporate website at www.sif.com.sg to communicate and engage with stakeholders.

Please refer to the section on "Stakeholder Engagement" on page 35 of the Sustainability Report for more information on the Company's strategy and key areas of focus in engagement with its stakeholders.

ADDITIONAL INFORMATION
RELATED PARTY TRANSACTIONS

The Company has in place policies and procedures governing related party transactions.

The Board has established procedures for approval of all related party transactions to ensure that these transactions with the Company are undertaken on an arm's length basis.

As per the Related Party Transactions procedures, directors who disclose their interests in any related party transactions shall abstain and absent themselves from any discussion and approval of the aforesaid transactions.

Details of directors and their related parties are maintained in the central database. Any transactions with directors or their related parties will be captured by the system to facilitate the review and reporting process.

The AC is responsible for reviewing and recommending all related party transactions and any material amendments to the Board of Directors for approval. Approval by a special majority of three-fourths of the Board is required.

CORPORATE GOVERNANCE STATEMENT

During FY2019, the Company had collected deposits from its Directors and their related parties. No preferential treatment had been extended to the directors and their related parties for these deposits.

Disclosure of related party transactions during FY2019 is shown on pages 126 to 127.

INTERESTED PERSON TRANSACTIONS

Details of the interested person transactions required to be disclosed under Rule 907 of the Listing Manual during FY2019 are as follows:–

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Sing Holdings Limited ("SHL")	As Mr Lee Sze Leong, the Managing Director/CEO, and Mr Lee Sze Siong, the Deputy Managing Director, and their immediate family together have an interest of 30% and more (directly and indirectly) in SHL, SHL is an associate of both Mr Lee Sze Leong and Mr Lee Sze Siong and is accordingly an "interested person" under Chapter 9 of the Listing Manual.	$638,960	NIL

The above transaction was in respect of a tenancy agreement for a 3-year lease of office space at SIF Building entered into with the Company in 2019, commencing from Year 2020 to Year 2022.

Research has been conducted to confirm that the rental rate is reasonable and comparable to what other similar properties in our vicinity are offering. The AC has reviewed the terms of the above transaction and was of the view that the transaction was conducted fairly and on arm's length basis.

MATERIAL CONTRACTS (RULE 1207(8) OF THE LISTING MANUAL)

Except for the 3-year tenancy agreement entered into with Sing Holdings Limited in 2019, there were no material contracts entered into by the Company or its subsidiary involving the interests of the CEO, each director or controlling shareholder during FY2019.

DEALING IN COMPANY'S SHARES

The Company continues to adopt the best practices advocated by the SGX-ST, as set out in Rule 1207(19) of the Listing Manual, for the trading of the Company's shares by its staff and directors.

The Company has established policies in place to ensure that employees do not place themselves in positions where their own interests could conflict with those of the Company.

The following internal human resource policies guide all directors and officers in their dealings in the Company's shares:

- All directors and officers must inform the Management/Board of their dealings in the Company's shares, including dealings by their immediate family members;
- All directors and officers should not deal in the Company's shares on short-term considerations and while in possession of unpublished material price-sensitive information in relation to such shares; and
- All directors and officers must also not deal in the Company's shares during the period commencing two weeks before the date of announcement of the Company's results for each of the first three quarters of the Company's financial year and one month before the announcement of the full-year financial results and ending on the date of announcement of the relevant results.

BUSINESS AND ETHICAL CONDUCT

The Board of Directors adopts the Directors' Code of Professional Conduct ("Code of Conduct") published by Singapore Institute of Directors ("SID"). The Code of Conduct seeks to ensure that all directors are committed to achieving the highest level of professionalism and integrity in the discharge of their office and is intended to complement the Code.

While the Code sets out the principles of corporate governance to be observed by listed companies, the Code of Conduct amplifies the standards of ethics which should be adopted by individual directors in order to bring out the highest standards of conduct in the discharge of their office.

The Code of Conduct embraces the values of honesty, integrity, personal excellence and accountability which should be the cornerstone of every director's conduct.

The Company continuously exercises prudence in its business dealings and has in place personnel policy that sets out the standards and ethical conduct expected of employees. In addition, all staff members are also required to observe the guidelines stated in the Finance Houses Association of Singapore's Code of Conduct. The principles covered in the said Code of Conduct include confidentiality of information, conflict of interests, relationships with customers and insider trading. The Company ensures that all staff members continue to observe high standards of professionalism and integrity in their dealings with the customers, business associates and colleagues.

Date: 12 February 2020

CORPORATE GOVERNANCE STATEMENT

SUMMARY OF DISCLOSURES – CORPORATE GOVERNANCE

Rule 710 of the Listing Manual requires Singapore-listed companies to describe their corporate governance practices with specific reference to the Code of Corporate Governance issued on 6 August 2018 (the "Code") in their annual reports for the financial years commencing on or after 1 January 2019. This summary of disclosures describes our corporate governance practices with specific reference to the disclosure requirements in the principles and provisions of the Code.

SUSTAINABILITY REPORT

STATEMENT OF THE BOARD OF DIRECTORS ("THE BOARD")

The Board is pleased to present its Sustainability Report for 2019. This report seeks to communicate our approach towards and consideration of sustainability issues in relation to Environmental, Social and Governance ("ESG") matters. It also tracks our progress against our targets as well as areas where improvements can be made in our sustainability journey. This journey will require our continuous effort to support our customers and communities, reduce our environmental impact and make Sing Investments & Finance Ltd ("SIF") a better place for our employees to work in.

The Board believes that, in addition to the financial reporting and disclosures of corporate governance framework & practices, this report would provide a more holistic picture of ESG matters relevant to all our key stakeholders, including customers, investors, employees and regulators.

In formulating our Group's strategy, the Board has always been mindful of the sustainability issues and their impact to our business and key stakeholders. The Board also determines the ESG factors that are material and relevant to the Group against the backdrop of changing industry trends and landscape.

Below are the key milestones and progress the Group has achieved in ESG matters during 2019:

- On our social role to create value by investing in solutions to meet our customers' needs, convenience and demands, we had successfully replaced our legacy core banking system with a new digital-enabled 24/7 system. With this new capability, we are able to launch our mobile app and online services that benefit our customers as they are able to open accounts digitally and perform their financial transactions using the digital platforms instead of visiting our physical branches.

- On the governance aspect, the Company is honoured to receive the Singapore Corporate Governance Award (Small Cap) by the Singapore Securities Investors Association for the third year in succession. Another notable achievement for SIF in 2019 was being the recipient of the inaugural Singapore Corporate Award- Risk Management (Merit Award) for the Small Cap category. This award affirmed the Group's robust risk management and control framework as well as strong risk culture.

- On our compliance with the Regulations, we continue for the second year to be under the SGX FAST track programme, where listed companies with good corporate governance standing are accorded prioritised clearance for selected corporate action submissions. The Company was also granted the renewal of Premium status under the GST-Assisted Compliance Assurance Programme ("ACAP"), for another six years till 2025. ACAP is a compliance initiative by IRAS for business which set up robust GST Control Framework. SIF had been granted this premium status since 2014.

- On our environmental and green projects, we have stepped up our recycling efforts by providing recycled bins for SIF building and encouraged our staff and tenants to participate in this initiative. The results have been very positive and we will continue to increase the recycling output. On the energy consumption front, however, the Group did not achieve our target to reduce the environmental footprint. The key reason was the extra hours of work in the office to implement our new core banking system and ensure a smooth and successful cut-over. We will strive to do better in the coming year.

The Board continues to be committed to advance our sustainability efforts to generate sustainable growth and create value to all our key stakeholders and do our part for the environment.

SUSTAINABILITY REPORT

SUSTAINABILITY GOVERNANCE

The Board is responsible for the sustainability report and believes that good governance is important in managing our Company and businesses effectively and responsibly.

The Board has assigned responsibility for the on-going monitoring and management of our sustainability efforts and material ESG factors to the Sustainability Steering Committee. The Committee reports regularly to the Risk Management Committee which reports to the Board.

MATERIALITY ASSESSMENT

The Sustainability Steering Committee, which comprises senior management and key managerial staff, identifies the material ESG factors for the Risk Management Committee's concurrence before recommending them for the Board's approval. These material ESG factors are reviewed on an annual basis to ensure that they are appropriate in the current environment. The Sustainability Steering Committee also ensures that sustainability policies and practices are in place and formulates the appropriate targets in our sustainability agenda for the Risk Management Committee's consideration.

We have achieved all our targets in 2019, except in the area of reduction of energy consumption due primarily to the additional work needed for the implementation of the new core banking system.

ABOUT THIS REPORT

REPORTING PERIOD

This is the third Sustainability Report for the Group, which covers the reporting period from 1st January 2019 to 31 December 2019 and is reported together with our Annual Report.

SCOPE

This Sustainability Report covers the operations of Sing Investments & Finance Limited and its fully owned subsidiary Sing Investments & Finance Nominees (Pte.) Ltd in Singapore.

This report seeks to provide both internal and external stakeholders with an overview of the Company's strategies, initiatives and performance in relation to Environmental, Social and Governance issues.

FRAMEWORK

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and also in conformity with the Singapore Exchange Limited (SGX) Sustainability Guidelines. The GRI Standards was adopted by the Group because GRI provides good principles and performance indicators to help the Group to implement and report on our sustainability policies, practices, performance and targets. The GRI Content Index can be found on page 46 to 49.

STAKEHOLDER ENGAGEMENT

The selection process for the key stakeholders is as follows: first we review the various stakeholders who have an interest in the Company, and then identify the key stakeholders, as appended below, where engagement is necessary and important. Effective stakeholder engagement would enhance communication and ultimately build trust between us and the respective stakeholders.

Stakeholders can provide their feedback through many channels and we are able to secure insights into the material factors that we had identified.

Stakeholders	Their expectations	How we meet their expectations	How we engage them in 2019
Customers	– Fair lending – Competitive products and services – Data privacy & security – Prompt service and resolution of complaints – Safe front office environment	– SIF and its staff maintain highest professional and ethical standards towards all our customers – Providing new products and services by leveraging new technologies – Listening to customers' needs and providing the best financial advice – Providing clear and transparent information to assist customers to make informed financial decisions – Managing customers' feedback and complaints promptly and effectively – Maintaining safe and clean front office premises	– Interactions at branches – Face to face meetings – Customer service hotline – Marketing campaigns – New Mobile and internet delivery channels
Regulators	– Adhere to the laws and regulations set by regulators and to support them to foster a sound and progressive financial industry in Singapore.	– Prevention of fraud, money laundering and countering the financing of terrorism – Strong Compliance framework to ensure compliance with applicable laws, rules and regulations	– Regular dialogues, updates and consultation with regulators – Submission of regulatory and tax returns/surveys – Participate in Compliance Program, where applicable – Submission of Audit reports
Employees	– Trust and respect from employer – Career Development – Fair employment – Work life balance – Safe and conducive work environment	– Provide training opportunities – Career Development – Talent Management and Retention – Fair Human Resource policy – Fair and transparent performance appraisal process – Maintain a healthy and safe workplace	– One on one sessions – HR policies and procedures – Trainings – Appraisals – Recreational activities
Investors	– Stable and sustainable growth – Soundness of funding and capital position – Returns to shareholders – Strong corporate governance and transparency – Timely disclosures	– Competent Board of Directors and Management staff – Ensure diversified funding base and strong capital position – Maintain sustainable dividend payout – Maintain robust corporate and risk governance – Ensure timely disclosure and reporting	– Annual general meetings – Annual reports – Quarterly financial reports – SGXNet Announcements
Community	– Good corporate citizen	– Giving back to the society through our corporate social responsibility activities – Promotion of environmental sustainability	– Recycling program – Participating in World Clean Up Day – Funding Raising Event – Donations

SUSTAINABILITY REPORT

MATERIALITY ANALYSIS

Our materiality definition is guided by the GRI standards (2016). Material sustainability factors will reflect SIF's significant economic, environmental and socials impacts. These factors will influence the assessments and decisions of the stakeholders.

Material Factors		GRI Topic -Specific Disclosures
Economic	Our financial performance, value creation, and distribution and retention of profits for our shareholders	Economic performance
Social Economic	Our external impact through our role as a Financial Institution	Indirect economic performance
Governance	Our governance structure, ethics and integrity, anti-corruption and compliance policies	Anti-corruption Social Economic Compliance
People	Our Talent management and responsible employment practices	Employment Labour Relations Training and Education Diversity and equal opportunity Non-discrimination
Community	Our local community engagement activities	Local Communities
Environment	Our role in mitigating climate change	Energy Effluent and Waste

All our key stakeholders expect our Company to be engaged on ESG matters. We will continue to explore business opportunities, expand our services and increase our efforts on environmental initiatives which will enable us to contribute more to the communities we operate in.

ECONOMIC

Sustainable growth and creation of long term value to all our stakeholders have always been SIF's goal and purpose. With the direct economic value created, we ensure that they are appropriately distributed to our employees, our service providers and to the government via the income tax and indirect taxes.

Similarly, SIF seeks to provide sustainable dividend returns to our shareholders. This is achieved by balancing dividend pay out to shareholders and retaining earnings to support business growth and strong capital position.

Table 1: Information on direct economic value generated and distributed

$'000	2017	2018	2019
Total Income	51,780	51,824	50,464
Staff Cost	14,570	15,111	16,077
Operating costs (exclude depreciation)	7,301	7,927	9,060
Income Tax expenses	3,706	4,699	2,101
Profit After Tax	22,695	24,028	20,018
Dividend*	11,034	11,034	9,458
Retained in the business	11,661	12,994	10,560

*Dividend for 2019 subjected to shareholders' approval

Economic Targets for FY 2020
Sustainable Value Creation for stakeholders
To continue to achieve sustainable growth and creating long term value for all stakeholders

SOCIAL ECONOMIC IMPACTS

SIF contributes to the development of Singapore's economy by offering financial products and services to our customers. Our customers are our top priority and therefore, it is important that they trust us to provide suitable financial products and services to them.

Innovation in products and services, which leverages on technologies, is important to meet the changing needs of our customers. Therefore, SIF will continue to innovate and create financial products and services that are relevant to our customers' changing lifestyle and business needs.

In 2019, we successfully replaced our core banking system to a digital enabled 24/7 platform. We also launched our mobile and internet channels to enable our retail customers to open accounts and perform their financial transactions online. The new digital solution offers a suite of online services, including account opening for savings and fixed deposits products, a consolidated view of all accounts with the Company as well as payment transfer via FAST (Fast And Secured Transfers).

We are committed to:

1. Continue to be a well-capitalised and stress-resilient Finance Company in Singapore.
2. Create value by investing in solutions to meet our customers' needs and preferences.
3. Improve profitability through better delivery of products and services and management of risks.
4. Encourage transparency and veracity in communication with our stakeholders.
5. Promote operational resilience of our system infrastructure and our recovery processes to ensure minimal disruption of essential services to our customers.

SUSTAINABILITY REPORT

Social Economic Targets for FY 2020
Well Capitalised and Trusted Finance Company
Continuing to have a buffer above the regulatory capital requirements and process that support good governance practices
Customers' engagement
Continuing our on-going efforts to meet customers' needs and introduction of new products and services to customers.

GOVERNANCE

SIF has set high standard of corporate governance and business ethics as guided by the Code of Corporate Governance. Further information can be found in our Corporate Governance Report.

On the governance aspect, the Company was honoured to receive the Singapore Corporate Governance Award (Small Cap) by the Singapore Securities Investors Association for the third year in succession.

SIF also continued to be under the SGX FastTrack program for the second year. SGX recognized that SIF has a good corporate governance standing and compliance track record.

In 2019, SIF was honoured to receive the inaugural Singapore Corporate Award- Risk Management (Merit Award). This award recognises companies that have established and disclosed adequate and effective risk management practices and raised awareness of the core and leading risk management practices required to support and sustain the strategic direction of companies, especially in this age of technology and disruption.

A strong risk culture is vital to the successful execution of SFI's business strategy. We strive to balance the risk and return equation to ensure that SIF can optimise the profits within the risk appetite approved by the Board and the Risk Management Committee. Great emphasis has also been put on staff training and communication to improve risk awareness among our staff and ensure that risk behaviours and practices are consistent across functions and are in keeping with our risk culture.

Since 2014, SIF had attained the Premium status under the GST-Assisted Compliance Assurance Programme (ACAP), a compliance initiative by IRAS for business which set up robust GST Control Framework as part of good corporate governance. The Company's premium status has been renewed for another 6 years till 9 June 2025.

OUR CODE OF CONDUCT AND ETHICS POLICY

The Company has in place a whistle blowing policy which encourages all staff and members of public to raise genuine concerns on money laundering, bribery and corruption. The policy aims to encourage the reporting of such matters in good faith. The Company ensures the confidentiality of the whistle blower and allows disclosures to be made anonymously. All staff are trained on an on-going basis as part of the Company's efforts to promote awareness of fraud control.

There were no cases of non-compliance with regulations and voluntary codes concerning marketing communications by SIF during the year.

There were also no cases of substantiated complaints concerning breaches of customer privacy and loss of customer data at SIF during the year.

For more information, please refer to Principle 10 "Audit Committee" for Whistle Blowing Policy and Complaint Handling Procedures of the Corporate Governance Report.

COMBATING FINANCIAL CRIME

The Company has in place a robust Anti Money Laundering Policy and framework that complies with applicable laws, regulations and professional standards.

Communications and training in 2019 include the following:

- All our employees are required to complete training on anti-money laundering on an annual basis.
- All employees are required to read and confirm in writing that they have read the Finance Houses Association of Singapore's Code of Conduct which contains our stance on anti- corruption, on an annual basis.

On an annual basis, all staff are required to declare that they have read and understood:

(1) Code of Conduct Manual issued by the Finance Houses Association of Singapore; and
(2) SIF's HR Personnel Manual.

Both manuals contain sections on "Abuse of Position" and "Conflict of Interest" which staff must adhere to. Staff are prohibited from committing bribery and other financial crimes.

For more information, please refer to Principle 9 "Risk Management and Internal Controls" for Compliance Department under the Corporate Governance statement.

Governance Targets for FY 2020
Effective Compliance and Risk Management
To disclose the number of incidents of corruption and actions taken;
To disclose the number of material non-compliance with laws and regulations; and
To disclose any substantiated complaints received concerning breaches of customer privacy.

PEOPLE

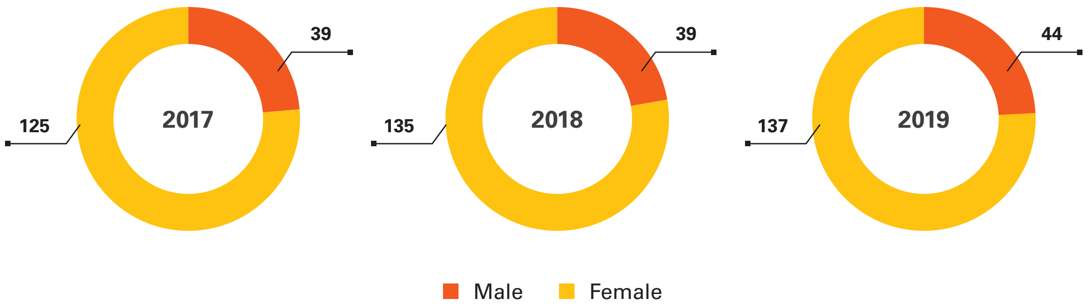
In the business of delivering quality financial products and services in a competitive marketplace, our employee is our key asset. Being able to attract and retain talent while maximising each person's potential is an essential strategy in our continued success.

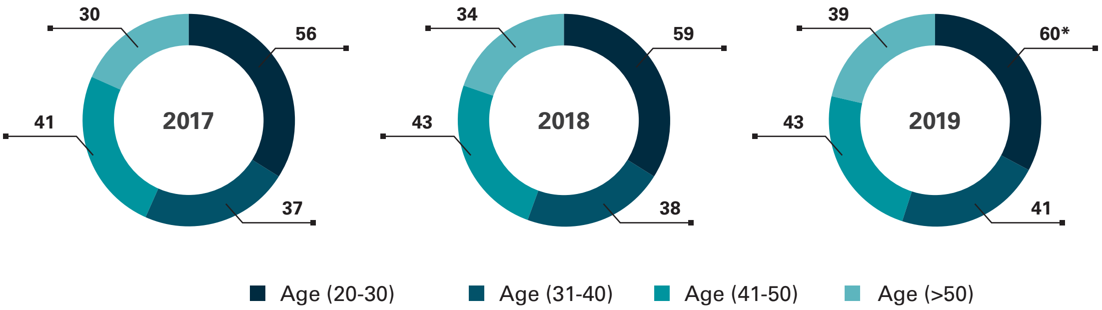
DIVERSITY IS STRENGTH

When hiring, we seek to value the contributions of each staff, regardless of age and gender. Our total headcount and workforce mix have remained stable through the years, with all employees being employed in Singapore. Notably, about 10% of our employees have been with the Company for more than 20 years. Moving forward, we endeavour to continue developing a robust mix of young and mature workers while improving on our gender mix.

SUSTAINABILITY REPORT

Table 2: Information on employees by gender and age





* 2 are temp/contract (20 – 30 yrs.)

Table 3: Total number and rates of new employee hires and voluntary attrition by age group and gender

Year	Age (20-30)	Gender (M)	Gender (F)	Age (31-40)	Gender (M)	Gender (F)	Age (41-50)	Gender (M)	Gender (F)	Age (>50)	Gender (M)	Gender (F)	Grand total
2017 – New Hire	29	7	22	12	4	8	15	5	10	3	1	2	59
2018 – New hire	28	4	24	19	7	12	11	1	10	5	1	4	63
2019 – New hire	35	7	28	12	9	3	12	1	11	5	3	2	64

Year	Age (20-30)	Gender (M)	Gender (F)	Age (31-40)	Gender (M)	Gender (F)	Age (41-50)	Gender (M)	Gender (F)	Age (> 50)	Gender (M)	Gender (F)	Grand total
2017 – Resigned	26	7	19	12	4	8	11	4	7	5	3	2	54
2018 – Resigned	21	5	16	19	5	14	9	2	7	6	1	5	55
2019 – Resigned	26	5	21	15	6	9	10	2	8	6	2	4	57

Note: none of our staff are eligible for collective bargaining under the Memorandum of Understanding.

EMPLOYEE WELL-BEING

We organised several events and bonding activities for employees, as part of our efforts to make SIF a great workplace to be in. These included the annual Chinese New Year dinner, Durian Party and Company Dinner & Dance.

** CNY Dinner at Peach Garden Restaurant*

** Durian Party at SIF Building*

** Dinner & Dance 2019 @ Carlton Hotel*

** One of the recipients of Long Service Award (25 years)*

SUSTAINABILITY REPORT

DEVELOPING OUR HUMAN CAPITAL

Riding on the wave of digital transformation, we successfully migrated to a new core banking system that enables us to provide a suite of services online as well as on mobile platforms. To ensure that our people are ready to deliver high quality services to our customers, a comprehensive in-house training program was rolled out since 2018 and continued throughout 2019. Many employees were also sent for training courses externally to equip them with the skills and knowledge needed to take on bigger roles and responsibilities. We clocked in an average of 15 hours of training per staff in 2019, meeting the target set.

Table 4: Average hours of training by Gender

	Male	Female
2017	29.31	24.03
2018	14.44	22.15
2019	12.82	18.25

Table 5: Average hours by Employee Category

	AM and below	AVP to SVP	AGM to MD
2017	22.03	33.39	18.50
2018	18.52	21.48	15.75
2019	19.46	10.63	19.92

The focus of training in the coming year would be on up-skilling and readying each staff to better embrace and harness the benefits of new technology. This would include Robotic Process Automation (RPA) workshops conducted in-house for staff keen to work on automation initiatives within their departments. Our goal is to continue to develop our people so that everyone can move forward together as a Company.

People Targets for FY 2020
• **To maintain the average hours of training per staff at 15 hours**

ENVIRONMENT

ENVIRONMENTAL FOOTPRINT

As individuals and as a Company, we are keenly aware of our responsibility towards our environment, especially in the wake of many significant and devastating climate change events. While we are committed to reducing our energy and water consumption, we recorded an increase of 12% in energy consumption per staff from 2018. The rise was mainly due to the extra hours of work in the office during the testing, implementation and cut-over to our new core banking system in 2019. Moving forward, we will step up plans to replace the current lighting within SIF Building to LED lights to reduce energy consumption further.

Table 6: Electricity consumption per staff

Energy Consumption	KwH/staff
2016	6,634
2017	6,579
2018	6,097
2019	6,837

* 2016 is the baseline year when we started tracking our carbon emissions.

We will continue to participate in the annual "Earth Hour" event as well as remind staff to shut down their desktop computers and laptops, turn off electrical appliances and office lights when not in use. Lights in the public areas within the building are already dimmed after office hours.

SUSTAINABLE SOURCING AND PAPER CONSUMPTION

As a matter of corporate policy, we have implemented due diligence checks on our suppliers in four areas – (i) human rights, (ii) health and safety, (iii) environment sustainability and (iv)business integrity and ethics. As such, we procure all our paper supplies only from Green Label certified vendors. In a bid to reduce waste, we have also ceased the mailing of printed hard copy annual reports since 2019. Stakeholders can refer to our Company's website for the annual report in softcopy.

RECYCLING PROGRAM

Starting September 2019, we launched our in-house Recycling Program within SIF Building, in a bid to encourage staff and tenants to take a moment to sort their trash and recycle right. Through circulars and monthly e-newsletters, we created awareness, encouraged participation and continued to update everyone on our progress through the months. Moving forward, we plan to sustain and steadily build upon these efforts, so that recycling can become a way of life.

Recycled Waste	KG
Paper	606*
Plastics	13*

* Figures collated from Sept – Dec 2019

SUSTAINABILITY **REPORT**

WORLD CLEANUP DAY

Another initiative was to engage the staff in sustainability-related activities. On 21 September 2019, SIF joined over 20 million people in 180 countries and territories all over the world, to clean up together on the same day. Through this hands-on experience, the 80 staff volunteers who participated realized how much effort is required to keep Singapore 'Clean and Green' and the urgent need to reduce the amount of trash we generate each day.

** 80 staff volunteers at East Coast Parkway doing our part for the environment*

** Baby turtle found here and was rescued and set free*

We managed to clean up, collect and audit **60.5kg** of trash in about 2 hours.

Among the items recorded, cigarette butts, food wrappers and foam pieces ranked as top 3 types of trash collected. But the team was heartened by an extra meaningful find – a baby turtle that was entangled with seaweed and string, which we managed to rescue and set free.

Environment Targets for FY 2020
• To continue our effort to reduce energy consumption per staff
• To increase recycling output by 10%
• To continue garner staff to volunteer for sustainability-related activities

LOCAL COMMUNITY

As a Finance Company, serving the needs of others is essentially our business. Therefore, people are always at the heart of what we do. We believe in building strong bonds not only with our customers, but among our staff and the community at large. This year, SIF chose to focus our CSR efforts on the elderly and children at risk.

SPREADING THE CHINESE NEW YEAR CHEER TO THE ELDERLY

On 14 Feb 2019, SIF supported our long time charity partner – Red Star Restaurant Pte Ltd in hosting about 200 elderly folks to a sumptuous CNY lunch. These seniors were mostly living alone or from various Old Folk's Homes. They enjoyed themselves and were entertained by famous local and foreign Getai singers. After the meal, SIF, along with other sponsors, distributed red packets to all the elders, wishing them good health and happiness.

CHRISTMAS CHARITY FLEA MARKET

To encourage staff to reuse and recycle more, a Charity Flea Market was organized within the Company. Staff contributed generously – many donated their pre-loved items, some spent weeks knitting items for sale, while others made purchases both on site as well as online during this half day event. A total of $6,000.00 was raised and all proceeds went to the **Chen Su Lan Methodist Children's Home**, to help defray the cost of providing a safe haven for the at-risk children in their care.

OTHER SPONSORSHIPS

SIF donated another $28,000.00 to various charities, of which $20,000.00 went to **Ren Ci Hospital**, a non-profit voluntary welfare organisation (VWO) dedicated to provide affordable medical, nursing and rehabilitative care services to the elderly community. With this contribution, we hope it would enable the less fortunate seniors to continue receiving good quality healthcare services.

Local Community Targets for FY 2020
To achieve Higher Staff Participation in 2020

GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES

GRI Reference	Disclosure title	Where have we disclosed this?
102-1	Name of the organization	Sing Investments & Finance Limited
102-2	Activities, brands, products, and services	Please refer to "About us".
102-3	Location of headquarters	96 Robinson Road #01-01 Singapore 068899
102-4	Location of operations	Singapore
102-5	Ownership and legal form	Public Limited Company listed on the Singapore Exchange
102-6	Markets served	Please refer to "About us".
102-7	Scale of the organization	Please refer to "5 years financial summary"
102-8	Information on employees and other workers	Please refer to "People".
102-9	Supply chain	Please refer to "Sustainable Sourcing".
102-10	Significant changes to the organization and its supply chain	There were no significant changes in our organizational profile during the reporting period.
102-11	Precautionary Principle or approach	SIF does not explicitly follow the precautionary principle or approach in its risk management framework. However, we will continue to contribute to society by generating profits responsibly.
102-12	External initiatives	We have applied the GRI standards in preparation of our Annual Report.
102-13	Membership of associations	Our key memberships include: – Hire Purchase, Finance and Leasing Association of Singapore (Chairman) – Finance Houses Association of Singapore (Honorary Treasurer) – Singapore Chinese Chamber of Commerce & Industry (SCCCI) – Singapore Business Federation
102-14	Statement from senior decision-maker	Please refer to "Chairman's Statement".
102-16	Values, principles, standards, and norms of behaviour	Please refer to "Business and ethical conduct" of the Corporate Governance Report.
102-18	Governance structure	Refer to "Sustainability Governance."
102-40	List of stakeholder groups	Please refer to "Stakeholder Engagement".
102-41	Collective bargaining agreements	Please refer to "People".

GRI Reference	Disclosure title	Where have we disclosed this?
102-42	Identifying and selecting stakeholders	Please refer to "Stakeholder Engagement".
102-43	Approach to stakeholder engagement	Please refer to "Stakeholder Engagement".
102-44	Key topics and concerns raised	Please refer to "Stakeholder Engagement".
102-45	Entities included in the consolidated financial statements	Refer to "Scope of Report".
102-46	Defining report content and topic Boundaries	Refer to "Sustainability Governance".
102-47	List of material topics	Refer to "Materiality Analysis".
102-48	Restatements of information	Restatements of information, where applicable, are noted within the relevant data sets.
102-49	Changes in reporting	There are no significant changes in scope and aspect boundaries.
102-50	Reporting period	This report covers the period 1 January to 31 December 2019.
102-51	Date of most recent report	31 December 2019
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	investor_relations@sif.com.sg
102-54	Claims of reporting in accordance with the GRI Standards	SIF had chosen the "in accordance- core" option to focus on the matters most material to our stakeholders.
102-55	GRI content index	This appendix is the GRI content index.
102-56	External assurance	This report has not been externally assured.

TOPIC-SPECIFIC DISCLOSURES

GRI Reference	Disclosure title	Where have we disclosed this?
103-1	Explanation of the material topic and its Boundary	Please refer to "Economic"
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
201-1	Direct economic value generated and distributed	

GRI CONTENT INDEX

GRI Reference	Disclosure title	Where have we disclosed this?
103-1	Explanation of the material topic and its Boundary	Please refer to "Social Economic".
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
203-2	Significant indirect economic impacts	
103-1	Explanation of the material topic and its Boundary	Please refer to "Governance".
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
205-2	Communication and training about anti-corruption policies and procedures	Please refer to "Combating Financial Crime".
417-3	Incidents of non-compliance concerning marketing communications	Refer to "Governance" in sustainability report.
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Refer to "Governance" in sustainability report.
103-1	Explanation of the material topic and its Boundary	Please refer to "People".
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
401-1	New employee hires and employee turnover	Please refer to "Diversity is Strength".
404-1	Average hours of training per year per employee	Please refer to "Developing our Human Capital".
404-3	Percentage of employees receiving regular performance and career development reviews	100% of eligible employees received regular performance and career development reviews in 2019

GRI Reference	Disclosure title	Where have we disclosed this?
103-1	Explanation of the material topic and its Boundary	Please refer to "Environment".
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
302-1	Energy consumption within the organization	Please refer to "Environmental Footprint".
306-2	Waste by type and disposal method	Please refer to "Recycling Program".
103-1	Explanation of the material topic and its Boundary	Please refer to "Local Community".
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
413-1	Operations with local community engagement, impact assessments, and development programs	

PERFORMANCE REVIEW

1. PERFORMANCE REVIEW

	2019 $'000	2018 $'000	Variance +/(-) (%)
Selected Income Statement Items			
Net interest income	45,326	46,888	(3.3)
Non-interest income	5,138	4,936	4.1
Total income	50,464	51,824	(2.6)
Operating expenses	(26,652)	(24,472)	8.9
Profit from operations before allowances	23,812	27,352	(12.9)
(Allowances for)/Write-back of credit losses on loans and other assets	(1,693)	1,375	NM
Profit before income tax	22,119	28,727	(23.0)
Profit after tax attributable to equity holders of the Company	20,018	24,028	(16.7)
Selected Balance Sheet Items			
Total equity	372,981	363,005	2.7
Total assets	2,915,796	2,814,039	3.6
Loans and advances	2,186,617	2,081,004	5.1
Deposits and balances of customers	2,497,637	2,402,886	3.9
Key Financial Ratios (%)			
Net interest margin	1.7	1.8	
Non-interest income-to-total income	10.2	9.5	
Cost-to-income ratio	52.8	47.2	
Loans-to-deposits ratio	87.5	86.6	
Non-performing loans ratio	2.9	3.7	
Return on equity(1)	5.4	6.6	
Return on total assets(2)	0.7	0.9	
Capital adequacy ratio	14.4	14.5	
Per Ordinary Share Data			
Basic earnings per share (cents)	12.70	15.24	
Net asset value per share ($)	2.37	2.30	

NM: Not meaningful

(1) Return on equity is computed based on ordinary shareholders' equity at balance sheet date.

(2) Return on total assets is computed based on total assets as at balance sheet date.

EARNINGS FOR THE YEAR

Despite the economic slowdown in 2019, the Group managed to register a net profit after tax of $20.0 million. This was $4.0 million or 16.7% lower than the earnings of $24.0 million reported in 2018. The weaker performance was primarily attributable to lower net interest income, additional operating expenses as well as higher loan allowances; partially cushioned by a lower tax charge arising from adjustment for the over provision of prior year's tax.

Net interest income, which was adversely affected by the higher cost of deposits, declined by $1.6 million or 3.3% to $45.3 million compared to the previous year. The $11.0 million increase in interest expense was mainly driven by the higher deposit rates coupled with the increase in customer deposits balance to support the growth in the loan portfolio. Overall, net interest margin declined by 10bps to 1.7% compared to 1.8% in 2018 as the rise in cost of deposits outpaced the improvement in loan yields.

Non-interest income edged up slightly, contributed largely by the $0.2 million gain from the sale of Singapore Government Securities ("SGS") bonds (2018: Nil). Operating expenses increased by $2.2 million (8.9%) mainly from higher other operating expenses ($1.1 million) and staff costs ($1.0 million) to support higher business activities. Depreciation charge also rose by 5.0% as a result of greater investments in technology infrastructure as part of our digital transformation journey.

Additional allowances for credit losses of $1.7 million were made for 2019 compared to a write back of $1.4 million in 2018. The Group continues to maintain adequate loss allowances in respect of its loan portfolio and other assets.

In compliance with the regulatory requirement for loan allowance, there was an additional transfer of $1.5 million to the Regulatory Loan Allowance Reserve ("RLAR") during 2019. The transfer is reflected in the Statement of Changes in the Equity.

LOANS AND DEPOSITS

Total loans and advances balance continued its upward trend, growing by $106 million or 5.1% in 2019 to reach a new peak of $2.19 billion as at 31 December 2019.

In tandem with the higher loan balance, deposits and balances of customers also increased by $94.8 million or 3.9% to $2.50 billion as at the end of 2019. The loan to deposit ratio was 87.5% at the end of 2019 as compared to 86.6% in 2018.

SHAREHOLDERS' EQUITY AND DIVIDENDS

Total shareholders' funds grew 2.7% to $373.0 million, as a result of retained earnings. Total assets increased by 3.6% or $101.8 million in line with the expansion of loans portfolio to $2.92 billion as at the end of 2019. Net Asset value per share also rose from $2.30 in 2018 to $2.37 as at end of 2019.

In line with the weaker performance in comparison to last year, return on equity declined to 5.4% from 6.6% in 2018.

Subject to approval by the shareholders at the forthcoming Annual General Meeting, the Board is recommending a first and final one-tier tax exempt dividend of 6 cents per share for 2019. This is in line with the Group's performance for the year under review.

2. NET INTEREST INCOME

INTEREST-EARNING ASSETS & INTEREST-BEARING LIABILITIES

	2019			2018		
	Average Balance $'000	Interest $'000	Average Rate %	Average Balance $'000	Interest $'000	Average Rate %
Interest-Earning Assets						
Loans and advances	2,139,871	73,221	3.4	1,987,624	65,441	3.3
Singapore Government Securities	294,442	7,246	2.5	268,377	6,651	2.5
Other interest-earning assets	278,927	5,452	2.0	289,641	4,423	1.5
Total	**2,713,240**	**85,919**	**3.2**	**2,545,642**	**76,515**	**3.0**
Interest-Bearing Liabilities						
Deposits and balances of customers	2,420,767	40,316	1.7	2,262,624	29,442	1.3
Enterprise Singapore loans (unsecured)	9,675	264	2.7	6,897	184	2.7
Other liabilities	368	13	3.5	38	1	2.6
Total	**2,430,810**	**40,593**	**1.7**	**2,269,559**	**29,627**	**1.3**
Net interest income/margin as a percentage of interest-earning assets		**45,326**	**1.7**		**46,888**	**1.8**

Net interest income decreased by 3.3% or $1.6 million from a year ago to $45.3 million mainly driven by higher funding cost. The average loan base grew by 7.7%, funded by corresponding increase in the average deposit base of 7.0%. Net interest margin declined by 10bps to 1.7% as the increase in the cost of deposits outpaced the improvement in loan yields.

PERFORMANCE REVIEW

VOLUME AND RATE ANALYSIS

The table below analyses the changes in net interest income in 2019 over 2018 due to changes in volume and changes in rates. For 2019, the impact arising from higher customer deposit rates and volume more than offset the additional interest income contributed by the growth in loan volume and loan yields; resulting in a net decline in net interest income.

Increase/(Decrease) for 2019 over 2018	2019 Volume $'000	 Rate $'000	 Total $'000
Interest Income			
Loans and advances	5,013	2,767	7,780
Singapore Government Securities	646	(51)	595
Other assets	(164)	1,193	1,029
Total	**5,495**	**3,909**	**9,404**
Interest Expense			
Deposits and balances of customers	2,058	8,816	10,874
Enterprise Singapore loans (unsecured)	74	6	80
Other liabilities	9	3	12
Total	**2,141**	**8,825**	**10,966**
Net interest income	**3,354**	**(4,916)**	**(1,562)**

3. NON-INTEREST INCOME

	2019 $'000	2018 $'000	Variance +/(-) %
Fees and commissions	1,080	1,060	1.9
Dividends	195	173	12.7
Rental income from investment properties	3,271	3,275	(0.1)
Profit on Sale of SGS Portfolio	206	–	NM
Others	386	428	(9.8)
Total non-interest income	**5,138**	**4,936**	**4.1**

NM: Not meaningful

Non-interest income increased by $0.2 million compared to last year, contributed mainly by gains from the sale of Singapore Government Securities (SGS). Similarly, dividend income also outperformed last year's quantum by 12.7%. The decline in the other income was largely due to the lower government grant received for the Wage Credit scheme in 2019.

4. OPERATING EXPENSES

	2019 $'000	2018 $'000	Variance +/(-) %
Staff costs	16,077	15,111	6.4
Depreciation of property, plant and equipment	1,110	1,057	5.0
Depreciation of investment properties	377	377	–
Depreciation of right-of-use assets	28	–	NM
Other expenses	9,060	7,927	14.3
Total operating expenses	**26,652**	**24,472**	**8.9**

NM: Not meaningful

Operating expenses increased by $2.2 million (8.9%) broadly from higher other operating expenses ($1.1 million) and staff costs ($1.0 million). These increases were mainly to support higher business activities during the year. Depreciation also increased as a result of the implementation of the new core banking system and greater investments in technology infrastructure as part of our digital transformation journey. With the higher business activities and the need to strengthen our talent pool, the total staff strength increased from 174 to 181 as at the end of 2019.

5. ALLOWANCES FOR CREDIT LOSSES ON LOANS AND OTHER ASSETS

	2019 $'000	2018 $'000	Variance +/(-) %
Allowances for/(Write-back of) impaired loans	1,666	(1,375)	NM
Allowance for non-impaired assets	27	–	NM
Total allowances on loan losses	**1,693**	**(1,375)**	**NM**

NM: Not meaningful

Additional allowances for credit losses of $1.7 million were made for 2019 compared to a write back of $1.4 million in 2018.

In line with the growth of the loan portfolio as at 31 December 2019, an additional allowance of $27,000 was made for the non-impaired assets under SFRS(I) 9 on Financial Instruments.

5 YEARS FINANCIAL SUMMARY

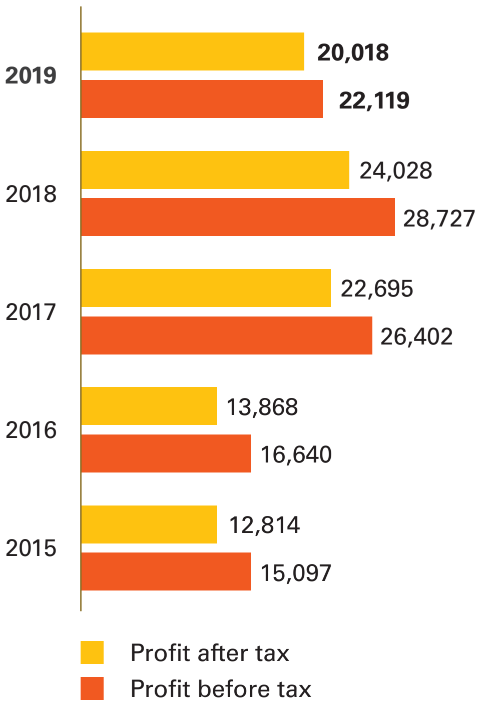
	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Total Income	**50,464**	51,824	51,780	43,826	40,249
Profit					
Profit before tax	**22,119**	28,727	26,402	16,640	15,097
Profit after tax	**20,018**	24,028	22,695	13,868	12,814
Share Capital					
Issued and Fully Paid	**180,008**	180,008	180,008	180,008	180,008
Capital Employed					
Total Assets	**2,915,796**	2,814,039	2,521,674	2,682,976	2,660,148
Net Assets	**372,981**	363,005	337,723	319,914	312,544
Volume of Business					
Loans	**2,186,617**	2,081,004	1,909,261	1,905,456	1,969,414
Deposits	**2,497,637**	2,402,886	2,141,763	2,319,272	2,313,861
Dividend And Earnings Per Share					
Dividend (net)	**9,458**	11,034	11,034	7,881	7,881
Dividend per share (cents)*	**6.00**	7.00	7.00	5.00	5.00
Earnings per share (cents)**	**12.70**	15.24	14.40	8.80	8.13
Return On Total Assets (%)	**0.69**	0.85	0.90	0.52	0.48
Return On Equity (%)	**5.37**	6.62	6.72	4.33	4.10
Net Asset Per Share ($)	**2.37**	2.30	2.14	2.03	1.98
Number of Employees	**181**	174	164	160	157

* One-tier tax exempt dividend.

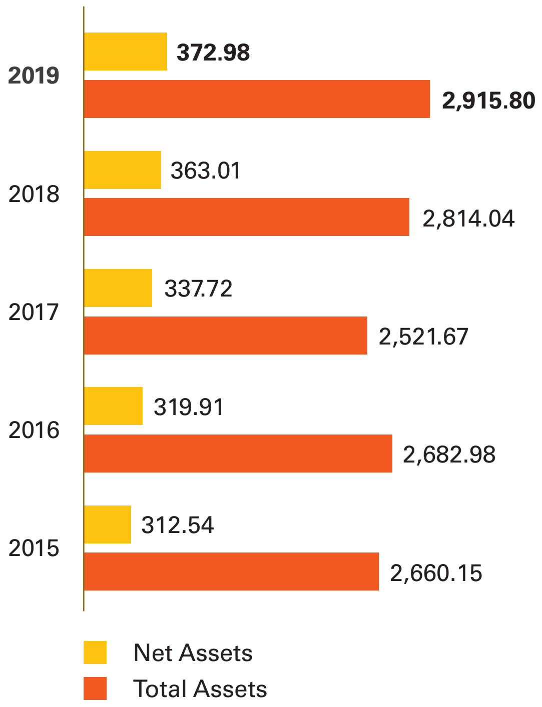
** Earnings per share is calculated based on the weighted average number of ordinary shares in issue during the year (FY 2015 to FY 2019: 157,625,764 shares).

5 YEARS FINANCIAL SUMMARY

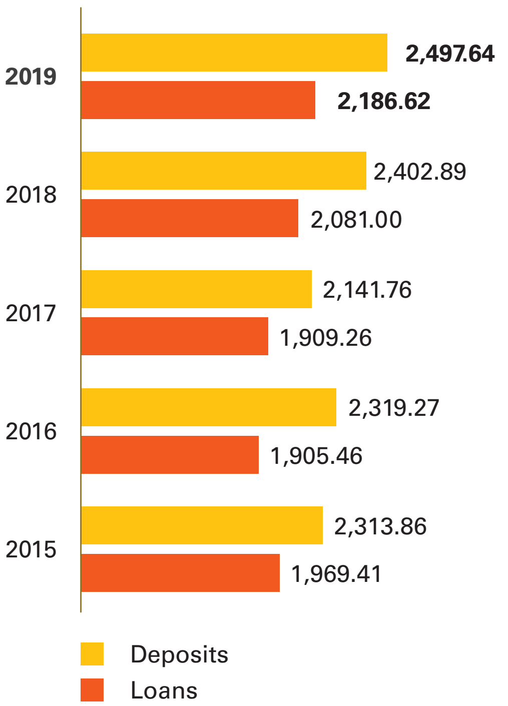
PROFIT ($'000)



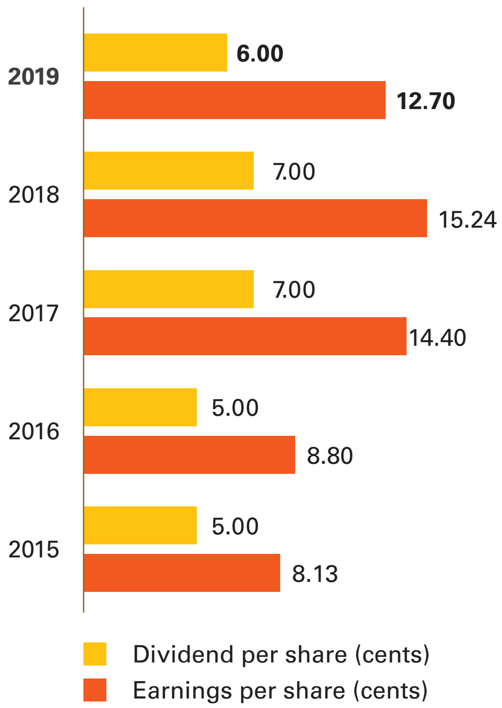
CAPITAL EMPLOYED ($ MILLION)

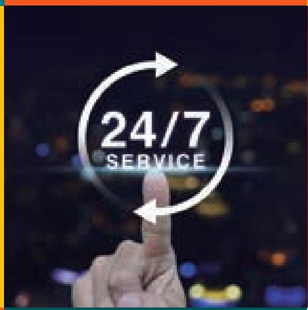


VOLUME OF BUSINESS ($ MILLION)



DIVIDEND AND EARNINGS PER SHARE (CENTS)





MAKING CUSTOMERS A CENTRAL PRIORITY

FINANCIAL REPORTS

DIRECTORS' **STATEMENT**

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 65 to 141 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 2019, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Ng Tat Pun	
Lee Sze Leong	
Lee Sze Siong	
Chee Jin Kiong	
Toh Kian Leong Joseph	(Appointed on 2 January 2019)
Lau Hwai Keong Michael	(Appointed on 2 January 2019)

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Shareholdings in the name of the director or nominee		Shareholdings in which the director is deemed to have an interest	
Name of directors	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
Sing Investments & Finance Limited (Ordinary shares)				
Lee Sze Leong	584,631	599,631	46,629,450	47,179,050
Lee Sze Siong	651,142	651,142	46,629,450	47,179,050

By virtue of Section 7 of the Act, Messrs Lee Sze Leong and Lee Sze Siong are deemed to have an interest in the subsidiary of the Company at the beginning and 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 2020.

DIRECTORS' **STATEMENT**

4 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company or its subsidiary were granted.

(b) Options exercised

During the financial year, there were no shares of the Company or its subsidiary issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or its subsidiary under options.

5 AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are:

Toh Kian Leong Joseph (Chairman)	(Appointed on 2 January 2019)
Chee Jin Kiong	
Lau Hwai Keong Michael	(Appointed on 2 January 2019)

All members are non-executive independent directors.

The Audit Committee performs the functions specified by Section 201B of the Act, the Listing Manual and the Best Practices Guide of the Singapore Exchange, and the Code of Corporate Governance.

The Audit Committee has held 4 meetings during the financial year. In performing its functions, the Audit Committee met with the Company's executive directors, 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:

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

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

(c) the audit plans of the external auditors;

(d) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditor's report on those financial statements;

(e) the quarterly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

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

(g) the re-appointment of the external auditors of the Group.

DIRECTORS' **STATEMENT**

5 AUDIT COMMITTEE (CONTINUED)

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

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

6 AUDITORS

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

ON BEHALF OF THE BOARD OF DIRECTORS

Ng Tat Pun
Chairman

Lee Sze Leong
Director

12 February 2020

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sing Investments & Finance Limited (the "Company") and its subsidiary (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 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 141.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") 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.

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

Key Audit Matters

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

Key Audit Matter	**How our audit addressed the key audit matter**
Impairment of loans and advances Refer to Note 2.4 for the Group's accounting policy on impairment of loans and advances, Note 3 on critical judgements and estimation uncertainty and Note 4(a)(i) for the Group's credit risk disclosures. Loans and advances constitute approximately 75.0% of the Group's total assets. SFRS(I) 9 *Financial Instruments* requires the Group to recognise Expected Credit Losses ("ECL") on these loans and advances. The determination of ECL involves the use of significant judgement and estimates including: forward looking macro-economic factors, criteria used to determine the significant increase in credit risk, probability of default, and loss given default. Given the judgements and estimation uncertainty involved in the determination of ECL arising from the matters described above, and the size of the loan and advances, we have identified the impairment of loans and advances to be a matter of most significance in the audit, and therefore a key audit matter.	Our audit procedures include the following: • We tested the design, implementation and operating effectiveness of key controls over the following: i. Loan grading and monitoring ii. Validity and valuation of collaterals iii. Identification of significant increases in credit risk iv. Accuracy of data inputs in the ECL model v. Governance over ECL and computation of the ECL • We involved our internal credit modelling specialists to assist us in understanding and evaluating the appropriateness of the Group's ECL model against the requirements of SFRS(I) 9 *Financial Instruments*. • We tested a sample of loan reviews for the appropriateness of the loan grading and staging, and challenged management's evaluations and conclusions on the credit worthiness and classification of the selected loans. • We tested the accuracy of key inputs into the ECL model by comparing against source systems and documents. • We re-computed the ECL to test the mathematical accuracy of the ECL model. • For selected credit-impaired loans, we evaluated management's forecasts on the recoverable cash flows, including the valuation of collaterals used and other sources of repayment.

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

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

Management is responsible for the other information. The other information comprises the Corporate Information, Performance Review, 5 Years Financial Summary, Directors' Statement, Board of Directors and Additional Information, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Chairman's Statement, Corporate Governance Statement, Sustainability Report, and Statistics of Shareholdings, which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Chairman's Statement, Corporate Governance Statement, Sustainability Report, and Statistics of Shareholdings, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

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.

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

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

(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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) 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.

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

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

INDEPENDENT AUDITOR’S **REPORT**

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

Auditor’s Responsibility for the Audit of the Financial Statements (Continued)

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor’s report is Giam Ei Leen.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

12 February 2020

STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2019

	Note	Group		Company	
		2019	2018	**2019**	2018
		$'000	$'000	**$'000**	$'000
ASSETS					
Cash on deposit, at banks and in hand		**282,862**	317,119	**282,798**	317,040
Statutory deposit with the Monetary Authority of Singapore ("MAS")		**69,623**	62,580	**69,623**	62,580
Investments	7	**320,937**	300,550	**320,547**	300,213
Loans and advances	8	**2,186,617**	2,081,004	**2,186,617**	2,081,004
Other receivables, deposits and prepayments	6	**7,815**	8,408	**7,815**	8,408
Subsidiary	11	**–**	–	**25**	25
Property, plant and equipment	9	**25,378**	21,436	**25,378**	21,436
Investment properties	10	**22,564**	22,942	**22,564**	22,942
Total assets		**2,915,796**	2,814,039	**2,915,367**	2,813,648
LIABILITIES AND EQUITY					
Deposits and balances of customers	13	**2,497,637**	2,402,886	**2,498,401**	2,403,642
Other liabilities	14	**30,421**	28,670	**29,941**	28,170
Enterprise Singapore loans	15	**10,007**	9,706	**10,007**	9,706
Provision for employee benefits	16	**598**	268	**598**	268
Current tax payable		**1,393**	7,657	**1,393**	7,657
Deferred tax liabilities	12	**2,759**	1,847	**2,703**	1,800
Total liabilities		**2,542,815**	2,451,034	**2,543,043**	2,451,243
Equity attributable to equity holders of the Company					
Share capital	17	**180,008**	180,008	**180,008**	180,008
Reserves	18	**192,973**	182,997	**192,316**	182,397
Total equity		**372,981**	363,005	**372,324**	362,405
Total liabilities and equity		**2,915,796**	2,814,039	**2,915,367**	2,813,648
Off-balance sheet items					
Undrawn loan commitments	25	**432,494**	520,994	**432,494**	520,994
Guarantees issued	26	**2,009**	2,293	**2,009**	2,293
Total off-balance sheet items		**434,503**	523,287	**434,503**	523,287

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS**

YEAR ENDED 31 DECEMBER 2019

	Note	Group	
		2019	2018
		$'000	$'000
Revenue			
Interest income and hiring charges	21	**85,919**	76,515
Interest expense	21	**(40,593)**	(29,627)
Net interest income and hiring charges		**45,326**	46,888
Fees and commissions		**1,080**	1,060
Dividends	21	**195**	173
Rental income from investment properties		**3,271**	3,275
Other income	21	**592**	428
Income before operating expenses		**50,464**	51,824
Staff costs	21	**(16,077)**	(15,111)
Depreciation of property, plant and equipment	9	**(1,110)**	(1,057)
Depreciation of investment properties	10	**(377)**	(377)
Depreciation of right-of-use assets		(28)	–
Other operating expenses	21	**(9,060)**	(7,927)
Total Operating expenses		**(26,652)**	(24,472)
Profit from operations before allowances		**23,812**	27,352
(Allowances for)/Write-back of credit losses on loans and other assets	4(a)	**(1,693)**	1,375
Profit before income tax		**22,119**	28,727
Income tax expense	22	**(2,101)**	(4,699)
Profit for the year attributable to equity holders of the Company		**20,018**	24,028
Earnings per share (cents)			
– Basic	23	**12.70**	15.24
– Diluted	23	**12.70**	15.24

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	$'000	$'000
Profit for the year	**20,018**	24,028
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Gain on disposal of equity investments at FVOCI	**24**	–
Net change in fair value of equity investments at FVOCI	**(166)**	(121)
Income tax relating to items that will not be reclassified subsequently to profit or loss	**23**	21
	(119)	(100)
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of debt investments at FVOCI	**1,544**	(1,395)
Net change in fair value of debt investments at FVOCI reclassified to profit or loss on disposal	**(206)**	–
Income tax relating to items that may be reclassified subsequently to profit or loss	**(227)**	237
	1,111	(1,158)
Other comprehensive income for the year, net of tax	**992**	(1,258)
Total comprehensive income for the year	**21,010**	22,770

See accompanying notes to financial statements.

STATEMENTS **OF CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2019

	Note	Share capital $'000	Statutory reserve $'000	Regulatory Loss Allowance Reserve $'000	Fair value reserve $'000	Accumulated profits $'000	Total $'000
Group							
Balance at 1 January 2019		**180,008**	**110,964**	**8,391**	**8,473**	**55,169**	**363,005**
Total comprehensive income for the year							
Profit for the year		**–**	**–**	**–**	**–**	**20,018**	**20,018**
Other comprehensive income for the year – net		**–**	**–**	**–**	**973**	**19**	**992**
Total		**–**	**–**	**–**	**973**	**20,037**	**21,010**
Transfer to regulatory loss allowance reserve		**–**	**–**	**1,549**	**–**	**(1,549)**	**–**
Transfer from accumulated profits to statutory reserve		**–**	**5,001**	**–**	**–**	**(5,001)**	**–**
Transactions with owners, recognised directly in equity							
Final one-tier tax exempt dividend paid for financial year 2018 of 7 cents per share	24	**–**	**–**	**–**	**–**	**(11,034)**	**(11,034)**
Balance at 31 December 2019		**180,008**	**115,965**	**9,940**	**9,446**	**57,622**	**372,981**
Group							
Balance at 31 December 2017		180,008	104,960	–	9,731	43,024	337,723
Adjustment on initial application of SFRS(I) 9		–	–	–	–	13,546	13,546
Adjustment on initial application of revised MAS Notice 811		–	–	6,761	–	(6,761)	–
Balance at 1 January 2018		180,008	104,960	6,761	9,731	49,809	351,269
Total comprehensive income for the year							
Profit for the year		–	–	–	–	24,028	24,028
Other comprehensive income for the year – net		–	–	–	(1,258)	–	(1,258)
Total		–	–	–	(1,258)	24,028	22,770
Transfer to regulatory loss allowance reserve		–	–	1,630	–	(1,630)	–
Transfer from accumulated profits to statutory reserve		–	6,004	–	–	(6,004)	–
Transactions with owners, recognised directly in equity							
Final one-tier tax exempt dividend paid for financial year 2017 of 7 cents per share	24	–	–	–	–	(11,034)	(11,034)
Balance at 31 December 2018		180,008	110,964	8,391	8,473	55,169	363,005

See accompanying notes to financial statements.

STATEMENTS **OF CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2019

	Note	Share capital $'000	Statutory reserve $'000	Regulatory Loss Allowance Reserve $'000	Fair value reserve $'000	Accumulated profits $'000	Total $'000
Company							
Balance at 1 January 2019		**180,008**	**110,964**	**8,391**	**8,243**	**54,799**	**362,405**
Total comprehensive income for the year							
Profit for the year		**–**	**–**	**–**	**–**	**20,005**	**20,005**
Other comprehensive income for the year – net		**–**	**–**	**–**	**929**	**19**	**948**
Total		**–**	**–**	**–**	**929**	**20,024**	**20,953**
Transfer to regulatory loss allowance reserve		**–**	**–**	**1,549**	**–**	**(1,549)**	**–**
Transfer from accumulated profits to statutory reserve		**–**	**5,001**	**–**	**–**	**(5,001)**	**–**
Transactions with owners, recognised directly in equity							
Final one-tier tax exempt dividend paid for financial year 2018 of 7 cents per share	24	**–**	**–**	**–**	**–**	**(11,034)**	**(11,034)**
Balance at 31 December 2019		**180,008**	**115,965**	**9,940**	**9,172**	**57,239**	**372,324**
Company							
Balance at 31 December 2017		180,008	104,960	–	9,510	42,666	337,144
Adjustment on initial application of SFRS(I) 9		–	–	–	–	13,546	13,546
Adjustment on initial application of revised MAS Notice 811		–	–	6,761	–	(6,761)	–
Balance at 1 January 2018		180,008	104,960	6,761	9,510	49,451	350,690
Total comprehensive income for the year							
Profit for the year		–	–	–	–	24,016	24,016
Other comprehensive income for the year – net		–	–	–	(1,267)	–	(1,267)
Total		–	–	–	(1,267)	24,016	22,749
Transfer to regulatory loss allowance reserve		–	–	1,630	–	(1,630)	–
Transfer from accumulated profits to statutory reserve		–	6,004	–	–	(6,004)	–
Transactions with owners, recognised directly in equity							
Final one-tier tax exempt dividend paid for financial year 2017 of 7 cents per share	24	–	–	–	–	(11,034)	(11,034)
Balance at 31 December 2018		180,008	110,964	8,391	8,243	54,799	362,405

See accompanying notes to financial statements.

CONSOLIDATED **STATEMENT OF CASH FLOWS**

YEAR ENDED 31 DECEMBER 2019

	Note	Group	
		2019	2018
		$'000	$'000
Operating activities			
Profit before income tax		**22,119**	28,727
Adjustments for:			
Impact of accrual of interest income		**(338)**	(400)
Impact of accrual of interest expense		**7,189**	(402)
Interest expense on lease liabilities		**6**	–
Depreciation of property, plant and equipment	9	**1,110**	1,057
Depreciation of investment properties	10	**377**	377
Depreciation of right-of-use assets		**28**	–
Allowances for/(Write-back of) credit losses on loans and other assets		**1,693**	(1,375)
Gains on disposal of investments		**(206)**	–
Loss on write-off of property, plant and equipment		**30**	13
Dividends		**(195)**	(173)
Operating cash flows before movements in working capital		**31,813**	27,824
Changes in working capital			
Other assets		**487**	(1,027)
Loans and advances		**(107,306)**	(154,048)
Statutory deposit with the MAS		**(7,042)**	(7,523)
Deposits and balances of customers		**94,752**	261,123
Other liabilities		**(5,411)**	(2,380)
Enterprise Singapore loans		**301**	5,083
Provision for employee benefits		**329**	14
Cash generated from operations		**7,923**	129,066
Income taxes paid		**(7,657)**	(3,570)
Net cash generated from operating activities		**266**	125,496
Investing activities			
Purchase of property, plant and equipment	9	**(5,082)**	(5,462)
Purchase of investments		**(333,385)**	(354,732)
Proceeds from disposal and maturity of investments		**314,943**	312,180
Dividends received		**67**	103
Net cash used in investing activities		**(23,457)**	(47,911)
Financing activities			
Cash payments of lease liabilities		**(32)**	–
Dividends paid	24	**(11,034)**	(11,034)
Net cash used in financing activities		**(11,066)**	(11,034)
Net (decrease)/increase in cash and cash equivalents		**(34,257)**	66,551
Cash and cash equivalents at beginning of the year		**317,119**	250,568
Cash and cash equivalents at end of the year		**282,862**	317,119

See accompanying notes to financial statements.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

1 GENERAL

The Company (Registration Number 196400348D) is incorporated in the Republic of Singapore and has its principal place of business and registered office at 96 Robinson Road, #01-01 SIF Building, Singapore 068899. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars, which is the functional currency of the Company.

The principal activities of the Company are those of a licensed finance company. The principal activities of the subsidiary are those of a nominee service company.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 12 February 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New or amended SFRS(I) and interpretations effective for 2019 year-end

On 1 January 2019, the Group and Company adopted all the new and revised SFRS(I) pronouncements that are relevant to their operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as discussed below.

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is January 1, 2019.

The Group has applied SFRS(I) 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and
- does not permit restatement of comparatives, which continue to be presented under SFRS(I) 1-17 and SFRS(I) INT 4.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to those leases entered or changed before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SFRS(I) 1-17 and SFRS(I) INT 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on lessee accounting

Former operating leases

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.2 **New or amended SFRS(I) and interpretations effective for 2019 year-end** (Continued)

(b) Impact on lessee accounting (Continued)

Former operating leases (Continued)

Applying SFRS(I) 16, for all leases, the Group:

(i) Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16:C8(b)(ii), except for the right-of-use asset for property leases which were measured on a retrospective basis as if the Standard had been applied since the commencement date;

(ii) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

(iii) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within other operating expenses in the consolidated statement of profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under SFRS(I) 1-37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.2 **New or amended SFRS(I) and interpretations effective for 2019 year-end** (Continued)

(b) Impact on lessee accounting (Continued)

Former finance leases

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the leased assets and obligations under finance leases measured applying SFRS(I) 1-17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying SFRS(I) 16 from January 1, 2019.

(c) Impact on lessor accounting

SFRS(I) 16 does not change substantially how a lessor accounts for leases. Under SFRS(I) 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, SFRS(I) 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

2.3 **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and an entity controlled by the Company (its subsidiary). Control is achieved when the Company:

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

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of consolidation (Continued)

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

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

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

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments

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

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

Financial assets

Financial assets are recognised and de-recognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

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

Classification of financial assets:

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

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

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

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

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

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (Continued)

Classification of financial assets: (Continued)

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

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

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

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

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

Interest income is recognised in profit or loss and is included in the “interest revenue” line item.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.4 **Financial instruments** (Continued)

Debt instruments classified as at amortised cost or FVOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding ("SPPI").

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has designated all debt instruments as at FVOCI on initial application of SFRS(I) 9.

The debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these debt instruments as a result of impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of fair value reserve. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (Continued)

Equity instruments designated as at FVOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

A financial asset is held for trading if:

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

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVOCI on initial application of SFRS(I) 9.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("ECL") on the following financial assets that are not measured at FVTPL:

- cash on deposit at banks;
- loans and advances, as well as on loan commitments and financial guarantee contracts;
- debt instruments at FVOCI; and
- other receivables.

No impairment loss is recognised on equity investments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.4 **Financial instruments** (Continued)

Impairment of financial assets (Continued)

Financial instruments are bucketed into the three stages based on the changes in credit quality since the initial recognition as summarised below:

- ECL measurement for Stage 1 financial instrument will be based on a 12-month horizon, while those in the Stage 2 & 3 categories will be measured on based on the lifetime of the instruments.

- Financial instruments that is not credit impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group.

- If a significant increase in credit risk since initial recognition is identified, the financial instrument is to move to "Stage 2" but is not considered as credit impaired. Refer to Note below for the criteria of how the Group determines when a significant increase in credit risk has taken place.

- If financial instrument is credit impaired, the financial instrument is then moved to "Stage 3".

Measurement of ECL

The measurement of ECL is a function of probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The 12-month PDs and lifetime PDs respectively represent the PD occurring over the next 12 months and the remaining maturity of the instrument. These inputs are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Group's policy is to measure loss allowances for lease receivables as 12-month ECL. For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down.

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (Continued)

Impairment of financial assets (Continued)

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see Note 4).

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

This definition of default is used by the Group for accounting purposes as well as for internal credit risk management purposes and is aligned to the regulatory definition of default.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Quantitative criteria:

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. The exposures are monitored and the credit risk grades are updated to reflect the current information.

The Group calibrates and sets specific threshold in downgrade of credit grading in the respective credit quality range of “Strong”,” Satisfactory”, “ High Risk” to determine whether the financial instrument has experienced a significant increase in credit risk.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Qualitative criteria:

Other qualitative factors that indicate there has been a significant increase in credit risk include the following staging triggers, which may also potentially result in a change in the borrower's credit rating:

- Actual or expected significant change in operating results of the borrowers
- Adverse changes in business, financial or economic conditions
- News of borrowers defaulting on other loans
- Breach of financial covenant in the terms of the loan
- Actual or expected forbearance or restructuring

Backstop:

A backstop is applied and the financial instrument is assessed to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (Continued)

Impairment of financial assets (Continued)

Write-off policy

Financial assets are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is 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. A write-off constitutes a derecognition event. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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:

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

- for debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve;

- where a financial instrument includes both a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on de-recognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to retained earnings.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.4 **Financial instruments** (Continued)

Derecognition of financial assets (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

(a) Equity instruments

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

(b) Financial liabilities

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

Deposits and savings accounts of customers, Enterprise Singapore loans and other liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

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

Financial guarantee contract liabilities are measured initially at fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

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

De-recognition of financial liabilities

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases

The Group as lessee

(Before 1 January 2019) – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(From 1 January 2019) – The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (Continued)

The Group as lessee (Continued)

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of modification.

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

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

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

The right-of-use assets are presented under “Other receivables, deposits, and prepayment” in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.8.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.5 **Leases** (Continued)

The Group as lessee (Continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in the statement of profit or loss.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessors

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

2.6 **Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

Freehold land	–	no depreciation
Leasehold land	–	remaining life of the lease
Buildings	–	shorter of 50 years or remaining life of the lease
Furniture and office equipment	–	5 years
Motor vehicles	–	5 years
Renovation	–	5 years
Computers	–	3 – 8 years

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

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

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment property

Investment property is property held either to earn rental income or capital appreciation or both. It does not include properties for sale in the ordinary course of business, used in the production or supply of goods or services, or for administrative purposes. It is measured initially at its cost, including transaction costs.

Investment property is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset.

No depreciation is provided on freehold land classified as investment properties. Depreciation on leasehold land and freehold and leasehold buildings classified as investment properties is recognised in the profit or loss on a straight-line basis over the estimated useful lives as follows:

Freehold land	–	no depreciation
Leasehold land	–	remaining life of the lease
Buildings	–	shorter of 50 years or remaining life of the lease

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Fully depreciated assets still in use are retained in the financial statements.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2.8 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

2.9 Prepaid commission on loans and advances

Commission paid on loans and advances are deferred and recognised as an expense over the tenor of the loans and advances.

For early settlement of loans, the remaining portion of the prepaid commission is expensed immediately to the profit or loss on the date of settlement.

2.10 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

2.11 Revenue recognition

(a) Interest income and expense

Interest income and expense are recognised in the profit or loss as they accrue, taking into account the effective yield of the asset or liability or an applicable fixed or floating rate. Where charges are added to the principal financed at the commencement of the period, the general principle adopted for crediting income to the profit or loss is to spread the income over the period in which the repayments are due using the following bases for the various categories of financing business:

Income earned on hire purchase

Term charges on hire purchase transactions are accounted for using the Rule of 78 (sum of digits) method. The balance of such term charges at the financial year end is carried forward as unearned charges.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Revenue recognition (Continued)

(a) Interest income and expense (Continued)

Income earned on loans, factoring accounts and debt securities

Interest income is recognised in the profit or loss using the effective interest rate method.

Income from bank deposits

Interest income from bank deposits is accrued on a time-apportioned basis using the effective interest rate method.

(b) Fee and commission income

Fee and commission income are recognised in the profit or loss on an accrual basis when the services are rendered.

(c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(d) Rental income

Rental income receivable under operating leases is recognised in the profit or loss on a straight-line basis over the term of the lease.

2.12 Employee benefits

(a) Defined contribution plans

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

(b) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision 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.

(c) Employee leave entitlement

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

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in Singapore where the Company and subsidiary operate by the end of the reporting period.

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

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

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

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

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity).

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Management discussed with the Audit Committee the development, selection, disclosure, and application of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

(a) Critical judgements in applying the entity's accounting policies

Management is of the opinion that the application of judgement is not expected to have a significant effect on the amounts recognised in the financial statements, except as follows:

Significant increase of credit risk

As explained in Note 2, ECL is measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 and Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. SFRS(I) 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account reasonable and supportable qualitative and quantitative forward looking information. Refer to Notes 2 and 4(a)(i) for more details.

Models and assumptions used

The Group uses credit rating models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in the model, including assumptions that relate to key drivers of credit risk. See Notes 2 and 4(a)(i) for more details on ECL.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Key sources of estimation uncertainty

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

Calculation of loss allowance

The following are key estimations that the management has used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario: When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 4(a)(i) for more details.

- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See Note 4(a)(i) for more details.

- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See Note 4(a)(i) for more details.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Financial assets				
At amortised cost:				
Cash on deposit, at banks and in hand	**282,862**	317,119	**282,798**	317,040
Statutory deposit with the Monetary Authority of Singapore	**69,623**	62,580	**69,623**	62,580
Investments at FVOCI:				
Debt instruments	**316,316**	295,893	**316,316**	295,893
Equity instruments	**4,621**	4,657	**4,231**	4,320
Loans and advances	**2,186,617**	2,081,004	**2,186,617**	2,081,004
Other receivables, deposits and prepayments	**4,101**	4,180	**4,101**	4,180
Financial liabilities				
At amortised cost:				
Deposits and balances of customers	**2,497,637**	2,402,886	**2,498,401**	2,403,642
Other liabilities	**30,421**	28,670	**29,941**	28,170
Enterprise Singapore loans	**10,007**	9,706	**10,007**	9,706

(b) Financial risk management policies and objectives

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk (including interest rate risk and equity price risk)
- operational risk

The Group's operations are denominated in Singapore dollars. Hence, the Group is not exposed to material foreign exchange movements.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures such risks.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

Risk governance

Under the Group's risk governance framework, the Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board delegates its authority to the Risk Management Committee ("RMC") to oversee the Group's risk management framework, policies and process and guidelines.

The RMC is chaired by a non-executive independent director and is tasked to oversee the development of robust enterprise-wide risk management policies and processes. Apart from credit risk, liquidity risk, market risk, capital and balance sheet management, the RMC oversees the management of operational risk, information technology risk, outsourcing risk, reputational risk, compliance and business continuity management.

The RMC reviews and approves the implementation of the Group's policies, establishes risk appetite, tolerance limits and key risk indicators to guide risk taking. A Risk Dashboard is set up in which responsible departments regularly compute and update the predefined risk indicators, allowing the RMC members to track the level of risks and be alerted of any breach of thresholds. The Risk Management Department ("RMD") assists the RMC in developing risk management measurements and control systems, monitoring limits set by the Board and reporting breaches, exceptions, and deviations. The RMD furnishes RMC with periodical reports and recommendations to enable RMC to make decisions on risk management issues. Compliance testing and internal audits are conducted on an on-going basis to confirm that these policies are being implemented effectively.

Senior management is accountable to the Board for ensuring the implementation of risk management policies. The business units are responsible for managing the risks of their respective activities and for ensuring compliance with the Group's policies. Credit Control Department assists senior management in providing checks and controls as well as independent risk assessments. Credit Collection Department assists in the proactive management and follow up of past due payments and recovery efforts for non-performing loans.

(i) Credit risk

Credit risk is one of the primary risks in the Group's lending activities. It is the risk of financial loss to the Group if a borrower or counter party to a credit exposure fails to meet its contractual obligations. Credit exposures also include the debt securities held by the Group. The performance of such debt securities may be impacted to varying degrees by any developments in the global financial markets.

Except for fund placements with banks and investment in Singapore Government Securities ("SGS"), credit risk exposure of the Group is primarily secured and is concentrated in Singapore.

The Group assesses all credit risk exposures, including off balance sheet items and potential exposures using both internal and external credit bureau, consolidating all elements of credit risk exposure including the default risk of the individual obligor, security risk, industry risk, market/interest rate risk and repayment behaviour.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

Credit policies are formulated covering concentration risk limits, collateral requirements, credit assessment, risk grading, stress testing, reporting, documentary and legal procedures and compliance with regulatory and statutory requirements. All credit facilities, majority fully secured, require the approval by management or the Loan Committee as appropriate. All collateral assets provided by obligors must be tangible and accessible or marketable in Singapore.

The Group has in place a monitoring system to identify early symptoms of problematic loan accounts. A risk grading system is used in determining whether impairment allowances may be required against specific credit exposures. Risk grades are subject to regular review and credit exposures take into consideration stress testing of the fair value of collateral and other security enhancements held against the loans and advances.

Internal credit risk grading

The estimation of credit risk loss is complex and requires the use of credit grading model, as the exposure varies with changes in market conditions, expected cash flows, and the passage of time. The key assessment of the rating model entails estimations as to the likelihood of defaults occurring.

In order to better measure the credit risk exposure, the management has tasked the Risk Management team to develop and maintain the Group's credit risk grading, which seek to reflect its assessment of the probability of default (PD) of the individual counterparties. The Group uses internal rating models tailored to various categories of counterparties. The Group's credit risk grading framework currently comprises nine categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. Borrower and loan specific information collated at the initial application (such as disposable income, type and level of collateral as well as turnover and industry sector for corporate borrowers) is fed into the credit model. This is also supplemented with external data such as credit bureau scoring information on individual borrowers. All exposures are monitored and the credit risk grade is updated to reflect current information obtained.

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

Internal credit risk grading (Continued)

The Group analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as GDP growth. The Group generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

The Group measures credit risk using a similar approach that was used to measure ECL under SFRS(I) 9.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group uses external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for analysis and planning. The Group uses a three-scenario model to calculate ECL. The baseline scenario plus one adverse scenario (Downturn) and one favourable scenario (Growth) are derived, with the associated probability weightings. The weightage given to the three scenarios are determined by management and the risk management team. For the adverse scenario, additional hair cut would be applied to the collateral value and similarly based on statistical correlation the probability of default would be adjusted in the downturn and growth scenarios.

Measurement of ECL

The key inputs used for measuring ECL are:

- Probability of default ("PD")
- Loss given default ("LGD")
- Exposure at default ("EAD").

As explained above these figures are generally derived from internally developed statistical models and other historical data and are adjusted to reflect probability-weight forward looking information.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

Measurement of ECL (Continued)

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures.

These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default.

Finance companies are required to maintain the Minimum Regulatory Loss Allowances (MRLA) of at least 1.5% of the gross carrying amount of selected credit exposures net of collaterals per MAS Notice 811. For periods when Stage 1 and 2 ECL fall below MRLA, the shortfall is appropriated from retained earnings in the shareholders' funds into a non-distributable Regulatory Loss Allowance Reserve ("RLAR") account.

Maximum exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

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

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

Maximum exposure to credit risk (Continued)

- the maximum amount the Group would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised as disclosed as Contingent Liabilities. The related loss allowance is disclosed in the respective notes to the financial statements.

The tables below detail the maximum exposure to credit risk of the Group's financial assets as well as the value of the collateral held against the respective exposure. Stage 3 credit impaired assets with corresponding collateral is disclosed separately:

	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000	Total Collateral $'000
Group				
31 December 2019				
At amortised cost:				
Cash on deposit, at banks and in hand	**283,273**	**411**	**282,862**	**–**
Other receivables, deposits and prepayments	**4,101**	**–**	**4,101**	**–**
Loans and advances	**2,192,575**	**5,958**	**2,186,617**	**4,288,839**
Statutory deposit with Monetary Authority of Singapore	**69,623**	**–**	**69,623**	**–**
Singapore Government Securities ('SGS') at FVOCI	**316,316**	**–**	**316,316**	**–**
Off Balance Sheet:				
Contingent Liabilities	**2,009**	**–**	**2,009**	**–**
Undrawn Commitment	**432,994**	**–**	**432,994**	**–**
31 December 2018				
At amortised cost:				
Cash on deposit, at banks and in hand	317,747	628	317,119	–
Other receivables, deposits and prepayments	4,180	–	4,180	–
Loans and advances	2,085,806	4,802	2,081,004	4,422,181
Statutory deposit with Monetary Authority of Singapore	62,580	–	62,580	–
Singapore Government Securities ('SGS') at FVOCI	295,893	–	295,893	–
Off Balance Sheet:				
Contingent Liabilities	2,293	–	2,293	–
Undrawn Commitment	520,994	–	520,994	–

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

Maximum exposure to credit risk (Continued)

Included in the gross carrying amount are the stage 3 assets amounting to $60,945,000 (2018: $75,006,000). The total collateral also consist of collateral for stage 3 assets which amount to $78,440,000 ($93,747,000).

The Group's claim against collateral is limited to the obligations of the respective obligors.

	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000	Total Collateral $'000
Company				
31 December 2019				
At amortised cost:				
Cash on deposit, at banks and in hand	**283,209**	**411**	**282,798**	**–**
Other receivables, deposits and prepayments	**4,101**	**–**	**4,101**	**–**
Loans and advances	**2,192,575**	**5,958**	**2,186,617**	**4,288,839**
Statutory deposit with Monetary Authority of Singapore	**69,623**	**–**	**69,623**	**–**
Singapore Government Securities ('SGS') at FVOCI	**316,316**	**–**	**316,316**	**–**
Off Balance Sheet:				
Contingent Liabilities	**2,009**	**–**	**2,009**	**–**
Undrawn Commitment	**432,494**	**–**	**432,494**	**–**
31 December 2018				
At amortised cost:				
Cash on deposit, at banks and in hand	317,668	628	317,040	–
Other receivables, deposits and prepayments	4,180	–	4,180	–
Loans and advances	2,085,806	4,802	2,081,004	4,422,181
Statutory deposit with Monetary Authority of Singapore	62,580	–	62,580	–
Singapore Government Securities ('SGS') at FVOCI	295,893	–	295,893	–
Off Balance Sheet:				
Contingent Liabilities	2,293	–	2,293	–
Undrawn Commitment	520,994	–	520,994	–

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

Maximum exposure to credit risk (Continued)

Included in the gross carrying amount are the stage 3 assets amounting to $60,945,000 (2018: $75,006,000). The total collateral also consist of collateral for stage 3 assets which amount to $78,440,000 ($93,747,000).

The Company's claim against collateral is limited to the obligations of the respective obligors.

The maximum amount the Group could be forced to settle under the financial guarantee contract in Note 26, if the full guaranteed amount is claimed by the counterparty to the guarantee is $2,009,000 (2018: $2,293,000). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Collaterals

The Group holds collateral against loans and advances to customers. The main types of collateral obtained by the Group are as follows:

– for personal housing loans, mortgages over residential properties and HDB flats;

– for commercial property loans, charges over the properties being financed;

– for land and construction loans, charges over the developing properties being financed;

– for motor vehicles loans and block discounting loans, charges over the vehicles financed;

– for share loans, listed securities of Singapore; and

– for other loans, charges over business assets such as premises, barges and vessels, machineries, trade receivables or deposits.

All financial instruments in the Group subjected to the impairment requirements and recognition of loss allowance has been covered under the Group's expected credit loss model with no exception to the types of collateral held as at 31 December 2019 and 31 December 2018.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

Possession of collateral held

The nature and carrying amount of collateral held against financial assets, obtained by taking possession of collateral held as security, which remain held at the reporting date are as follows. Claims against such collateral are limited to the outstanding obligations.

	Group and Company	
	2019	2018
	$'000	$'000
Properties	**36,750**	304
Equipment	**–**	863

Credit quality of assets

The Group manages the credit quality of deposits and placements with bankers and financial institutions, loans and advances, loan commitments and financial guarantee contracts using internal credit ratings. The credit quality of financial assets exposed to credit risk is graded as "Strong, Satisfactory, Higher Risk and Impaired" (as describe below) and shown in the following table:

Category	**Description**	**Probability of Default Range**
Strong	The counterparty has very low risk of default and very high likelihood of assets being recovered in full as per the terms of the loan agreement.	0.0% to 0.85%
Satisfactory	The counterparty has low risk of default and high likelihood of full repayment and is subjected to standard monitoring.	0.85% to 14.0%
Higher Risk	There is evidence indicating potential credit weakness and concern over the counterparty's ability to make payments when due that warrant close monitoring.	14.0% to <100%
Impaired	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	100%

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

The tables below analyse the significant changes in gross carrying amount of each class of financial assets during the year by credit quality.

	FY 19 ECL				FY 18 ECL			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
	$'000	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000
Cash on deposits, at banks and in hand at amortised cost								
Group								
Strong	**283,273**	**–**	**–**	**283,273**	317,747	–	–	317,747
Satisfactory	**–**	**–**	**–**	**–**	–	–	–	–
Higher Risk	**–**	**–**	**–**	**–**	–	–	–	–
Impaired	**–**	**–**	**–**	**–**	–	–	–	–
Total gross carrying amount	**283,273**	**–**	**–**	**283,273**	317,747	–	–	317,747
Loss allowance	**(411)**	**–**	**–**	**(411)**	(628)	–	–	(628)
Carrying amount	**282,862**	**–**	**–**	**282,862**	317,119	–	–	317,119

	FY 19 ECL				FY 18 ECL			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
	$'000	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000
Cash on deposits, at banks and in hand at amortised cost								
Company								
Strong	**283,209**	**–**	**–**	**283,209**	317,668	–	–	317,668
Satisfactory	**–**	**–**	**–**	**–**	–	–	–	–
Higher Risk	**–**	**–**	**–**	**–**	–	–	–	–
Impaired	**–**	**–**	**–**	**–**	–	–	–	–
Total gross carrying amount	**283,209**	**–**	**–**	**283,209**	317,668	–	–	317,668
Loss allowance	**(411)**	**–**	**–**	**(411)**	(628)	–	–	(628)
Carrying amount	**282,798**	**–**	**–**	**282,798**	317,040	–	–	317,040

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

	FY 19 ECL				FY 18 ECL			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Singapore Government Securities ('SGS') at FVOCI								
Group & Company								
Strong	316,316	–	–	316,316	295,893	–	–	295,893
Satisfactory	–	–	–	–	–	–	–	–
Higher Risk	–	–	–	–	–	–	–	–
Impaired	–	–	–	–	–	–	–	–
Total gross carrying amount	316,316	–	–	316,316	295,893	–	–	295,893
Loss allowance	–	–	–	–	–	–	–	–
Carrying amount	316,316	–	–	316,316	295,893	–	–	295,893

No loss allowances is provided for the SGS as they are 'AAA' rated with no history of default.

`	FY 19 ECL				FY 18 ECL			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Loans and advances at amortised cost								
Group & Company								
Strong	323,457	10,806	–	334,263	314,741	–	–	314,741
Satisfactory	1,176,661	475,991	–	1,652,652	1,248,012	439,179	–	1,687,191
Higher Risk	69,812	71,563	–	141,375	775	5,665	–	6,440
Impaired	–	–	64,285	64,285	–	–	77,434	77,434
Total gross carrying amount	1,569,930	558,360	64,285	2,192,575	1,563,528	444,844	77,434	2,085,806
Loss allowance	(1,333)	(1,285)	(3,340)	(5,958)	(1,116)	(1,258)	(2,428)	(4,802)
Carrying amount	1,568,597	557,075	60,945	2,186,617	1,562,412	443,586	75,006	2,081,004

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

The tables below analyse the movement of the loss allowance during the year per class of assets.

	12-months ECL Stage 1 $'000	Lifetime ECL Stage 2 $'000	Lifetime ECL Stage 3 $'000	Total $'000
Loss allowance – Cash on deposits, at banks and in hand at amortised cost				
Group & Company				
Loss allowance as at 1 January 2018	170	–	–	170
New financial assets originated	628	–	–	628
Financial assets that have been derecognised	(170)	–	–	(170)
Changes due to the exposure and risk parameters	–	–	–	–
Total net P&L charge	458	–	–	458
Loss allowance as at 31 December 2018	628	–	–	628
New financial assets originated	411	–	–	411
Financial assets that have been derecognised	(628)	–	–	(628)
Changes due to the exposure and risk parameters	–	–	–	–
Total net P&L charge	(217)	–	–	(217)
Loss allowance as at 31 December 2019	**411**	**–**	**–**	**411**

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

	12-month ECL Stage 1 $'000	Lifetime ECL Stage 2 $'000	Lifetime ECL Stage 3 $'000	Total $'000
Loss allowance – Loans and advances				
Group & Company				
Loss allowance as at 1 January 2018	1,031	1,801	5,791	8,623
Movements with P&L impact				
Transfer:				
Transfer from Stage 1 to Stage 2	(59)	59	–	–
Transfer from Stage 1 to Stage 3	(1)	–	1	–
Transfer from Stage 2 to Stage 3	–	(604)	604	–
Transfer from Stage 2 to Stage 1	183	(183)	–	–
Net remeasurement from stage changes	(152)	379	(529)	(302)
New financial assets originated	552	232	98	882
Financial assets derecognised	(185)	(233)	(1,678)	(2,096)
Changes due to the exposure and risk parameters	(253)	(193)	129	(317)
Total net P&L change	85	(543)	(1,375)	(1,833)
Write-offs	–	–	(1,988)	(1,988)
Loss allowance as at 31 December 2018	1,116	1,258	2,428	4,802
Movements with P&L impact				
Transfer:				
Transfer from Stage 1 to Stage 2	(37)	37	–	–
Transfer from Stage 1 to Stage 3	(12)	–	12	–
Transfer from Stage 2 to Stage 3	–	(107)	107	–
Transfer from Stage 2 to Stage 1	104	(104)	–	–
Net remeasurement from stage changes	(88)	296	(108)	100
New financial assets originated	527	374	–	901
Financial assets derecognised	(202)	(255)	(818)	(1,275)
Changes due to the exposure and risk parameters	(75)	(214)	2,473	2,184
Total net P&L charge	217	27	1,666	1,910
Write-offs	–	–	(754)	(754)
Loss allowance as at 31 December 2019	**1,333**	**1,285**	**3,340**	**5,958**

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

More information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance, is provided at the table below:

	12-month ECL Stage 1 $'000	Lifetime ECL Stage 2 $'000	Lifetime ECL Stage 3 $'000	Total $'000
Loans and advances at amortised cost				
Group & Company				
Gross carrying amount as at 1 January 2018	1,446,052	442,476	45,845	1,934,373
Changes in the gross carrying amount:				
Transfer from Stage 1 to Stage 2	(128,988)	128,988	–	–
Transfer from Stage 1 to Stage 3	(7,279)	–	7,279	–
Transfer from Stage 2 to Stage 3	–	(32,609)	32,609	–
Transfer from Stage 2 to Stage 1	88,436	(88,436)	–	–
Net change in exposures	(122,822)	(25,603)	(10,597)	(159,022)
New financial assets originated	536,742	89,652	12,234	638,628
Financial assets derecognised during the period	(248,613)	(69,624)	(7,948)	(326,185)
Write-offs	–	–	(1,988)	(1,988)
Gross carrying amount as at 31 December 2018	1,563,528	444,844	77,434	2,085,806
Transfer from Stage 1 to Stage 2	(162,006)	162,006	–	–
Transfer from Stage 1 to Stage 3	(4,257)	–	4,257	–
Transfer from Stage 2 to Stage 3	–	(4,803)	4,803	–
Transfer from Stage 2 to Stage 1	78,672	(78,672)	–	–
Transfer from Stage 3 to Stage 2	–	2,174	(2,174)	–
Net change in exposures	(127,979)	(33,607)	(12,685)	(174,271)
New financial assets originated	520,914	148,439	105	669,458
Financial assets derecognised during the period	(298,942)	(82,021)	(6,701)	(387,664)
Write-offs	–	–	(754)	(754)
Gross carrying amount as at 31 December 2019	**1,569,930**	**558,360**	**64,285**	**2,192,575**

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

	12-month ECL Stage 1 $'000	Lifetime ECL Stage 2 $'000	Lifetime ECL Stage 3 $'000	Total $'000
Total net loss allowance charge to P&L				
Group & Company				
Deposits, balances with and loans to bankers, agents and other financial institutions	(217)	–	–	(217)
Loans and Advances	217	27	1,666	1,910
Total charged in 2019	–	27	1,666	1,693

	12-month ECL Stage 1 $'000	Lifetime ECL Stage 2 $'000	Lifetime ECL Stage 3 $'000	Total $'000
Total net loss allowance charge to P&L				
Group & Company				
Deposits, balances with and loans to bankers, agents and other financial institutions	458	–	–	458
Loans and Advances	85	(543)	(1,375)	(1,833)
Total charged/(write-back) in 2018	543	(543)	(1,375)	(1,375)

Loans with terms being renegotiated

As of 31 December 2019, the Group has loans and advances of $18,627,641 which the terms have been renegotiated (2018: $21,690,523). As at 31 December 2019, the loans were graded as individually impaired, for which impairment of $1,000,986 was provided in respect of the loans (2018: $1,993,408).

Regulatory Grading

Apart from internal credit grading, the Group also categorises its loans and advances in accordance with MAS Notice to Finance Companies No. 811 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore (MAS).

(a) Performing loans

Pass grade indicates that the timely repayment of the outstanding credit facilities is not in doubt.

Special mention grade indicates that the credit facilities exhibit potential weaknesses that, if not corrected in a timely manner, may adversely affect future repayments and warrant close attention by the Group.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk (Continued)

Regulatory Grading (Continued)

(b) Non-performing loans

Substandard grade indicates that the credit facilities exhibit definable weaknesses either in respect of business, cash flow or financial position of the borrower that may jeopardise repayment on existing terms.

Doubtful grade indicates that the credit facilities exhibit severe weaknesses such that the prospect of full recovery of the outstanding credit facilities is questionable and the prospect of a loss is high, but the exact amount remains undeterminable.

Loss grade indicates that the amount of loan recovery is assessed to be insignificant.

Bad debts will be written off when debt recovery is remote, e.g. borrower has been made bankrupt, or all recovery actions have been exhausted. Approval of the Managing Director or Loan Committee as appropriate is obtained for write off of bad debts above certain amounts. Any proposal for write off of director and director-related loans must be accepted by the Board of Directors and approved by the MAS.

Concentration of credit risk

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the end of the reporting period is shown below:

	Loans and advances to customers	
	31 December 2019 $'000	31 December 2018 $'000
Carrying amount	**2,186,617**	2,081,004
Concentration by sector		
Hire purchase/block discounting	**645,237**	574,595
Housing loans secured by property under finance	**76,343**	79,945
Other loans and advances:		
Building and construction	**387,422**	412,598
Financial institutions, and investment and holding companies	**547,012**	482,656
Professional and individuals	**200,379**	221,347
General commerce	**153,970**	140,728
Transport, storage and communication	**88,141**	102,501
Manufacturing	**25,583**	16,908
Others	**68,488**	54,528
	2,192,575	2,085,806
Less: Loan Allowances	**(5,958)**	(4,802)
Total	**2,186,617**	2,081,004

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group is unable to service its cash obligations in the present and future (both anticipated and unanticipated) without incurring substantial cost or damage to the Group's reputation. The Group's principal source of funds is from deposit collections in Singapore which is mainly utilised for funding loans and maintenance of reserves in compliance with statutory requirements.

The daily liquidity position is closely managed by Treasury and independently monitored by the RMD via daily report covering the next 30 days' funding needs. In addition, projected funds flow position for the next 1 and 6 months are reviewed on a monthly basis. The RMC also reviews the Monthly Liquidity Gap Analysis (contractual and behavioural), and the Liquidity Stress Test to ensure that liquidity risk is managed within established tolerance levels and mismatch limits. Early Warning System and contingency funding plans are in place, with monitoring and triggering mechanisms to alert management of potential liquidity risk.

The Group's liquidity risk is mitigated by its maintenance of the minimum cash balance and minimum liquid assets balance as required by MAS, the latter being the key measure for liquidity risk.

Liquidity risk is also mitigated through the large number of customers in the Group's diverse loans and deposits bases and the close monitoring of exposure to avoid any undue concentration.

At 31 December 2019 and 2018, the Group has available funds from undrawn committed credit lines and will be able to raise funds from the public via Medium Term Note ("MTN") Programme which allow the Group to use the funds in the event of liquidity shortfall.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(ii) Liquidity risk (Continued)

The following table analyses the assets and liabilities of the Group and the Company into maturity time bands based on the remaining time to contractual maturity as at end of the reporting period:

	Total $'000	Up to 1 month $'000	Over 1 to 3 months $'000	Over 3 to 12 months $'000	Over 1 to 5 years $'000	Over 5 years $'000	Non-specific maturity $'000
Group							
31 December 2019							
Assets							
Cash on deposit, at banks and in hand	282,862	125,108	60,905	96,849	–	–	–
Statutory deposit with the Monetary Authority of Singapore	69,623	69,623	–	–	–	–	–
Investments	320,937	46,041	34,898	76,552	53,545	105,280	4,621
Loans and advances to customers	2,186,617	232,145	77,596	209,171	550,838	1,116,867	–
Others	4,101	799	2,622	680	–	–	–
Total Assets	2,864,140	473,716	176,021	383,252	604,383	1,222,147	4,621
Liabilities							
Deposits and balances of customers	2,497,637	222,446	465,888	1,697,335	44,934	–	67,034
Others	30,421	2,435	4,647	21,543	1,002	–	794
Enterprise Singapore loans	10,007	924	751	3,260	5,072	–	–
Total Liabilities	2,538,065	225,805	471,286	1,722,138	51,008	–	67,828
Net Liquidity Surplus/(Gap)	326,075	247,911	(295,265)	(1,338,886)	553,375	1,222,147	(63,207)
Off-balance sheet							
Undrawn loan commitments	432,494	432,494	–	–	–	–	–
Guarantees issued	2,009	2,009	–	–	–	–	–

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(ii) Liquidity risk (Continued)

	Total $'000	Up to 1 month $'000	Over 1 to 3 months $'000	Over 3 to 12 months $'000	Over 1 to 5 years $'000	Over 5 years $'000	Non-specific maturity $'000
Group							
31 December 2018							
Assets							
Cash on deposit, at banks and in hand	317,119	145,480	36,923	134,716	–	–	–
Statutory deposit with the Monetary Authority of Singapore	62,580	62,580	–	–	–	–	–
Investments	300,550	24,984	24,920	4,968	132,900	108,121	4,657
Loans and advances to customers	2,081,004	256,419	22,090	155,917	737,606	908,972	–
Others	4,180	773	2,395	1,012	–	–	–
Total Assets	2,765,433	490,236	86,328	296,613	870,506	1,017,093	4,657
Liabilities							
Deposits and balances of customers	2,402,886	249,114	323,390	1,399,138	368,972	–	62,272
Others	28,670	6,069	2,368	16,481	2,902	–	850
Enterprise Singapore loans	9,706	626	584	2,627	5,869	–	–
Total Liabilities	2,441,262	255,809	326,342	1,418,246	377,743	–	63,122
Net Liquidity Surplus/(Gap)	324,171	234,427	(240,014)	(1,121,633)	492,763	1,017,093	(58,465)
Off-balance sheet							
Undrawn loan commitments	520,994	520,994	–	–	–	–	–
Guarantees issued	2,293	2,293	–	–	–	–	–

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(ii) Liquidity risk (Continued)

	Total $'000	Up to 1 month $'000	Over 1 to 3 months $'000	Over 3 to 12 months $'000	Over 1 to 5 years $'000	Over 5 years $'000	Non-specific maturity $'000
Company							
31 December 2019							
Assets							
Cash on deposit, at banks and in hand	282,798	125,044	60,905	96,849	–	–	–
Statutory deposit with the Monetary Authority of Singapore	69,623	69,623	–	–	–	–	–
Investments	320,547	46,041	34,898	76,552	53,545	105,280	4,231
Loans and advances to customers	2,186,617	232,145	77,596	209,171	550,838	1,116,867	–
Others	4,101	799	2,622	680	–	–	–
Total Assets	2,863,686	473,652	176,021	383,252	604,383	1,222,147	4,231
Liabilities							
Deposits and balances of customers	2,498,401	222,958	465,888	1,697,587	44,934	–	67,034
Others	29,941	2,435	4,647	21,543	1,002	–	314
Enterprise Singapore loans	10,007	924	751	3,260	5,072	–	–
Total Liabilities	2,538,349	226,317	471,286	1,722,390	51,008	–	67,348
Net Liquidity Surplus/(Gap)	325,337	247,335	(295,265)	(1,339,138)	553,375	1,222,147	(63,117)
Off-balance sheet							
Undrawn loan commitments	432,494	432,494	–	–	–	–	–
Guarantees issued	2,009	2,009	–	–	–	–	–

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(ii) Liquidity risk (Continued)

	Total $'000	Up to 1 month $'000	Over 1 to 3 months $'000	Over 3 to 12 months $'000	Over 1 to 5 years $'000	Over 5 years $'000	Non-specific maturity $'000
Company							
31 December 2018							
Assets							
Cash on deposit, at banks and in hand	317,040	145,401	36,923	134,716	–	–	–
Statutory deposit with the Monetary Authority of Singapore	62,580	62,580	–	–	–	–	–
Investments	300,213	24,984	24,920	4,968	132,900	108,121	4,320
Loans and advances to customers	2,081,004	256,419	22,090	155,917	737,606	908,972	–
Others	4,180	773	2,395	1,012	–	–	–
Total Assets	2,765,017	490,157	86,328	296,613	870,506	1,017,093	4,320
Liabilities							
Deposits and balances of customers	2,403,642	249,618	323,390	1,399,388	368,972	–	62,274
Others	28,170	6,069	2,368	16,481	2,902	–	350
Enterprise Singapore loans	9,706	626	584	2,627	5,869	–	–
Total Liabilities	2,441,518	256,313	326,342	1,418,496	377,743	–	62,624
Net Liquidity Surplus/(Gap)	323,499	233,844	(240,014)	(1,121,883)	492,763	1,017,093	(58,304)
Off-balance sheet							
Undrawn loan commitments	520,994	520,994	–	–	–	–	–
Guarantees issued	2,293	2,293	–	–	–	–	–

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(ii) Liquidity risk (Continued)

The following is the expected contractual undiscounted cash outflow of financial liabilities, including interest payments:

	Carrying Amount $'000	Gross nominal outflow $'000	Up to 1 month $'000	Over 1 to 3 months $'000	Over 3 to 12 months $'000	Over 1 to 5 years $'000	Non-specific maturity $'000
Group							
31 December 2019							
Deposits and balances of customers	**2,497,637**	**(2,522,341)**	**(222,455)**	**(467,566)**	**(1,719,076)**	**(46,215)**	**(67,029)**
Other liabilities	**30,421**	**(30,421)**	**(2,435)**	**(4,647)**	**(21,543)**	**(1,002)**	**(794)**
Enterprise Singapore loans	**10,007**	**(10,503)**	**(947)**	**(793)**	**(3,429)**	**(5,334)**	**–**
Total liabilities	**2,538,065**	**(2,563,265)**	**(225,837)**	**(473,006)**	**(1,744,048)**	**(52,551)**	**(67,823)**
Undrawn loan commitments	**432,494**	**(432,494)**	**(432,494)**	**–**	**–**	**–**	**–**
	2,970,559	**(2,995,759)**	**(658,331)**	**(473,006)**	**(1,744,048)**	**(52,551)**	**(67,823)**
31 December 2018							
Deposits and balances of customers	2,402,886	(2,426,117)	(249,437)	(302,721)	(1,436,918)	(374,769)	(62,272)
Other liabilities	28,670	(28,719)	(6,118)	(2,368)	(16,481)	(2,902)	(850)
Enterprise Singapore loans	9,706	(10,230)	(648)	(624)	(2,796)	(6,162)	–
Total liabilities	2,441,262	(2,465,066)	(256,203)	(305,713)	(1,456,195)	(383,833)	(63,122)
Undrawn loan commitments	520,994	(520,994)	(520,994)	–	–	–	–
	2,962,256	(2,986,060)	(777,197)	(305,713)	(1,456,195)	(383,833)	(63,122)

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(ii) Liquidity risk (Continued)

	Carrying amount $'000	Gross nominal outflow $'000	Up to 1 month $'000	Over 1 to 3 months $'000	Over 3 to 12 months $'000	Over 1 to 5 years $'000	Non-specific maturity $'000
Company							
31 December 2019							
Deposits and balances of customers	**2,498,401**	**(2,523,105)**	**(222,961)**	**(467,566)**	**(1,719,330)**	**(46,215)**	**(67,033)**
Other liabilities	**29,941**	**(29,941)**	**(2,435)**	**(4,647)**	**(21,543)**	**(1,002)**	**(314)**
Enterprise Singapore loans	**10,007**	**(10,503)**	**(947)**	**(793)**	**(3,429)**	**(5,334)**	**–**
Total liabilities	**2,538,349**	**(2,563,549)**	**(226,343)**	**(473,006)**	**(1,744,302)**	**(52,551)**	**(67,347)**
Undrawn loan commitments	**432,494**	**(432,494)**	**(432,494)**	**–**	**–**	**–**	**–**
	2,970,843	**(2,996,043)**	**(658,837)**	**(473,006)**	**(1,744,302)**	**(52,551)**	**(67,347)**
31 December 2018							
Deposits and balances of customers	2,403,642	(2,426,875)	(249,942)	(302,721)	(1,437,169)	(374,769)	(62,274)
Other liabilities	28,170	(28,170)	(6,069)	(2,368)	(16,481)	(2,902)	(350)
Enterprise Singapore loans	9,706	(10,230)	(648)	(624)	(2,796)	(6,162)	–
Total liabilities	2,441,518	(2,465,275)	(256,659)	(305,713)	(1,456,446)	(383,833)	(62,624)
Undrawn loan commitments	520,994	(520,994)	(520,994)	–	–	–	–
	2,962,512	(2,986,269)	(777,653)	(305,713)	(1,456,446)	(383,833)	(62,624)

Actual maturity dates may differ from contractual maturity dates due to behavioural patterns such as premature redemption of deposits and savings accounts of customers.

The negative net liquidity gap for the maturity band for up to 12 months as at 31 December 2019 (2018: up to 12 months) is due to the fact that most of the fixed deposits constituting the main liability on the Group's statement of financial position have relatively shorter maturity periods of up to 12 months as at 31 December 2019 (2018: up to 12 months), as compared to the tenures of loans and advances which constitute the Group's main asset. In addition, the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

On a quarterly basis, the Quarterly Liquidity Stress Test is done based on varying renewal rates to evaluate if the net liquidity gap is at an acceptable level.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(iii) Market risk

(1) Interest rate risk

The Group's core operations are deposit taking and extension of credit facilities.

The Group's exposure to interest rate risk results from potential changes in value of these assets and liabilities as a result of movements in interest rates in the financial market in which it operates.

As interest rates changes over time, the Group may be exposed to a loss in earnings due to effects of fixed and floating interest rates of these assets and liabilities. As such, the interest rate spread between these two activities is monitored closely on an on-going basis to optimise its yields and manage its risk within the risk tolerance levels set by the RMC and the Board.

The Interest Rate Working Committee (IRWC) is tasked to track market interest rate trends, plan and manage product mix, product pricing and re-pricing strategies.

The RMC meets periodically to review the interest rate repricing gap report and interest rate sensitivity analysis to ensure that they are within risk tolerance and limits set, and to make decisions on appropriate mitigation actions to be taken in anticipation of changes in market trends.

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective weighted average interest rates at the end of the reporting period and the periods in which they reprice, or if earlier, the dates on which the instruments mature.

	Effective weighted average interest %	Non-interest bearing $'000	0 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	> 5 years $'000	Total $'000
Group							
31 December 2019							
Financial Assets							
Cash on deposit, at banks and in hand	1.87	2,386	183,627	96,849	–	–	282,862
Statutory deposit with the Monetary Authority of Singapore	–	69,623	–	–	–	–	69,623
Investments	2.08	4,621	80,939	76,552	53,545	105,280	320,937
Loans and advances to customers	3.30	–	795,401	672,122	468,830	250,264	2,186,617
Other assets	–	4,101	–	–	–	–	4,101
		80,731	1,059,967	845,523	522,375	355,544	2,864,140
Financial Liabilities							
Deposits and balances of customers	1.61	43,113	712,255	1,697,335	44,934	–	2,497,637
Other liabilities	–	30,421	–	–	–	–	30,421
Enterprise Singapore loans	2.77	–	43	461	9,503	–	10,007
		73,534	712,298	1,697,796	54,437	–	2,538,065

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT** (CONTINUED)

(b) **Financial risk management policies and objectives** (Continued)

(iii) **Market risk** (Continued)

(1) Interest rate risk (Continued)

	Effective weighted average interest %	Non-interest bearing $'000	0 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	> 5 years $'000	Total $'000
Group							
31 December 2018							
Financial Assets							
Cash on deposit, at banks and in hand	1.90	4,637	177,766	134,716	–	–	317,119
Statutory deposit with the Monetary Authority of Singapore	–	62,580	–	–	–	–	62,580
Investments	2.40	59,529	–	–	132,900	108,121	300,550
Loans and advances to customers	3.22	–	758,784	685,579	436,662	199,979	2,081,004
Other assets	–	4,180	–	–	–	–	4,180
		130,926	936,550	820,295	569,562	308,100	2,765,433
Financial Liabilities							
Deposits and balances of customers	1.53	40,171	594,605	1,399,138	368,972	–	2,402,886
Other liabilities	–	28,670	–	–	–	–	28,670
Enterprise Singapore loans	2.64	–	1,210	2,627	5,869	–	9,706
		68,841	595,815	1,401,765	374,841	–	2,441,262

	Effective weighted average interest %	Non-interest bearing $'000	0 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	> 5 years $'000	Total $'000
Company							
31 December 2019							
Financial Assets							
Cash on deposit, at banks and in hand	**1.87**	**2,322**	**183,627**	**96,849**	**–**	**–**	**282,798**
Statutory deposit with the Monetary Authority of Singapore	**–**	**69,623**	**–**	**–**	**–**	**–**	**69,623**
Investments	**2.08**	**4,231**	**80,939**	**76,552**	**53,546**	**105,280**	**320,547**
Loans and advances to customers	**3.30**	**–**	**795,401**	**672,122**	**468,830**	**250,264**	**2,186,617**
Other assets	**–**	**4,101**	**–**	**–**	**–**	**–**	**4,101**
		80,277	**1,059,967**	**845,523**	**522,375**	**355,544**	**2,863,686**
Financial Liabilities							
Deposits and balances of customers	**1.61**	**43,118**	**712,762**	**1,697,587**	**44,934**	**–**	**2,498,401**
Other liabilities	**–**	**29,941**	**–**	**–**	**–**	**–**	**29,941**
Enterprise Singapore loans	**2.77**	**–**	**43**	**461**	**9,503**	**–**	**10,007**
		73,059	**712,805**	**1,698,048**	**54,437**	**–**	**2,538,349**

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(iii) Market risk (Continued)

(1) Interest rate risk (Continued)

	Effective weighted average interest %	Non-interest bearing $'000	0 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	> 5 years $'000	Total $'000
Company							
31 December 2018							
Financial Assets							
Cash on deposit, at banks and in hand	1.89	4,558	177,766	134,716	–	–	317,040
Statutory deposit with the Monetary Authority of Singapore	–	62,580	–	–	–	–	62,580
Investments	2.40	59,192	–	–	132,900	108,121	300,213
Loans and advances to customers	3.22	–	758,784	685,579	436,662	199,979	2,081,004
Other assets	–	4,180	–	–	–	–	4,180
		130,510	936,550	820,295	569,562	308,100	2,765,017
Financial Liabilities							
Deposits and balances of customers	1.53	40,171	595,111	1,399,388	368,972	–	2,403,642
Other liabilities	–	28,170	–	–	–	–	28,170
Enterprise Singapore loans	2.64	–	1,210	2,627	5,869	–	9,706
		68,341	596,321	1,402,015	374,841	–	2,441,518

Interest rate sensitivity analysis

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at 31 December 2019, a 100 basis point increase/(decrease) in the interest rate at the end of the reporting period would increase/(decrease) profit by $26,000 (2018: increase/(decrease) profit by $211,000) and fair value reserves by $3,163,000 (2018: increase/(decrease) fair value reserves by $2,410,000) mainly a result of the changes in the fair value of FVOCI fixed rate instruments.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(iii) Market risk (Continued)

(2) Equity price risk on investments

Market risk is the risk that the value of a portfolio will decrease due to the change in value of the market risk factors. The market risk factors are credit spreads, interest rates, equity prices, foreign exchange rates, commodity prices and their associated volatility.

The Group primarily adopts Value-at-Risk (VaR) and scenario based stress testing methodologies to measure market risk for its SGS and equity investments to ensure that they are within set risk tolerance levels. The Group does not participate in foreign exchange trading, and all foreign exchange contracted with bank counterparties are on behalf of borrowers and are on secured basis.

The objective of market risk management is to manage and control the Group's market risk exposures within acceptable parameters, while optimising the return on its investments. The Group adopts a prudent investment policy to generate a stable yearly return with minimal downside in capital loss. In addition, as these investments are held for a long term basis, the risk of price fluctuation is mitigated.

The Group's investment portfolio comprises mainly Singapore Government securities and securities listed on the Singapore Exchange Securities Trading Limited (SGX).

Singapore Government Securities ("SGS") & MAS bills

The Group purchases SGS and MAS bills as part of its liquid assets for purpose of maintaining the minimum liquid assets required under the Finance Companies Act.

Securities listed on the SGX

Acceptable securities include stocks and shares, bonds and such other financial derivative instruments of any companies which are listed on the SGX.

The Board of Directors is responsible for formulating investment policy, strategies and guidelines and periodically reviews the investment portfolio. The Group adopts a prudent investment policy and invests in reputable companies with substantial market capitalisation, acceptable valuation, good operating track record and consistent dividend payout. These investments are held generally for dividend income and capital appreciation.

The Group is exposed to equity risks arising from equity investments classified as FVOCI. Equity investments are not held for trading purposes. The Group does not actively trade FVOCI investments.

As at 31 December 2019, a 10% increase/(decrease) in the equity prices at the end of the reporting period would increase/(decrease) fair value reserves by $462,000 (2018: increase/(decrease) by $505,000). The Group's net profit for the year ended 31 December 2019 would have been unaffected as the quoted equity securities are classified as FVOCI and any gain on disposal would not be recycled to profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(iv) Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Potential loss may be in the form of financial loss or other damages, for example, loss of reputation and public confidence that will impact the Group's credibility and ability to transact, maintain liquidity and develop new businesses.

The Operational Risk Framework uses several tools, including operational risk event management and key risk indicator monitoring to manage and control operational risk. To pro-actively manage operational risk, the Group uses risk control self-assessment and process risk mapping to identify and resolve material weaknesses in existing operations. In addition, all policy changes, new products, and outsourcing arrangements are subjected to approval by the RMC to ensure checks and controls are adequate and risks are adequately mitigated.

The RMC reviews all material outsourcing arrangements before the appointment of the vendors to ensure due diligence is carried out to determine the vendor's viability, capability, reliability, track record and financial position. Periodical reviews of existing material outsourcing arrangements are also subject to the RMC's approval.

The RMC reviews and approves all Business Continuity Plans ("BCPs") to ensure that they cover reasonably estimated and probable events that could significantly impact the normal operations of the Group. RMD makes recommendations to the RMC to enhance the Business Continuity Management ("BCM") policies and procedures and carries out periodical BCP tests and ensures Disaster Recovery ("DR") arrangements and tests are adequate.

All units and operations of the Group are subjected to compliance testing by the Compliance Department and inspection by the Internal Auditors who prioritise their audit tasks by developing a risk-based audit plan. The compliance testing and internal audit plans for the year are approved by the RMC and the Group's Audit Committee respectively.

The objectives of such periodic reviews undertaken by the Internal Auditor and the Compliance Department are to assist the management in assessing and evaluating the internal controls of the Group. The findings of the Internal Audit and the Compliance teams are discussed with the Heads of the business and operation units and submitted to the Group's management for information and action. The Internal Auditor's independent summary reports are tabled for the deliberation of the Group's Audit Committee before any recommendation of follow up action is made to the Board of Directors.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(v) Fair value of financial assets and financial liabilities

In assessing the fair value of financial instruments, the Group uses a variety of methods and make assumptions that are based on market conditions existing at the end of each reporting period.

Although the management has employed its best judgement in the estimation of fair values, there is inevitably a significant element of subjectivity involved in the calculations. Therefore, the fair value estimates presented below are not necessarily indicative of the amounts the Group could have realised in a transaction as at 31 December 2019.

Methodologies

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

(1) Liquid assets

The carrying values of certain on-balance sheet financial instruments approximate fair values. These include statutory deposit with the Monetary Authority of Singapore, cash on deposit, at banks and in hand, and other receivables, deposits and prepayments. These financial instruments are short-term in nature or are receivable on demand and the related amounts approximate fair value.

(2) Investments

The fair values of quoted debt and equity securities are determined based on bid prices at the end of the reporting period without any deduction for transaction costs.

(3) Loans and advances

The fair value of loans and advances that reprice within six months from the end of the reporting period approximates the carrying value. The fair value of all other loans and advances were calculated using discounted cash flow techniques based on the maturity of the loans. The discount rates are based on market related rates for similar types of loans at the end of the reporting period.

(4) Deposits and other borrowings

The fair value of non-interest bearing deposits, saving accounts, Enterprise Singapore loans and fixed deposits which mature within six months is estimated to be the carrying value at the end of the reporting period. The fair value of the remaining interest bearing deposits and Enterprise Singapore loans were calculated using discounted cash flow techniques, based on its related maturity. The discount rates are based on market related rates of Enterprise Singapore loans at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(v) Fair value of financial assets and financial liabilities (Continued)

Methodologies (Continued)

(5) Guarantees and commitments to extend credit

These financial instruments are generally not sold nor traded. Fair value of these items is considered insignificant for the following reasons:

– commitments extending beyond six months that would commit the Company to a predetermined rate of interest are insignificant;

– the fees attached to these commitments are the same as those currently charged to enter into similar arrangements; and

– the quantum of fees collected under these agreements, upon which a fair value would be based, is insignificant.

Summary

The following table provides an analysis of carrying and fair values for each item discussed above, where applicable, and the categories of financial instruments:

	Carrying amount 2019 $'000	**Fair value 2019 $'000**	Carrying amount 2018 $'000	Fair value 2018 $'000
Group				
Financial Assets				
Amortised costs:				
Cash on deposit, at banks and in hand	**282,862**	**282,862**	317,119	317,119
Statutory deposit with the Monetary Authority of Singapore	**69,623**	**69,623**	62,580	62,580
Investments at FVOCI	**320,937**	**320,937**	300,550	300,550
Loans and advances	**2,186,617**	**2,208,600**	2,081,004	2,104,589
Other receivables, deposits and prepayments	**4,101**	**4,101**	4,180	4,180
	2,864,140	**2,886,123**	2,765,433	2,789,018
Financial Liabilities				
Amortised costs:				
Deposits and balances of customers	**2,497,637**	**2,512,844**	2,402,886	2,420,200
Other liabilities	**30,421**	**30,421**	28,670	28,670
Enterprise Singapore loans	**10,007**	**10,007**	9,706	9,706
	2,538,065	**2,553,272**	2,441,262	2,458,576

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(v) Fair value of financial assets and financial liabilities (Continued)

Summary (Continued)

	Carrying Amount 2019 $'000	**Fair value 2019 $'000**	Carrying amount 2018 $'000	Fair value 2018 $'000
Company				
Financial Assets				
Amortised costs:				
Cash on deposit, at banks and in hand	**282,798**	**282,798**	317,040	317,040
Statutory deposit with the Monetary Authority of Singapore	**69,623**	**69,623**	62,580	62,580
Investments at FVOCI	**320,547**	**320,547**	300,213	300,213
Loans and advances	**2,186,617**	**2,208,600**	2,081,004	2,104,589
Other receivables, deposits and prepayments	**4,101**	**4,101**	4,180	4,180
	2,863,686	**2,885,669**	2,765,017	2,788,602
Financial Liabilities				
Amortised costs:				
Deposits and balances of customers	**2,498,401**	**2,513,610**	2,403,642	2,420,954
Other liabilities	**29,941**	**29,941**	28,170	28,170
Enterprise Singapore loans	**10,007**	**10,007**	9,706	9,706
	2,538,349	**2,553,558**	2,441,518	2,458,830

The table below provides an analysis of categorisation of fair value measurements into the different levels of the fair value hierarchy

	2019				2018			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group								
Financial instruments measured at fair value through other comprehensive income								
Financial Assets								
Quoted equity securities	**4,621**	**–**	**–**	**4,621**	4,657	–	–	4,657
Singapore Government Securities	**316,316**	**–**	**–**	**316,316**	295,893	–	–	295,893
Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis								
Financial Assets								
Loans and Advances	**–**	**2,208,600**	**–**	**2,208,600**	–	2,104,589	–	2,104,589
Financial Liabilities								
Deposits and balances of customers	**–**	**2,512,844**	**–**	**2,512,844**	–	2,420,200	–	2,420,200

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(v) Fair value of financial assets and financial liabilities (Continued)

Summary (Continued)

	2019				2018			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company								
Financial instruments measured at fair value through other comprehensive income								
Financial Assets								
Quoted equity securities	4,231	–	–	4,231	4,320	–	–	4,320
Singapore Government Securities	316,316	–	–	316,316	295,893	–	–	295,893
Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis								
Financial Assets								
Loans and Advances	–	2,208,600	–	2,208,600	–	2,104,589	–	2,104,589
Financial Liabilities								
Deposits and balances of customers	–	2,513,610	–	2,513,610	–	2,420,954	–	2,420,954

(c) Capital risk management policies and objectives

The Group maintains a capital adequacy ratio ("CAR") in excess of the prescribed regulatory ratio. CAR is the percentage of adjusted core capital to total risk-weighted assets.

(i) The Group's adjusted core capital includes share capital, statutory reserves, fair value reserve relating to unrealised losses on equity securities classified as FVOCI and retained earnings.

The fair value reserve relating to unrealised gains/losses on certain debt securities instruments and unrealised gains on equity securities classified as FVOCI are excluded from the Group's adjusted core capital.

(ii) Risk-weighted assets are determined according to specified requirements by MAS that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business as well as to generate an optimal return on its assets.

The Group has complied with all externally imposed capital requirements throughout the year and there have been no material changes in the management of capital during the year.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

(c) Capital risk management policies and objectives (Continued)

(ii) The Group's capital position at 31 December was as follows:

	Group	
	2019	2018
	$'000	$'000
Capital element		
Core capital		
Share capital	**180,008**	180,008
Disclosed reserves	**173,493**	166,037
	353,501	346,045

	Group	
	2019	2018
	$'000	$'000
Risk weighted assets	**2,449,799**	2,392,944
Capital adequacy ratio:		
Core capital/risk weighted assets (%)	**14.43**	14.46

(iii) **Capital allocation**

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each activity is based primarily on the regulatory capital. The Group sets the internal guidelines for monitoring the mix of assets and liabilities. The RMC reviews the assets portfolio and the compliance to the guidelines on a quarterly basis.

The Board of Directors monitors the Group's performance and recommends the level of dividends to shareholders.

5 RELATED COMPANY AND RELATED PARTY TRANSACTIONS

Related company in these financial statements refer to the Company's subsidiary. Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note.

Transactions entered into by the Group and the Company with other related parties incurred in the ordinary course of business from time to time and at market value, primarily comprise loans, provision of professional services and sale of investment products and property, management services, incidental expenses and/or other transactions relating to the business of the Group and the Company.

NOTES TO FINANCIAL STATEMENTS

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5 RELATED COMPANY AND RELATED PARTY TRANSACTIONS (CONTINUED)

Other than disclosed elsewhere in the financial statements, the transactions with directors of the Company and other related parties are as follows:

	Group and Company	
	2019	2018
	$'000	$'000
At 31 December		
(a) Deposits	**9,114**	62,871
For the year ended 31 December		
(b) Profit or loss transactions		
– Interest expenses on deposits	**933**	1,055
– Professional Fee	**8**	18
– Rental income	**221**	221

6 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group and Company	
	2019	2018
	$'000	$'000
Accrued interest receivables	**4,101**	4,180
Prepaid commission	**3,032**	2,801
Prepayments, deposits and other assets	**578**	1,427
Right-of-use ("ROU") assets	**104**	–
	7,815	8,408

Right-of-use assets

	Group and Company 2019 $'000
Cost:	
At 1 January 2019	**119**
Additions	**13**
At December 31, 2019	**132**
Accumulated depreciation:	
At January 1, 2019	**–**
Depreciation	**28**
At December 31, 2019	**28**
Carrying amount:	
At December 31, 2019	**104**

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

7 INVESTMENTS

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Investments at FVOCI				
Quoted equity securities	**4,621**	4,657	**4,231**	4,320
Singapore Government Securities	**316,316**	295,893	**316,316**	295,893
	320,937	300,550	**320,547**	300,213
Other unquoted equity investments	**121**	121	**121**	121
Net change in fair value of unquoted investments at FVOCI	**(121)**	(121)	**(121)**	(121)
	–	–	**–**	–
	320,937	300,550	**320,547**	300,213

These investments are not held for trading. Instead, they are held for medium to long-term. Accordingly, the management has elected to designate these investments as at FVOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

8 LOANS AND ADVANCES

	Group and Company	
	2019	2018
	$'000	$'000
Housing, factoring receivables and other loans	**1,554,782**	1,516,187
Hire purchase receivables	**699,933**	616,917
Interest in suspense	**(6,617)**	(3,375)
Unearned interests	**(55,523)**	(43,923)
Allowances for impairment on loans and advances	**(5,958)**	(4,802)
	2,186,617	2,081,004
Due within 12 months	**518,912**	434,426
Due after 12 months	**1,667,705**	1,646,578
	2,186,617	2,081,004

Included in the allowances for impairment on loans and advances above are allowances for impairment on hire purchase receivables due within twelve months and due after twelve months amounted to $858,419.45 (2018: $1,449,464) and $1,006,606.73 (2018: $603,693) respectively.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

8 LOANS AND ADVANCES (CONTINUED)

Movements in allowances for impairment on loans and advances are as follows:

	Group and Company	
	2019	2018
	$'000	$'000
Stage 3 loss allowance		
At 1 January	**2,428**	5,791
Allowances (Write-back of) for impairment losses during the year	**1,666**	(1,375)
Receivables written off against allowances	**(754)**	(1,988)
At 31 December	**3,340**	2,428
Stage 1 and 2 loss allowance		
At 1 January	**2,374**	19,321
Effect on remeasurement of SFRS(I) 9	**–**	(16,489)
At 1 January after effect on remeasurement on SFRS(I) 9	**2,374**	2,832
Allowances (Write-back of) for impairment losses during the year	**244**	(458)
At 31 December	**2,618**	2,374
Total allowances for impairment on loans and advances		
At 1 January	**4,802**	8,623
At 31 December	**5,958**	4,802

The hire purchase receivables are as follows:

	Group and Company		
	Gross	Interest	Principal
	$'000	$'000	$'000
2019			
Within 1 year	**37,513**	**425**	**37,088**
After 1 year but within 5 years	**479,651**	**29,206**	**450,445**
After 5 years	**182,769**	**24,069**	**158,700**
	699,933	**53,700**	**646,233**
2018			
Within 1 year	44,456	564	43,893
After 1 year but within 5 years	453,941	27,504	426,437
After 5 years	118,520	15,831	102,689
	616,917	43,899	573,018

The Group's and Company's leasing arrangements comprise hire purchase contracts mainly for motor vehicles and equipment.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings $'000	Freehold land and buildings $'000	Furniture and office equipment $'000	Motor vehicles $'000	Renovation $'000	Computers $'000	Total $'000
Group and Company							
Cost:							
At 1 January 2018	10,646	8,530	458	870	2,451	4,839	27,794
Additions	4,675	–	53	103	525	106	5,462
Disposal/Write off	–	–	(29)	–	(17)	–	(46)
At 31 December 2018	15,321	8,530	482	973	2,959	4,945	33,210
Additions	–	–	30	26	45	4,981	5,082
Disposal/Write off	–	–	(7)	–	(258)	(2,274)	(2,539)
At 31 December 2019	**15,321**	**8,530**	**505**	**999**	**2,746**	**7,652**	**35,753**
Accumulated depreciation:							
At 1 January 2018	2,370	1,643	353	364	2,411	3,609	10,750
Depreciation for the year	111	200	32	173	71	470	1,057
Disposal/Write off	–	–	(24)	–	(9)	–	(33)
At 31 December 2018	2,481	1,843	361	537	2,473	4,079	11,774
Depreciation for the year	140	218	39	185	118	410	1,110
Disposal/Write off	–	–	(7)	–	(258)	(2,244)	(2,509)
At 31 December 2019	**2,621**	**2,061**	**393**	**722**	**2,333**	**2,245**	**10,375**
Carrying amount:							
At 31 December 2019	**12,700**	**6,469**	**112**	**277**	**413**	**5,407**	**25,378**
At 31 December 2018	**12,840**	**6,687**	**121**	**436**	**486**	**866**	**21,436**

10 INVESTMENT PROPERTIES

	Group and Company	
	2019 $'000	2018 $'000
At cost:		
At 1 January and 31 December	**28,794**	28,794
Accumulated depreciation:		
At 1 January	**5,852**	5,475
Depreciation charge for the year	**377**	377
At 31 December	**6,229**	5,852
Carrying amount:		
At 31 December	**22,564**	22,942

The investment properties relate to the office spaces at the head office and part of the premise at the Bedok Branch which are leased to third parties for rental. Each of the leases contains an initial non-cancellable period of 2 to 3 years. Subsequent renewals are negotiated with the lessee.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

10 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurement of the Group's leasehold land and buildings

The Group's land and buildings are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's leasehold land and buildings as at 31 December 2019 and 31 December 2018 were performed by Jones Lang LaSalle, a firm of independent valuers not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the properties in the relevant locations.

The fair value of the leasehold land and building of 17-storey office building at 96 Robinson Road, Singapore 068899, were determined based on the investment method of valuation, which takes into account the existing committed rentals and the estimated current market rentals achievable by the leasehold land and building. The fair value of the leasehold land and building of 17-storey office building at 96 Robinson Road, Singapore 068899, were cross-checked using the comparison method of valuation, which is based on the direct comparison with recent transactions of comparable properties within the vicinity.

The fair value of the leasehold land and building of Block 202, Bedok North Street 1, #01-479 to 485, Singapore 460202, were determined based on the direct comparison with recent transactions of comparable properties within the vicinity. The fair value of the leasehold land and building of Block 202, Bedok North Street 1, #01-479 to 485, Singapore 460202, were cross-checked using the income method, which takes into account the net rental income and the remaining period of the lease to arrive at the current market value.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Management considers that certain inputs used in the fair value measurement of the Group's leasehold land and buildings are sensitive to the fair value measurement. A change in these inputs will have a corresponding increase/decrease in the fair valuation.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

10 INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's leasehold land and buildings and information about the fair value hierarchy as at 31 December 2019 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	**Fair value as at 31 December 2019 $'000**	Fair value as at 31 December 2018 $'000
A 17-storey office building at 96 Robinson Road, Singapore, 068899, on freehold and leasehold land, with an estimated gross floor area of 7,844.38 square metres. Approximately 38.23% (2018: 38.23%) of the lettable space is used as the head office of the Company and the remaining area is for rental. Tenure of lease is 99 years commencing 1 October 1996.	–	89,567	–	**89,567**	86,478
A shop at Block 202, Bedok North Street 1, #01-479 to 485, Singapore 460202, with a floor area of approximately 267 square metres on leasehold land. Approximately 50% (2018: 50%) of the lettable space is used as branch premises of the Company and the remaining area is for rental. Tenure of lease is 86 years commencing 1 July 1992.	–	2,200	–	**2,200**	2,200
	–	91,767	–	**91,767**	88,678

The fair value of the entire 17-storey office building at 96 Robinson Road, Singapore 068899, is $145,000,000 (2018: $140,000,000). The fair value of the shop at Block 202, Bedok North Street 1, #01-479 to 485, Singapore 460202, is $4,400,000 (2018: $4,400,000).

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

11 SUBSIDIARY

	Company 2019 $'000	Company 2018 $'000
Unquoted equity investments, at cost	**25**	25

Details of the subsidiary are as follows:

Name of subsidiary	Sing Investments & Finance Nominees (Pte.) Ltd.
Principal activity	Nominee services
Country of incorporation/business	Singapore
Proportion of ownership interest	100 % (2018: 100%)

The subsidiary is audited by Deloitte & Touche LLP, Singapore.

12 DEFERRED TAX LIABILITIES

Movements in deferred tax assets and liabilities during the year are as follows:

	At 1 January 2018 $'000	Recognised in profit or loss for the year $'000	Recognised in other comprehensive income $'000	At 31 December 2018 $'000	Recognised in profit or loss for the year $'000	Recognised in other comprehensive income $'000	**At 31 December 2019 $'000**
Group							
Deferred tax assets (liabilities)							
Employee benefits	43	2	–	45	56	–	**101**
Property, plant and equipment	(218)	61	–	(157)	(768)	–	**(925)**
Investments	(1,994)	–	259	(1,735)	–	(200)	**(1,935)**
	(2,169)	63	259	(1,847)	(712)	(200)	**(2,759)**
Company							
Deferred tax assets (liabilities)							
Employee benefits	43	2	–	45	56	–	**101**
Property, plant and equipment	(218)	61	–	(157)	(768)	–	**(925)**
Investments	(1,947)	–	259	(1,688)	–	(191)	**(1,879)**
	(2,122)	63	259	(1,800)	(712)	(191)	**(2,703)**

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

13 DEPOSITS AND BALANCES OF CUSTOMERS

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Fixed deposits	**2,430,604**	2,340,612	**2,430,604**	2,340,612
Fixed deposits and current accounts from subsidiary	**–**	–	**764**	756
Savings accounts and other balances with customers	**64,655**	56,933	**64,655**	56,933
Project accounts	**2,378**	5,341	**2,378**	5,341
	2,497,637	2,402,886	**2,498,401**	2,403,642

14 OTHER LIABILITIES

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Accrued interest payable	**23,971**	16,782	**23,971**	16,783
Accrued operating expenses	**4,576**	5,998	**4,570**	5,988
Amount due to subsidiary	**–**	–	**39**	19
Factoring current accounts	**–**	2,889	**–**	2,889
Deposits for safe deposit boxes and rental deposits	**818**	837	**818**	837
Unclaimed dividends	**620**	615	**107**	105
Lease liabilities	**106**	–	**106**	–
Others	**330**	1,549	**330**	1,549
	30,421	28,670	**29,941**	28,170

Maturity Analysis for Lease Liability:	
Year 1	33
Year 2	32
Year 3	31
Year 4	19
Year 5	1
	116
Less: Unearned interest	(10)
	106
Due within 12 months	28
Due after 12 months	78
	106

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on 1 January 2019 and 31 December 2019 is 5%.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2019

15 ENTERPRISE SINGAPORE LOANS

	Group and Company	
	2019	2018
	$'000	$'000
Due within 12 months	**4,935**	3,837
Due after 12 months	**5,072**	5,869
	10,007	9,706

Enterprise Singapore loans represent amounts advanced by the Standards, Productivity and Innovations Board under the Local Enterprise Finance Scheme ("LEFS") and Extended Local Enterprise Finance Scheme ("ELEFS") to finance LEFS and ELEFS borrowers. The interest rates and repayment periods vary in accordance with the type, purpose and security of the facilities granted under the above schemes.

16 PROVISION FOR EMPLOYEE BENEFITS

	Group and Company	
	2019	2018
	$'000	$'000
Provision for unutilised leave	**598**	268

17 SHARE CAPITAL

	Group and Company			
	2019	2018	**2019**	2018
	No. of shares ('000)	No. of shares ('000)	**$'000**	$'000
Issued and fully paid:				
At 1 January and 31 December	**157,626**	157,626	**180,008**	180,008

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.

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

18 RESERVES

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Statutory reserve	**115,965**	110,964	**115,965**	110,964
Fair value reserve	**9,446**	8,473	**9,172**	8,243
Accumulated profits	**57,622**	55,169	**57,239**	54,799
Regulatory loss allowance reserve	**9,940**	8,391	**9,940**	8,391
	192,973	182,997	**192,316**	182,397

The statutory reserve is maintained in compliance with the provision of Section 18 of the Finance Companies Act, Chapter 108.

The fair value reserve comprises the cumulative net change in the fair value of FVOCI investments until such investments are derecognised.

The regulatory loss allowance reserve is maintained in compliance with the MAS Notice to Finance Companies No. 811 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

19 SEGMENT REPORTING

Segment reporting is not required for the Group and the Company as majority of the income is from the same business segment, which is credit and lending. All activities are carried out in the Republic of Singapore.

20 DIRECTORS' AND KEY MANAGEMENT PERSONNEL'S REMUNERATION

	Group	
	2019	2018
	$'000	$'000
Salaries and other benefits	**2,025**	2,193
Contribution to defined contribution plan	**23**	27
Directors' fees	**415**	620
Others	**53**	47
	2,516	2,887

NOTES TO FINANCIAL STATEMENTS

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21 PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit for the year:

	Group	
	2019	2018
	$'000	$'000
Interest income and hiring charges		
Loans and advances and others measured at amortised cost	**73,221**	65,441
Cash and bank deposits at amortised cost	**5,452**	4,424
Singapore Government Securities measured at FVOCI	**7,246**	6,651
	85,919	76,515
Interest expense		
Deposits and others	**40,593**	29,627
Dividends		
Equity investments	**195**	173
Other income		
Government grant	**141**	204
Bad debts recovered	**151**	112
Net loss on property, plant and equipment written off/disposed	**(30)**	(13)
Net gain on sale of Singapore government securities	**206**	–
Rental income from safe boxes	**117**	120
Others	**7**	5
	592	428
Staff costs		
Salaries and other benefits	**14,119**	13,474
Contributions to defined contribution plan	**1,628**	1,606
Provision for unutilised leave	**330**	31
	16,077	15,111
Other operating expenses		
Audit fees	**108**	115
Non-audit fees	**45**	28
Operating expenses on investment properties	**677**	726
Maintenance, utilities and property tax	**1,292**	1,046
Legal and professional fees	**215**	214
Commission expense	**4,172**	3,068
Others	**2,551**	2,730
	9,060	7,927

NOTES TO FINANCIAL STATEMENTS

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22 INCOME TAX EXPENSE

	Group	
	2019	2018
	$'000	$'000
Current tax expense		
Current year	**2,848**	4,901
Adjustments with respect to prior years	**(1,459)**	(139)
	1,389	4,762
Deferred tax credit		
Reversal of temporary differences (Note 12)	**712**	(63)
Total income tax expense	**2,101**	4,699
Reconciliation of effective tax rate		
Profit before income tax	**22,119**	28,727
Income tax using Singapore tax rate of 17% (2018: 17%)	**3,760**	4,884
Expenses not deductible for tax purposes	**193**	257
Effects of tax benefits	**(34)**	(36)
Income not subject to tax	**(8)**	(9)
Tax effect of income subject to concessionary tax rate of 10% (2018: 10%)	**(135)**	(182)
Section 14I Tax Deductions	**(263)**	–
Others	**47**	(76)
	3,560	4,838
Adjustments with respect to prior years	**(1,459)**	(139)
Total income tax expense	**2,101**	4,699

23 EARNINGS PER SHARE

	Group	
	2019	2018
	$'000	$'000
Basic and diluted earnings per share are based on:		
Net profit attributable to ordinary shareholders	**20,018**	24,028
Number of ordinary shares	**157,626**	157,626

There were no potential dilutive ordinary shares for the years ended 31 December 2019 and 2018.

NOTES TO **FINANCIAL STATEMENTS**

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24 DIVIDENDS

In 2019, a dividend of 7 cents per share, one-tier tax exempt (total dividend $11,034,000) was paid to shareholders. In 2018, a dividend of 7 cents per share, one-tier tax exempt (total dividend $11,034,000) was paid.

In respect of the current year, the Directors proposed the following dividend which has not been provided for at the end of the reporting period:

	$'000
Annual dividend proposed of:	
2019: 6 cents per share, one-tier tax exempt	**9,458**

25 COMMITMENTS

	Group	
	2019	2018
	$'000	$'000
Capital commitments		
Commitments for capital expenditure contracted but not provided for in the financial statements	**749**	4,373

Operating lease commitments

The Group as lessee

	Group and Company 2018 $'000
Payment recognised as an expense during the year:	
Minimum lease payments under operating leases	162

The Group as lessor

The Group and the Company leases out its investment properties. Non-cancellable operating lease rentals are receivable as follows:

	Group and Company	
	2019	2018
	$'000	$'000
Receivable:		
Within 1 year	**2,713**	2,233
After 1 year but within 5 years	**1,930**	568
	4,643	2,801
Other commitment		
Undrawn loan commitments	**432,494**	520,994

NOTES TO **FINANCIAL STATEMENTS**

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26 CONTINGENT LIABILITIES

Commitments entered into by the Group and the Company on behalf of customers for which customers have corresponding obligations to the Group and the Company and for the Group and the Company's operational requirements are as follows:

	Group and Company	
	2019	2018
	$'000	$'000
Guarantees issued and financing of goods imported	**2,009**	2,293

As at 31 December 2019, guarantees issued for the Group and the Company's operational requirements amounted to $51,485 (2018: $57,550). These contingent liabilities are not secured on any of the Group's assets and not included on the statements of financial position of the Group and Company in accordance with the Group's accounting policy.

27 CURRENT ASSETS AND CURRENT LIABILITIES

The current assets and current liabilities of the Group and Company are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Current assets				
Cash on deposit, at banks and in hand	**282,862**	317,119	**282,798**	317,040
Statutory deposit with the Monetary Authority of Singapore ("MAS")	**69,623**	62,580	**69,623**	62,580
Investments	**320,937**	300,550	**320,547**	300,213
Loans and advances due within twelve months	**518,912**	434,426	**518,912**	434,426
Other receivables, deposits and prepayments	**7,815**	8,408	**7,815**	8,408
Total current assets	**1,200,149**	1,123,083	**1,199,695**	1,122,667
Current liabilities				
Deposits and balances of customers	**2,497,637**	2,402,886	**2,498,401**	2,403,642
Other liabilities	**29,419**	28,670	**28,939**	28,170
Enterprise Singapore loans due within twelve months	**4,935**	3,837	**4,935**	3,837
Provision for employee benefits	**598**	268	**598**	268
Current tax payable	**1,393**	7,657	**1,393**	7,657
Total current liabilities	**2,533,982**	2,443,318	**2,534,266**	2,443,574

NOTES TO **FINANCIAL STATEMENTS**

31 DECEMBER 2019

28 NEW STANDARDS ISSUED BUT NOT YET ADOPTED

At the date of authorisation of these financial statements, the following SFRS(I) pronouncement was issued but effective for financial periods beginning on or after 1 January 2020:

Effective for annual periods beginning on or after 1 January 2020

- Amendments to SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
- Amendments to SFRS(I) 3 Business Combinations: Definition of a Business
- Amendments to References to the Conceptual Framework in SFRS(I) Standards

Annual periods beginning on or after 1 January 2021

- SFRS(I) 17 Insurance Contracts

Effective date is deferred indefinitely

- Amendments to SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture

Management has performed a detailed analysis of the accounting requirements relating to the amendments, and determined that there will be no material adjustments expected from the initial application for Amendments to SFRS(I) 1-1, 3 and Conceptual Framework. SFRS(I) 17 and 1-28 are not applicable to the Group.

ADDITIONAL **INFORMATION**

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2019

Name of Director	Total Remuneration (nearest thousand) S$'000	Basic Salary/ Employer's CPF/AWS %	Variable Bonuses %	Directors' Fee %	Other Benefits %	Total %
Executive Director						
Lee Sze Leong (Managing Director/ Chief Executive Officer)	1,298	63.5	29.4	5.0	2.1	100
Lee Sze Siong (Deputy Managing Director)	928	62.3	28.5	6.5	2.7	100
Non-executive Directors						
Ng Tat Pun	98	–	–	100	–	100
Chee Jin Kiong	63	–	–	100	–	100
Michael Lau Hwai Keong	67	–	–	100	–	100
Joseph Toh Kian Leong	62	–	–	100	–	100

Note (1): The Directors' fees are subjected to approval by shareholders at the forthcoming Annual General Meeting.

STATISTICS OF **SHAREHOLDINGS**

AS AT 02 MARCH 2020

No. of issued and fully paid-up shares	:	157,625,764
Class of shares	:	Ordinary share
Voting rights attached to shares	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	69	3.26	1,334	0.00
100 – 1,000	172	8.11	93,727	0.06
1,001 – 10,000	1,052	49.62	5,757,772	3.65
10,001 – 1,000,000	808	38.11	54,651,826	34.68
1,000,001 AND ABOVE	19	0.90	97,121,105	61.61
TOTAL	**2,120**	**100.00**	**157,625,764**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	F H LEE HOLDINGS PTE LTD	44,334,150	28.13
2	RAFFLES NOMINEES (PTE.) LIMITED	8,661,121	5.49
3	PHILLIP SECURITIES PTE LTD	8,076,318	5.12
4	DBS NOMINEES (PRIVATE) LIMITED	4,768,690	3.03
5	AMELIA	4,061,311	2.58
6	CITIBANK NOMINEES SINGAPORE PTE LTD	3,752,905	2.38
7	LEE HENG WAH @ LEE HENG GUAN	3,000,000	1.90
8	SING HOLDINGS LIMITED	2,844,900	1.80
9	KOH BOON HONG	2,708,600	1.72
10	MORPH INVESTMENTS LTD	1,956,000	1.24
11	COSMOS INVESTMENT PTE LTD	1,785,150	1.13
12	KIMANIS MARINE PTE LTD	1,780,200	1.13
13	ANG HAO YAO (HONG HAOYAO)	1,708,000	1.08
14	ANG CHIAN POH	1,546,350	0.98
15	AW SEOH BEE	1,382,000	0.88
16	TAI MAH SAWMILL CO (PTE) LTD	1,276,000	0.81
17	LIM HWEE SIN	1,182,000	0.75
18	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,167,410	0.74
19	NG CHIT TONG PETER OR YE CHUNXIU	1,130,000	0.72
20	UOB KAY HIAN PRIVATE LIMITED	951,310	0.60
	TOTAL	**98,072,415**	**62.21**

STATISTICS OF **SHAREHOLDINGS**

AS AT 02 MARCH 2020

SUBSTANTIAL SHAREHOLDERS AS AT 2 MARCH 2020

	Number of shares			
Name	**Shareholdings registered in the name of Substantial Shareholders or their nominees**	**%**	**Shareholdings in which Substantial Shareholders are deemed to have an interest**	**%**
Lee Sze Leong[1]	599,631	0.38	47,179,050	29.93
Lee Sze Siong[2]	651,142	0.41	47,179,050	29.93
Lee Sze Hao[3]	644,763	0.41	47,179,050	29.93
F.H. Lee Holdings (Pte) Limited[4]	44,334,150	28.13	2,844,900	1.80

Notes:–

(1) Lee Sze Leong is deemed to be interested in 44,334,150 shares held by F.H. Lee Holdings (Pte) Limited and 2,844,900 shares held by Sing Holdings Limited.

(2) Lee Sze Siong is deemed to be interested in 44,334,150 shares held by F.H. Lee Holdings (Pte) Limited and 2,844,900 shares held by Sing Holdings Limited.

(3) Lee Sze Hao is deemed to be interested in 44,334,150 shares held by F.H. Lee Holdings (Pte) Limited and 2,844,900 shares held by Sing Holdings Limited.

(4) F.H. Lee Holdings (Pte) Limited is deemed to be interested in 2,844,900 shares held by Sing Holdings Limited.

Shareholdings held in hands of public

As at 2 March 2020, approximately 68.63% of issued share capital of the Company was held in the hands of the public (on the basis of information available to the Company). Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Treasury Shares

The Company does not hold any treasury shares as at 2 March 2020.

Subsidiary Holdings

The Company does not hold any subsidiary holdings as at 2 March 2020.

Directors' shareholdings as at 21 January 2020

As shown in the Directors' Statement, the shares held by the Directors as at 31 December 2019 remain unchanged as at 21 January 2020.

ADDITIONAL INFORMATION ON **DIRECTORS SEEKING RE-ELECTION**

The following information relating to Mr Lee Sze Siong and Mr Chee Jin Kiong, each of whom is standing for re-election as a Director at the forthcoming Annual General Meeting of the Company, is provided pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited, being the information as set out in Appendix 7.4.1.

Name of Director	Lee Sze Siong	Chee Jin Kiong
Date of first appointment as a Director	19 March 1997	1 September 2014
Date of last re-appointment/re-election as a Director	24 April 2017	24 April 2018
Age	58	73
Country of principal residence	Singapore	Singapore
The Board's comments on the re-election	The Board of Directors ("**Board**") of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the performance and contribution of Mr Lee Sze Siong to the Board and Board Committees for re-appointment as an Executive and Non-Independent Director of the Company. Accordingly, the Board has recommended Mr Lee Sze Siong for re-election at the forthcoming Annual General Meeting.	The Board of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the performance and contribution of Mr Chee Jin Kiong to the Board and Board Committees for re-appointment as a Non-Executive and Independent Director of the Company. Accordingly, the Board has recommended Mr Chee Jin Kiong for re-election at the forthcoming Annual General Meeting.
Whether appointment is executive, and if so, the area of responsibility	Executive and Non-Independent Director. Mr Lee Sze Siong is responsible for assisting the Managing Director in overseeing the Company's business and overall daily operations.	Non-Executive and Independent Director.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Deputy Managing Director, Executive and Non-Independent Director of the Company and member of the Risk Management and Loan Committees.	Non-Executive and Independent Director of the Company and Chairman of the Remuneration Committee and member of the Audit and Nominating Committees.
Professional qualifications	Bachelor of Business Administration, University of Hawaii Master in Accounting, University of Southern Queensland	Bachelor of Accountancy, University of Singapore Fellow, Institute of Singapore Chartered Accountants

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Lee Sze Siong	Chee Jin Kiong
Working experience and occupation(s) during the past 10 years	• July 1997 – June 2010 General Manager of the Company • July 2010 – Present Deputy Managing Director of the Company	• August 2011 – August 2014 CEO of Keppel Care Foundation • March 2009 – August 2014 Director (Group Human Resource) of Keppel Corporation Limited • October 2002 – August 2014 Executive Director (Human Resource) of Keppel Offshore & Marine
Shareholding interest in the Company and its subsidiaries	• Direct interest: 651,142 shares* • Deemed interest: 44,334,150 shares held by F.H. Lee Holdings (Pte) Limited* 2,844,900 shares held by Sing Holdings Limited* *As at 2 March 2020	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	Sibling of Mr Lee Sze Leong, the Chief Executive Officer, Managing Director, Executive and Non-Independent Director of the Company Sibling of Mr Lee Sze Hao, a substantial shareholder of the Company.	None
Conflict of Interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Past (for the last 5 years): None Present: • Director of Sing Investments & Finance Nominees (Pte.) Ltd. • Director of F.H. Lee Holdings (Pte) Limited	Past (for the last 5 years): None Present: None

ADDITIONAL INFORMATION ON **DIRECTORS SEEKING RE-ELECTION**

Name of Director		Lee Sze Siong	Chee Jin Kiong
Disclosure on the following matters concerning the Director			
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

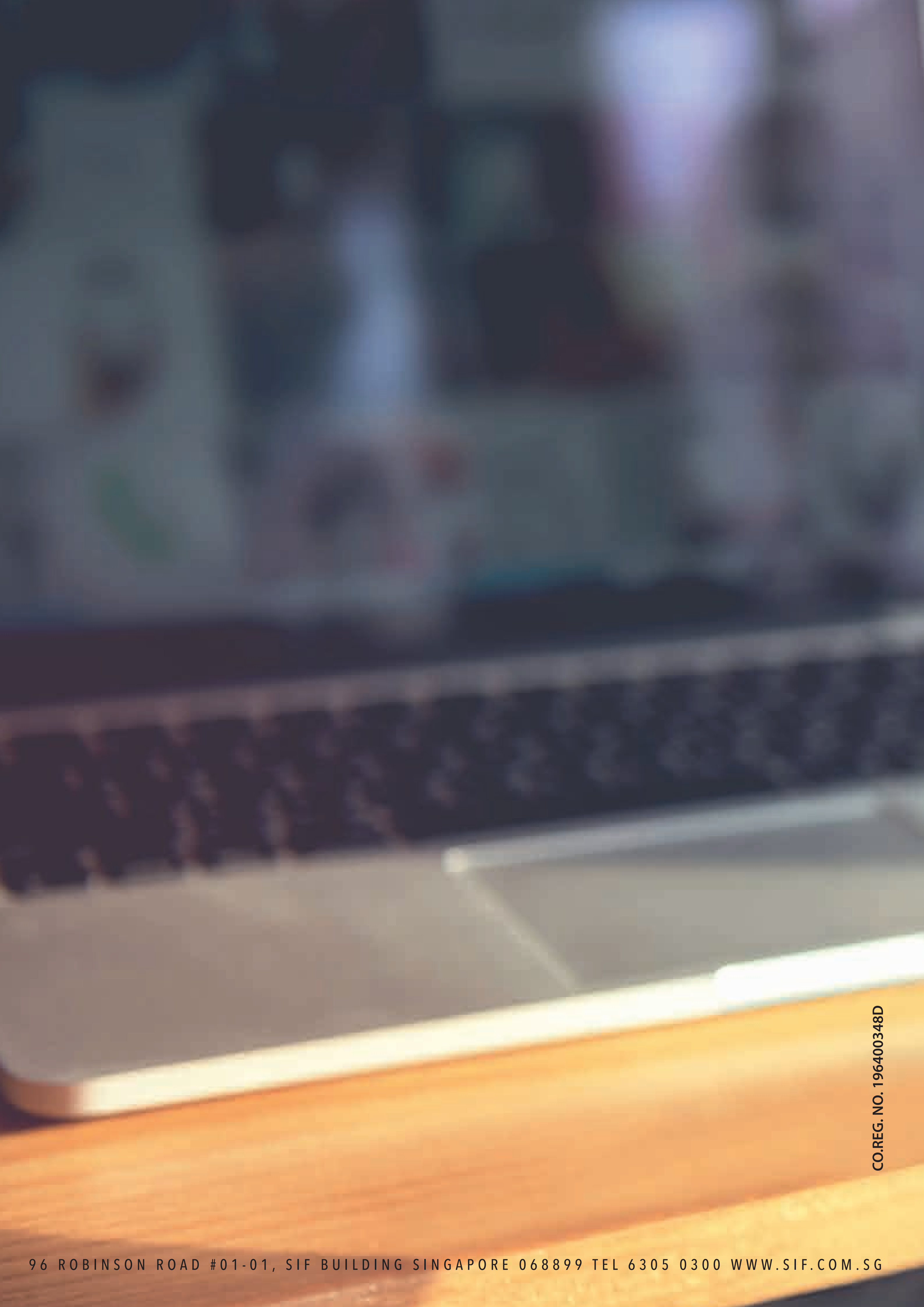
Name of Director	Lee Sze Siong	Chee Jin Kiong
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Lee Sze Siong	Chee Jin Kiong
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (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	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Lee Sze Siong	Chee Jin Kiong
(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?		
(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?	Yes. In or around 1992 (28 years ago), Mr Lee Sze Siong was interviewed by the CAD in connection with multiple share applications in several initial public share offers in the late 1980s. Following the interview and clarification, there was no further development since then.	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not Applicable	Not Applicable



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