

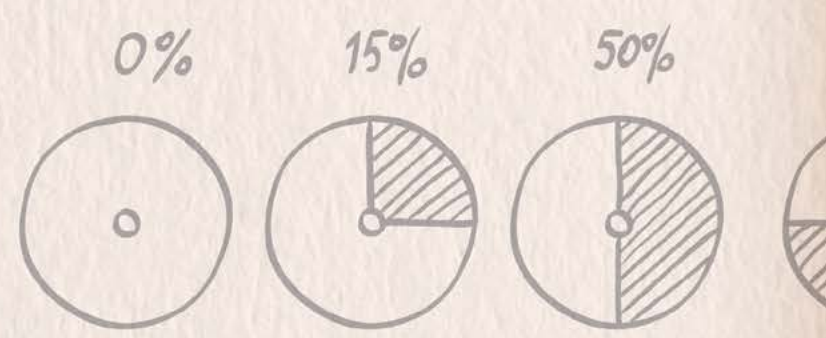
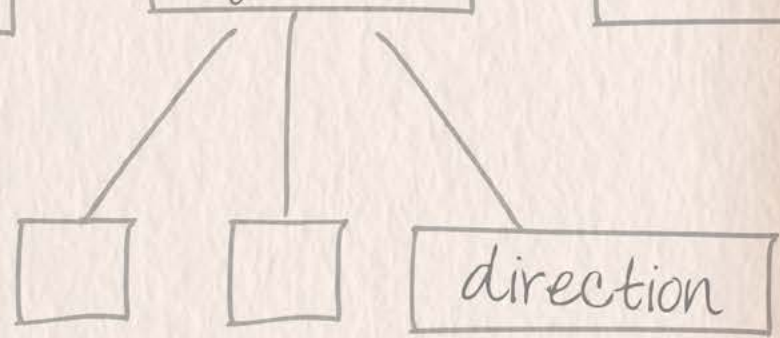
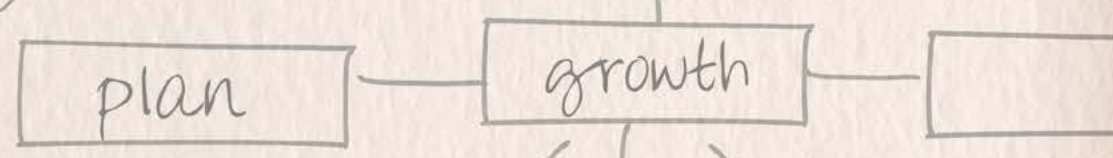
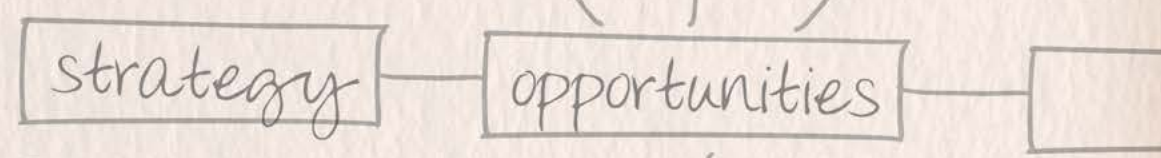
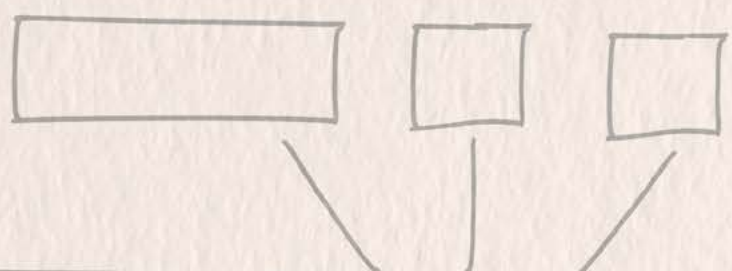


ANNUAL REPORT 2014

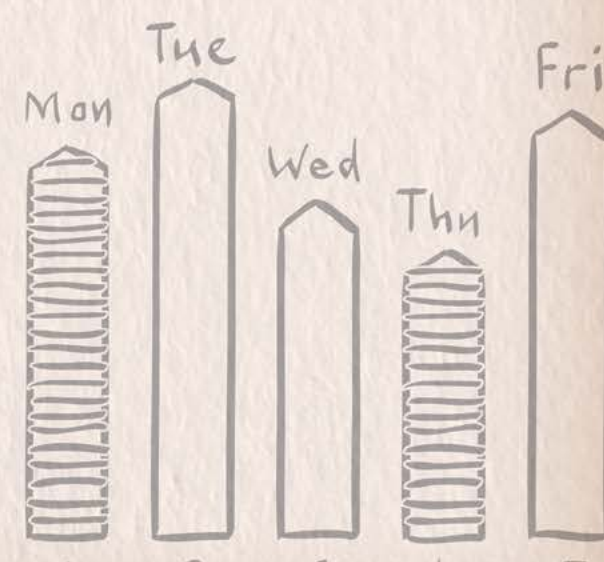
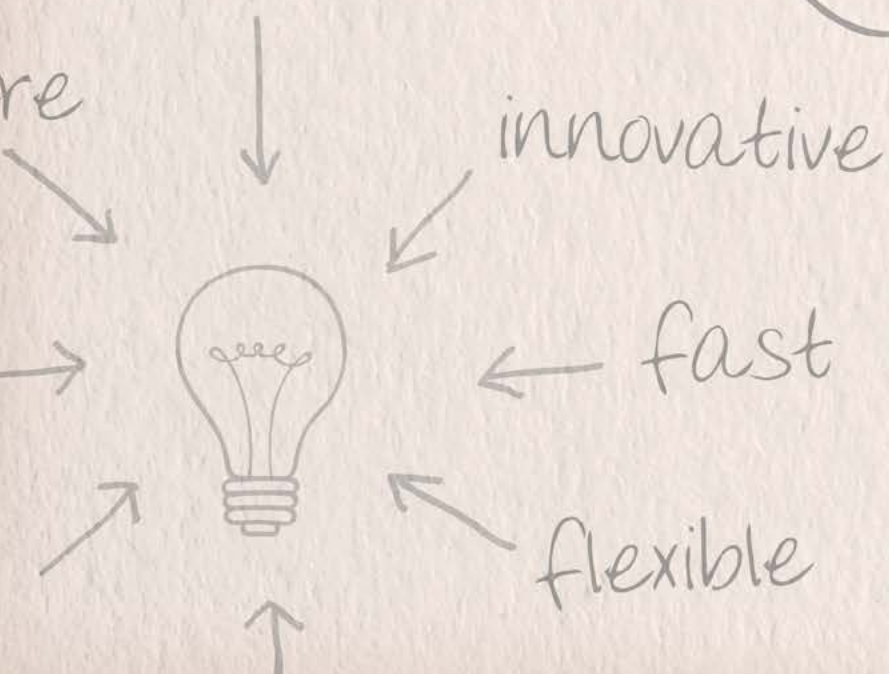
Creating Possibilities with you



SING INVESTMENTS & FINANCE LIMITED



understanding



Creating Possibilities with you

For over 50 years, our vision has been to excel in financial provision and delivering excellence for our clients. As one of Singapore's most established finance companies, we have the opportunity to transform people's lives with what we do.

We enable businesses, create opportunities, and empower dreams. Nimble in adapting to our clients, we discover the best solutions to bring them closer to realizing their vision.

Together, **endless possibilities.**

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Chairman's Statement



Lee Sze Leong
Chairman

I am pleased to report that the Group had delivered another year of stable earnings with a 10.4% increase in profit after tax to \$12.7 million.

Singapore's economy grew by 2.9% in 2014, slower than the 4.4% in 2013. Growth in the manufacturing sector improved from 1.7% in 2013 to 2.6% in 2014, supported by the biomedical manufacturing and chemicals clusters. On the other hand, growth in the construction sector moderated to 3% from 6.3% in 2013, weighed down by private sector construction activities. The services producing industries grew by 3.2% in 2014, easing from 6.1% growth in 2013. Growth was supported mainly by the finance and insurance sector which grew 7.7% over 2013 and helped offset weaknesses in other services segments such as wholesale & retail trade and transportation & storage.

FINANCIAL REVIEW

Despite the challenging operating environment, the Group managed to grow its loan assets by 9.2% or \$143.1 million, from \$1,547.1 million as at 31 December 2013 to \$1,690.2 million as at 31 December 2014. In tandem with the higher loan base, deposits and savings accounts of customers increased by 10.4% to \$1,921.4 million as at 31 December 2014.

The Group registered a profit after tax of \$12.7 million for the financial year ended 31 December 2014, an increase of 10.4% compared to \$11.5 million a year ago. The improvement in performance was mainly attributed to an increase in net

interest income and hiring charges. This was partially offset by an increase in operating expenses, higher charge for allowances for impairment losses on loans and income tax expense.

Net interest income rose 8.4% to \$32.6 million for the year, driven by loan growth and a stable net interest margin.

Non-interest income increased by 6% to \$4.5 million mainly due to a 8.1% increase in rental income from investment properties arising from high occupancy and rental rates.

Operating expenses increased by 1.5% mainly due to an increase in business costs from an expansion of business activities. This was partially offset by a decrease in the depreciation charge as some of the renovation costs had been fully depreciated in the previous year. In addition, staff costs declined by 2.5% due to a lower provision for staff bonus.

In line with the loan growth, the Group has set aside additional collective impairment allowances at a portfolio level. There was also a decrease in write-back of individual impairment resulting in an increase of \$1 million in net allowances for loan losses for the year. Adequate individual and collective impairment allowances for the loan portfolio were being set aside during the year.

There was an increase in the fair value of available-for-sale financial assets under Other Comprehensive Income, mainly

Chairman's Statement

from revaluation of Singapore Government Securities ("SGS") as compared to a decline in the previous year. The Group purchases SGS as part of its liquid assets for purpose of maintaining the minimum liquid assets required under the Finance Companies' Act.

The Group's total equity increased 3.2%, from \$303.6 million to \$313.4 million and net asset value per share rose from \$1.93 to \$1.99.

DIVIDENDS

Subject to the approval by the shareholders at the forthcoming Annual General Meeting, the Board is pleased to recommend a first and final one-tier tax exempt dividend of 6 cents per share.

2015 OUTLOOK

The global economic environment in 2015 is expected to remain challenging. Despite the recovery in the US economy, growth in the Eurozone is expected to remain weak, due to sluggish labour market conditions and deflationary pressures. Market volatility risk remains arising from the US Federal Reserve's anticipated normalisation of its monetary policy and the expected resultant capital outflow from the emerging markets. Further, the slowdown in China's economy will also have knock-on effects on regional demand and market sentiment.

Singapore's external oriented sectors such as the manufacturing and wholesale trade sectors are thus likely to face headwinds. Domestically, the labour market is expected to remain tight and labour-intensive sectors such as construction, retail and food services may see their growth weighed down by labour constraints though business services are expected to remain resilient. Against this backdrop, the Singapore economy is expected to grow at a modest pace of 2 to 4% in 2015.

Given the challenging economic environment and the continual impact of the prudential measures by the government to curb financing of property and car loans, we expect a moderation in loan growth. However, the Group will continue to grow its portfolio cautiously to maintain high asset quality. We will also continue to be disciplined in our cost management and to maintain healthy financial and liquidity positions.

We are fully committed to deliver excellent service to our customers and remain focused on seeking opportunities to provide them the best financial solutions and services to meet their needs. We will also strive to adhere to the best practices

in corporate governance to protect our shareholders' interests.

In our commitment to incorporate Goods & Services Tax ("GST") risk management as part of good corporate governance, we participated in the GST Assisted Compliance Assurance Programme ("ACAP"), a compliance initiative by IRAS for businesses that set up robust GST Control Framework as part of good corporate governance. We were accorded ACAP Premium Status for 5 years in recognition of our efforts in establishing a good tax infrastructure to ensure GST compliance on an ongoing basis.

We have also invested in an enterprise-wide data management system to enhance and facilitate our portfolio analysis and risk management capabilities.

To keep pace with the changes in regulatory requirements, we will continue to strengthen the robustness of our risk management and compliance system.

ACKNOWLEDGEMENTS

2014 marked a significant milestone in the history of the Company, being our 50th anniversary. To commemorate this historical milestone, we embarked on a series of promotions and sponsored gifts to customers and staff. We were also active in donating to worthy causes and funding employee volunteer initiatives. These activities have also enhanced the awareness of our brand and products. Building on our long history of growth, we are confident that we will make further progress in our business and grow to strengthen our capital structure and enhance shareholder value.

I welcome to the Board, Mr Chee Jin Kiong, who was appointed as an Independent Director from 1 September 2014. Mr Chee has many years of finance experience and the Board will benefit from his wealth of knowledge and management experience.

I wish to thank the Board members for their support, counsel and guidance. I acknowledge and commend the staff for their dedication and contribution in bringing the Group to where it is today. Last but not least, to our valued shareholders and customers, my heartfelt thanks for your steadfast and loyal support over the years.

Lee Sze Leong

Chairman

Date: 1 April 2015

Board of Directors

as at 28 February 2015



MR LEE SZE LEONG, 56

Role:

- Chairman & Managing Director
- Executive and Non-Independent Director

Date of first appointment as a director: 20 Feb 1989

Date of last re-election as a director: 25 Apr 2013

Length of service as a director: 26 years

Board/Working Committee(s) served on:

- Nominating Committee (Member)
- Risk Management Committee (Member)
- Loan Committee (Chairman)

Academic & Professional Qualification(s):

- Bachelor of Business Administration, University of Hawaii

Present Directorships in listed companies:

- Sing Holdings Limited

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 (Honorary Secretary)
- 57th Singapore Chinese Chamber of Commerce & Industry (SCCCI) Council (Standing Committee Member)
- 57th SCCCI Trade Association & Membership Affairs Committee (Chairman)
- 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 28 February 2015



MR LEE SZE SIONG, 53

Role:

- Deputy Managing Director
- Executive and Non-Independent Director

Date of first appointment as a director: 19 Mar 1997

Date of last re-election as a director: 22 Apr 2014

Length of service as a director: 17 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 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 NG TAT PUN, 70

Role:

- Lead Independent and Non-Executive Director

Date of first appointment as a director: 1 Mar 2012

Date of last re-election as a director: 25 Apr 2012

Length of service as a director: 3 years

Board/Working Committee(s) served on:

- Nominating Committee (Member)
- Risk Management Committee (Member)

Academic & Professional Qualification(s):

- Bachelor of Arts Degree in Economics and History, University of Singapore

Present Directorships in listed companies:

- Engro Corporation Limited
- Thai Beverage Public Company Limited

Other Appointments:

- SP Chemicals Holdings Ltd (Director)

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

- Nil

Board of Directors

as at 28 February 2015



DR JOSEPH YEONG WEE YONG, 63

Role:

- Non-Independent and Non-Executive Director

Date of first appointment as a director: 19 Mar 1997

Date of last re-election as a director: 25 Apr 2013

Length of service as a director: 17 years 11 months

Board/Working Committee(s) served on:

- Risk Management Committee (Chairman)
- Remuneration Committee (Member)
- Loan Committee (Member)

Academic & Professional Qualification(s):

- B.Sc Honours, Nanyang University
- M. Mathematics, University of Waterloo
- Ph.D in Management Science, University of Waterloo

Present Directorships in listed companies:

- Nil

Other Appointments:

- Advisory Board of the School of Business Administration, Jimei University, the People's Republic of China (Member)
- Tan Kah Kee International Society (Council Member)

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

- Nil



MR LIM POH SUAN, 63

Role:

- Independent and Non-Executive Director

Date of first appointment as a director: 1 Jul 2010

Date of last re-election as a director: 22 Apr 2014

Length of service as a director: 4 years 8 months

Board/Working Committee(s) served on:

- Audit Committee (Chairman)
- Remuneration Committee (Member)

Academic & Professional Qualification(s):

- Bachelor of Accountancy Degree, National University of Singapore
- Fellow, Institute of Singapore Chartered Accountants
- Fellow, Association of Chartered Certified Accountants

Present Directorships in listed companies:

- Nil

Other Appointments:

- Nil

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

- Nil

Board of Directors

as at 28 February 2015



MR KIM SEAH TECK KIM, 60

Role:

- Independent and Non-Executive Director

Date of first appointment as a director: 1 Jul 2010

Date of last re-election as a director: 25 Apr 2013

Length of service as a director: 4 years 8 months

Board/Working Committee(s) served on:

- Nominating Committee (Chairman)
- Audit Committee (Member)

Academic & Professional Qualification(s):

- LL.M. (under Fulbright Scholarship), Harvard Law School
- LL.B. (Hons), University of Singapore
- Advocate & Solicitor, Singapore

Present Directorships in listed companies:

- Texchem-Pack Holdings (S) Ltd.

Other Appointments:

- A Ang Seah & Hoe (Founding Partner)
- The Association of Banks in Singapore (Legal Adviser)
- Paris-based International Chamber of Commerce Banking Commission (Member)
- ICC DOCDEX panel (Appointed Expert)
- Singapore Mediation Centre (Fellow Member)
- Patron Dispute Committee of the Casino Regulatory Authority, Singapore (Chairman)
- Disciplinary Panels of –
 - the Law Society of Singapore (Member)
 - Singapore Medical Council (Member)
 - Singapore Pharmacy Council (Member)
 - Public Service Commission, Singapore (Member)

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

- Nil



MR CHEE JIN KIONG, 68

Role:

- Independent and Non-Executive Director

Date of first appointment as a director: 1 Sep 2014

Length of service as a director: 6 months

Board/Working Committee(s) served on:

- Remuneration Committee (Chairman)
- Audit Committee (Member)

Academic & Professional Qualification(s):

- Bachelor of Accountancy Degree, National University of Singapore
- Fellow, Institute of Singapore Chartered Accountants

Present Directorships in listed companies:

- Nil

Other Appointments:

- Nil

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

- Nil

Corporate Information

BOARD OF DIRECTORS

- Mr Lee Sze Leong
– *Chairman & Managing Director*
- Mr Lee Sze Siong
– *Executive Director, Deputy Managing Director*
- Mr Ng Tat Pun
– *Lead Independent & Non-Executive Director*
- Dr Joseph Yeong Wee Yong
– *Non-Independent & Non-Executive Director*
- Mr Lim Poh Suan
– *Independent & Non-Executive Director*
- Mr Kim Seah Teck Kim
– *Independent & Non-Executive Director*
- Mr Chee Jin Kiong
– *Independent & Non-Executive Director*
(appointed on 1 September 2014)
- Mr Tan Tong Guan
– *Independent & Non-Executive Director*
(retired with effect from 22 April 2014)

AUDIT COMMITTEE

- Mr Lim Poh Suan – *Chairman*
- Mr Kim Seah Teck Kim
- Mr Chee Jin Kiong

RISK MANAGEMENT COMMITTEE

- Dr Joseph Yeong Wee Yong – *Chairman*
- Mr Ng Tat Pun
- Mr Lee Sze Leong
Head, Risk Management Department
- Mr Lee Sze Siong
Head, Product Management Department
- Head, Finance Department
- Head, Compliance Department
- Head, Branches/Treasury Department

NOMINATING COMMITTEE

- Mr Kim Seah Teck Kim – *Chairman*
- Mr Lee Sze Leong
- Mr Ng Tat Pun

REMUNERATION COMMITTEE

- Mr Chee Jin Kiong – *Chairman*
- Dr Joseph Yeong Wee Yong
- Mr Lim Poh Suan

LOAN COMMITTEE

- Mr Lee Sze Leong – *Chairman*
- Mr Lee Sze Siong
- Dr Joseph Yeong Wee Yong
- Mr Soon Chee Siong

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

Clementi Branch

Blk 450 Clementi Ave 3, #01-279
Singapore 120450
Tel: (65) 6775 7248
Fax: (65) 6775 3463

COMPANY SECRETARIES

Mr Chan Kum Kit
Mr Tan Mui Sang

AUDITORS

Deloitte & Touche LLP

6 Shenton Way
OUE Downtown 2, #33-00
Singapore 068809
Partner-in-charge: Ms Ang Poh Choo
Date of appointment – 16 July 2013

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: enquiries@sif.com.sg

Corporate Governance Statement



INTRODUCTION

Sing Investments & Finance Limited ("SIF"), through its Board of Directors ("Board"), Board Committees and Executives, believes that a strong and effective corporate governance is vital to meet the requirements of the regulators as well as to protect the interests of all stakeholders of the Company.

In the Financial Year 2014, the Board has complied with and adhered to the spirit of the Code of Corporate Governance 2012 ("the Code") when discharging its duties. In this report, our corporate governance practices describe the Board's application of good governance which is underpinned by sound risk management and robust internal controls with reference to the Code. Where there is any material deviation from the Code, appropriate explanation has been provided within this report.

SIF Corporate Governance – 3 Key Pillars

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

1. The Board of Directors
2. The Board Committees - consisting of the following:
 - Audit Committee ("AC")
 - Risk Management Committee ("RMC")
 - Nominating Committee ("NC")
 - Remuneration Committee ("RC")
3. Oversight function by the following key departments:
 - Compliance Department
 - Internal Audit Department
 - Risk Management Department

SIF's "3 Pillars of Corporate Governance" is designed to assist the Board in assessing, monitoring performance and conformance to the Code and guidelines on corporate governance. The attributes instilled within the Board to ensure the effectiveness of its role and its guiding principles are as follows:

Leadership and Strategy

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

Accountability and Audit

- To ensure independence of the Audit Committee and that the members of the Audit Committee are appropriately qualified to discharge their responsibilities;
- To ensure independence of the compliance, internal audit and risk management 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.

Corporate Governance Statement



Communication with Stakeholders

- To ensure that the Company engages in regular, effective and fair communication with shareholders, in terms of 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. These policies and practices are constantly reviewed as the corporate governance environment continually evolves.

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 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 entrepreneurial leadership, overseeing and formulating long-term business strategies and policies and ensuring that the necessary financial and human resources are in place to meet the objectives;

- Identifying the principal risks of the Company's business and establishing a framework of prudential controls to assess and manage these risks;
- Monitoring and reviewing management performance, succession and development plans;
- Identifying the key stakeholder groups and recognizing that their perceptions affect the Company's reputation;
- Setting the Company's values 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; and
- Considering sustainability issues as part of its strategic formulation.

Delegation by the Board

The Board delegates authority and powers to Board Committees to oversee specific responsibilities without abdicating its responsibilities. These Committees report on a periodical basis to the Board and enable the Board to better carry out its stewardship and fiduciary responsibilities. Please refer to section on Board Committees in Principle 2 for details of the Board Committees established.

Meetings of the Board and Board Committees

The Board met 4 times during the financial year. The Chairman would brief the Board on the issues to be discussed during the Board meetings. The documents pertaining to important and complex issues would be circulated for the Board's review before the members meet to discuss them.

The Articles of Association of the Company also provide for telephonic and video-conference meeting.

Corporate Governance Statement

The Board's attendance at the Board and Board Committees' meetings during FY 2014 are set out as follows:

Attendance of 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)	
	No. of meetings		No. of meetings		No. of meetings		No. of meetings		No. of meetings		No. of meetings	
	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended
Mr Lee Sze Leong	4	4	–	–	4	4	2	2	–	–	–	–
Mr Lee Sze Siong	4	4	–	–	4	4	–	–	–	–	–	–
Mr Ng Tat Pun ⁽¹⁾⁽⁴⁾	4	4	1	1	2	2	1	1	2	2	1	1
Dr Joseph Yeong Wee Yong	4	4	–	–	4	4	–	–	2	2	1	1
Mr Lim Poh Suan	4	4	4	4	–	–	–	–	2	2	1	1
Mr Kim Seah Teck Kim	4	4	4	4	–	–	2	2	–	–	1	1
Mr Tan Tong Guan ⁽²⁾	2	2	2	2	–	–	1	1	–	–	1	1
Mr Chee Jin Kiong ⁽³⁾	1	1	1	1	–	–	–	–	–	–	–	–

* Number of meetings held whilst a member

Notes

- (1) Mr Ng Tat Pun was appointed as a Lead Independent Director and member of the Audit and Nominating Committees on 23 April 2014. On the same day, he ceased to be a member of the Risk Management Committee.
- (2) Mr Tan Tong Guan retired from the Board, Audit and Nominating Committees on 22 April 2014.
- (3) Mr Chee Jin Kiong was appointed as a member of the Board and Audit Committee and as a Chairman of Remuneration Committee on 1 September 2014.
- (4) Mr Ng Tat Pun ceased to be a member of the Audit and Remuneration Committees and was appointed as a member of the Risk Management Committee on 1 September 2014.

Due to the appointment and retirement of the above mentioned directors, the changes in the composition of the Board Committees during the year 2014 are summarized as follows:

Audit Committee	From 1/1/2014 to 22/4/2014 From 23/4/2014 to 31/8/2014 From 1/9/2014 to current	Mr Tan Tong Guan, Mr Lim Poh Suan and Mr Kim Seah Teck Kim Mr Lim Poh Suan, Mr Ng Tat Pun and Mr Kim Seah Teck Kim Mr Lim Poh Suan, Mr Chee Jin Kiong and Mr Kim Seah Teck Kim
Risk Management Committee	From 1/1/2014 to 22/4/2014 From 23/4/2014 to 31/8/2014 From 1/9/2014 to current	Dr Joseph Yeong Wee Yong, Mr Ng Tat Pun, Mr Lee Sze Leong and Mr Lee Sze Siong Dr Joseph Yeong Wee Yong, Mr Lee Sze Leong and Mr Lee Sze Siong Dr Joseph Yeong Wee Yong, Mr Ng Tat Pun, Mr Lee Sze Leong and Mr Lee Sze Siong
Nominating Committee	From 1/1/2014 to 22/4/2014 From 23/4/2014 to current	Mr Kim Seah Teck Kim, Mr Lee Sze Leong and Mr Tan Tong Guan Mr Kim Seah Teck Kim, Mr Lee Sze Leong and Mr Ng Tat Pun
Remuneration Committee	From 1/1/2014 to 31/8/2014 From 1/9/2014 to current	Mr Lim Poh Suan, Dr Joseph Yeong Wee Yong and Mr Ng Tat Pun Mr Chee Jin Kiong, Dr Joseph Yeong Wee Yong and Mr Lim Poh Suan

Corporate Governance Statement

Material Transactions Which Require Board Approval

As defined under the Schedule of Matters Reserved for the Board, 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.

Board Induction

A formal letter of appointment setting out the director's duties and obligations is provided to every new director.

Comprehensive and tailored induction will be provided to incoming directors joining the Board on the discharge of their duties, company's business and governance practices, amongst others. The induction programme allows the director to assimilate into his or her new role as soon as possible.

Upon appointment of the new director in 2014, an induction programme was conducted. Accounting matters, risk related issues, regulatory compliance updates, legal and other industry specific topics were included in the said induction programme. Department Heads of various departments had also conducted presentations on key functions and responsibilities of the respective departments to enable the new Director, Mr Chee Jin Kiong to gain a better understanding of the businesses and operations of the Company.

Continuous Development Programme

The NC believes that regular training and development are essential to equip all directors with the appropriate skills and knowledge to perform their roles on the Board and Board Committees effectively.

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

As part of the continuing Board members' development programme for the year, the following in-house training was conducted in year 2014:-

Type of courses	Attendee
<ul style="list-style-type: none"> • Risk Related & New Guidelines on Basel Requirements • MAS Regulatory Compliance Updates/Anti-Money Laundering & Countering the Financing of Terrorism Guidelines 	All directors
<ul style="list-style-type: none"> • Learning & Development (L&D) Training Plan & Career Progression Plan 	Executive Director: Mr Lee Sze Siong

In addition to the above, the Company also funded some of the external courses attended by directors. External courses attended by directors in 2014 include "Nominating Committee Essentials", "ABS-MAS Technology Risk", "SIAS 5th Corporate Governance Conference" and other topics relating to banking and financial law and accounting.

The purpose of the Continuous Development Programme 2014 is to keep the directors abreast of the latest developments in risk related, regulatory compliance and industry specific issues. The courses attended are essential to equip directors with appropriate skills to perform their roles on the Board and Board Committees.

For year 2014, the NC has assessed and is satisfied that these courses have adequately fulfilled their purposes.



Corporate Governance Statement



PRINCIPLE 2 BOARD COMPOSITION AND GUIDANCE

Board of Directors ("Board")

There are in total 7 Board Members, of which 4 directors were deemed to be independent by the Nominating Committee. The current Board comprises the following members:

1. Mr Lee Sze Leong
2. Mr Lee Sze Siong
3. Mr Ng Tat Pun⁽¹⁾
4. Dr Joseph Yeong Wee Yong⁽²⁾
5. Mr Lim Poh Suan⁽¹⁾
6. Mr Kim Seah Teck Kim⁽¹⁾
7. Mr Chee Jin Kiong⁽¹⁾⁽³⁾

Notes:

(1) Independent and Non-executive Director

(2) Non-independent and Non-executive Director

(3) Appointed on 1 September 2014

Mr Tan Tong Guan retired from the Board, Audit and Nominating Committees on 22 April 2014.

Board Independence

The NC assesses the independence of each director, taking into account guidelines of the Code for assessing the independence element. An "independent" director is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement for the best interests of the company.

The NC conducts the annual evaluation of director independence following these procedures:-

- To review all directors' declaration forms on their independent status.
- To review report from the Company on the business relationship of the company with directors.
- To perform the due diligence process and to 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 guidelines provided in the Code to facilitate the evaluation by the NC.
- To report to the Board on the independent status of the directors.

In assessing the independence of the directors in 2014, 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 with independent judgement. Any director who has served in the Board beyond nine years from the date of his first appointment shall be deemed as non-independent. No director with the existence of relationships or circumstances as mentioned in the Code has been deemed as independent for the year 2014. The Board, after taking into account the view of the NC, determined that the majority of the Board are independent. Mr Lee Sze Leong - Chairman & Managing Director, Mr Lee Sze Siong - Deputy Managing Director and Dr Joseph Yeong Wee Yong are the only non-independent directors on the Board. The Lead Independent Director and the other members of the Board are considered to be independent directors.

Board Composition

On an annual basis, NC will review the size and composition of the Board and Board Committees and the skill sets and core competencies of all members to ensure the balance and diversity of skills and experience. All evaluations will then be presented to the Board.

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 NC, is of the view that a Board size of at least six directors is appropriate. The Board currently consists of four independent and non-executive directors, one non-independent and non-executive director and two executive directors.

Corporate Governance Statement

The Board through NC seeks to maintain an appropriate balance of expertise, skills and attributes among the directors, including core competencies in areas such as accounting, legal, finance, risk management, business management, industry knowledge, strategic planning experience, customer-based experience and other relevant experience to achieve effective management among its members. The current composition of the Board provides diversity on skills, experience and knowledge of the industry and the Company. The current Board comprises individuals with diverse professions which include accountants, a lawyer and senior management of financial institution. Five of them have accounting & finance backgrounds, all directors have experience in managing companies and one is a practising lawyer. There is no diversity in the context of gender.

Board Committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Although the Company does not have a Board Executive Committee, the following Committees have been set-up to assist the Board in the management of the Company:

1. Audit Committee ("AC")
2. Risk Management Committee ("RMC")
3. Nominating Committee ("NC")
4. Remuneration Committee ("RC")

Meeting of Directors without Management

Led by the Lead Independent Director, Non-Executive Directors conduct at least one meeting annually without the presence of the Management.

PRINCIPLE 3 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Role of Chairman and Chief Executive Officer ("CEO")

Currently, Mr Lee Sze Leong is the Chairman of the Board and also the Managing Director/CEO of SIF. The Board is of the view that there is adequate accountability and transparency as reflected by the internal controls established within SIF. Major decisions and policy changes on significant matters are made in consultation with the respective Board Committees and reviewed by the Board.

The Board also believes that, notwithstanding that the Chairman and Managing Director/CEO is the same person, SIF's interest remains well served by:-

- The benefit of a Chairman who is both knowledgeable about the industry and SIF's businesses and has significant experience in SIF to ensure the smooth and efficient implementation of decisions on major and pertinent issues;

- The benefit of a majority of independent directors exercising objective and independent judgement on corporate matters which ensure a balance of power and authority;
- Board Committees are either chaired by or include the presence of independent directors. All major decisions and policy changes are conducted through the respective committees; and
- Further, SIF had previously appointed Mr Tan Tong Guan as the Lead Independent Director who retired on 22 April 2014 and the position was subsequently replaced by Mr Ng Tat Pun.

The key roles and responsibilities of the Chairman include:-

- Leading the Board to ensure its effectiveness;
- Setting the agenda of the Board and ensuring adequate allocation of time to address all agenda items, especially strategic issues;
- Promoting an open environment for debate and encouraging active engagement from the directors;
- Ensuring complete and adequate information are disseminated to all directors on a timely basis;
- Ensuring effective communication with shareholders and other stakeholders;
- Encouraging constructive relations within the Board and between the executive and non-executive directors;
- Facilitating the effective contribution of non-executive directors; and
- Maintaining and promoting high standards of corporate governance.

Lead Independent Director

Mr Ng Tat Pun was appointed as the Lead Independent Director in April 2014. He has been an Independent Director on the Board since 1 March 2012.

The Lead Independent Director is appointed by the Board to serve in a lead capacity to coordinate the activities of the non-executive directors in circumstances where it would be inappropriate for the Chairman to serve in such capacity and to assist the Chairman and the Board to ensure effective corporate governance in managing the affairs of the Board and the Group.

The specific responsibilities of the Lead Independent Director when acting in such capacity are as follows:-

- Consult with the Chairman as to an appropriate schedule of Board meetings, seeking to ensure that the independent directors can perform their duties responsibly while not interfering with on-going Company operations;

Corporate Governance Statement

- Consult with the Chairman regarding the information, agenda and schedules of the meetings of the Board of Directors and Board Committees;
 - Advise the Chairman as to the quality, quantity and timeliness of the information submitted by the Company's management that is necessary or appropriate for the independent directors to effectively and responsibly perform their duties;
 - Recommend to the Board of Directors and the Board Committees the retention of advisers and consultants who report directly to the Board of Directors;
 - Call meetings of the independent directors, as appropriate;
 - Serve as chairman of the sessions of the independent directors;
 - Serve as principal liaison between the independent directors and the Chairman and between the independent directors and senior management;
 - Ensure that independent directors have adequate opportunities to meet and discuss issues in sessions of the independent directors without the presence of the management;
 - Communicate to management, as appropriate, the results of private discussions among independent directors;
 - Chair the meetings of the Board of Directors when the Chairman is not present;
 - Respond directly to shareholder and other stakeholder questions and comments that are directed to the Lead Independent Director or to the independent directors as a group, with consultation with the Chairman and other directors as the Lead Independent Director may deem appropriate; and
 - Perform other duties as the Board of Directors may from time to time delegate.
- To review the composition of the Board and assesses annually the effectiveness of the Board as a whole, its Board Committees and the contribution by each individual director;
 - To review the training and professional development programmes for the Board; and
 - To review and initiate the succession planning to ensure the continuity of leadership for key Board members, in particular, the Chairman and the Managing Director/CEO.

Process for the Selection, Appointment and Re-appointment of Directors to the Board

The NC establishes and reviews the profile required of Board Members and make recommendations to the Board on 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, formalized and endorsed by the Board. The formal and transparent procedures for the selection and appointment of new directors to the Board help promote understanding and confidence in that process. The appointment of new members to the Board is considered by the NC.

When the need for a new director arises, whether due to retirement of a director, growth or complexity of the Company's business, 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 are considered along with the need to maintain appropriate checks and balances between the different committees. In addition, the NC also 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:-

PRINCIPLE 4 BOARD MEMBERSHIP

The appointment and re-appointment of directors to the Board is assessed and recommended by the NC.

The NC is chaired by Mr Kim Seah Teck Kim and the other two members are Mr Ng Tat Pun and Mr Lee Sze Leong. The majority of the directors in the committee including the Chairman are independent.

The key roles of the NC include:-

- 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 has multiple Board representations, the NC also considers if such a director is able to adequately carry out his/her responsibilities as a director of the Company;
- (a) Independence;
 - (b) Whether the candidate is a fit and proper person in accordance with MAS fit and proper guidelines;
 - (c) Other directorships held;
 - (d) Time availability;

Corporate Governance Statement

- (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 selection process in 2014, the NC recommended and the Board concurred to look for a candidate with accounting and finance, business or management experience and strategic planning experience. The NC identified Mr Chee Jin Kiong based on his skill and diversity of his experience. Mr Chee served as a Director of Keppel Group Human Resource. He was also the Managing Director of Keppel TatLee Finance Limited. Following the rigorous selection process, the Board with the recommendation of the NC sought approval from the Monetary Authority of Singapore ("MAS") to appoint Mr Chee Jin Kiong as a Director. MAS approved the new appointment and the Board will be recommending Mr Chee for re-election as a Director at the upcoming Annual General Meeting ("AGM").

Formal letter setting out the director's duties and obligations has been given to Mr Chee Jin Kiong upon his appointment.

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, intensity of participation at meetings of the Board and its Board Committees.

The Company's Articles of Association provides that at least one-third of its directors shall retire from office and are subject to re-election at every AGM of the Company. All directors are required to retire from office at least once every three years. Newly appointed directors during the year must also submit themselves for retirement and re-election at the next AGM immediately following their appointment.

In 2014, the NC evaluated and recommended to the Board that Mr Ng Tat Pun and Dr Joseph Yeong Wee Yong be re-appointed and re-elected as directors at the forthcoming AGM by virtue of their skills, experience and their contribution of guidance and time to the Board's deliberations. Mr Ng Tat Pun and Dr Joseph Yeong Wee Yong have no relationships including immediate family relationships with other directors, the Company or its 10% shareholders.

Annual Review of Director's Independence

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

Directors' Time Commitment

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 Committee 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 Committee 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 Membership

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, recognizes that excessive time commitments can interfere with an individual's ability to perform his or her duties effectively. Accordingly, directors should not serve on more than five 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 maximum number of directorships in listed companies that is held by an individual director is three 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 the time commitment as required by the Board for the year 2014.

Resignation or Dismissal of Key Appointment Holders

Mr Tan Tong Guan had retired as a member of the Board in April 2014 at the conclusion of the AGM after having served as a Director for 9 years, as he decided not to seek re-appointment.

Corporate Governance Statement

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 reviews the performance of the Board as a whole, its Board Committees and the performance of each director on an annual basis based on the criteria developed by the NC and reviewed by the Board.

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:-

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

A consolidated report is prepared based on the returns from all directors and discussed in the NC meeting.

Each Board Committee also performs a self-assessment which is evaluated by the NC. To avoid conflict of interest, the self-assessment of NC is reviewed by the Board.

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

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. If 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 Committee 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 improve the effectiveness of the Board and its various committees. The performance of the individual directors is taken into consideration for the re-election.

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

PRINCIPLE 6 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 pertaining to operational issues, financial performance and any affairs 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 summarizes the main risks and key risk indicators is presented during the board meeting to facilitate the 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 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 Board Committees, where necessary, to seek independent professional advice at the Company's expense.

Company Secretary

The Company Secretary attends 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 Secretary is subject to the approval of the Board.

Corporate Governance Statement

REMUNERATION MATTERS

PRINCIPLE 7 PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Remuneration Committee

The RC comprises Mr Chee Jin Kiong (Chairman), Dr Joseph Yeong Wee Yong and Mr Lim Poh Suan, all of whom are non-executive and majority of whom including the RC Chairman are independent.

The primary role of the RC 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 policy on executive remuneration and for fixing the remuneration packages of individual directors;
- To review the adequacy and terms of compensation for each of the directors, the CEO and senior management to ensure that the compensation commensurates with the duties, responsibilities and risks involved in being an effective Director, CEO or senior management.

Dr Joseph Yeong Wee Yong is the Chairman of the RMC while Mr Lim Poh Suan and Mr Chee Jin Kiong are the Chairman and member of the AC respectively. Their memberships in other Board committees enable them to make remuneration decisions in a more informed, holistic and independent manner and ensure that remuneration practices do not create incentives for excessive or inappropriate risk-taking behaviour.

PRINCIPLE 8 LEVEL AND MIX OF REMUNERATION

Director Remuneration Policy

The overall director remuneration packages of SIF comprise both fixed and variable components. The key principles of SIF's 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 run the Company successfully, but at the same time to avoid paying more than what is necessary;
- To link a significant proportion of executive director's 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.

For executive directors, 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 and directors' fees. 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, guidance from the National Wages Council, competitive market practices and information gathered from market surveys conducted by the Company's Human Resources department.

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 and the Lead Independent Director receive an additional fee to reflect their 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 receiving a higher fee in respect of their service as chairman of the respective committees.

Currently, there are no contractual provisions to allow the Company to reclaim incentive components of remuneration from the existing Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The RC is currently reviewing the feasibility to include such contractual provisions in the contract of the Executive Directors and Key Management Personnel.

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 9 DISCLOSURE OF REMUNERATION

Directors' Remuneration

The remuneration of each director has been disclosed in bands of \$250,000 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.

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Other than the Managing Director/CEO, Mr Lee Sze Leong and the Deputy Managing Director, Mr Lee Sze Siong, the remaining 5 Board members are non-executive directors. The aggregate Directors' fees are subject to approval of shareholders at the Company's AGM. The remuneration of the five non-executive directors is in the lowest band, below \$250,000. The Executive Chairman cum Managing Director and the Deputy Managing Director's remuneration are disclosed as falling in the bands between \$1,000,000 to \$1,249,999 and \$750,000 to \$999,999 respectively.

The Board is of the view that the current disclosure on the remuneration of directors and Managing Director/CEO provides a balance between detailed disclosure and confidentiality in the sensitive area of remuneration. Extending the disclosure does not further the Company's interest.

Directors' remuneration with the breakdown of fees is shown in the Directors' Remuneration section on page 105.

Key Management Personnel's Remuneration

The Code recommends to name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000, the breakdown of their remuneration and in aggregate the total remuneration paid to them.

However, this information is not disclosed in this annual 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 common.

Remuneration of Employees who are Immediate Family Members of a Director or CEO

Other than the Managing Director/CEO, Mr Lee Sze Leong and the Director, Mr Lee Sze Siong, whose remuneration have been disclosed under 'Additional Information', there are no employees of the Company who are immediate family members of a Director or the Managing Director/CEO.

Employee Share Scheme

The Company does not have an employee share scheme.

Performance Conditions of Executive Directors and Key Management Personnel

RC reviews the performance of Executive Directors and Key Management Personnel using the pre-defined financial targets of the Company and individual key performance indicators. 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 amongst other factors, profitability of the Company, loan growth, return on equity and quality of loans. Other individual key performance indicators include time commitment, contribution towards company's strategic directions, internal controls and risk management skills, integrity and accountability. The RC reckons that the criteria chosen provide the balance between the business and risk drivers that can 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.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 10 ACCOUNTABILITY

The Board provides shareholders with quarterly and annual financial results. In presenting these statements, the Board aims to provide shareholders with a balanced and understandable 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. Compliance Department with direct reporting line to the Risk Management Committee is set up to ensure compliance with legislative and regulatory requirements.

The Board believes in conducting itself in ways that will deliver maximum sustainable value to all shareholders.



Corporate Governance Statement

PRINCIPLE 11 RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Governance

Under the Group's risk governance framework, the Board has overall responsibility for providing leadership, articulate the risk appetite and tolerance levels and ensuring that a robust risk 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 Key Risk Indicators, risk tolerance and internal limits to guide risk-taking activities within the Group.

Risk Management Committee

The RMC is a board risk committee and is chaired by Non-Independent & Non-Executive Director, Dr Joseph Yeong Wee Yong and comprises Independent & Non-Executive Director, Mr Ng Tat Pun, Mr Lee Sze Leong (MD), Mr Lee Sze Siong (DMD) and Heads of Risk Management, Compliance, Product Management, Finance and Treasury/Branches.

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 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. It is supported by the Risk Management and Compliance Departments.

Risk Management Department

The Risk Management Department assists the RMC by ensuring that the risk framework, structure, policies and procedures remain aligned to the Company's risk appetite, business and regulatory requirements through the development of risk models for measuring, identifying, assessing, mitigating and reporting risks. The Risk Management Department also manages risks and breaches, as well as assessing the impact of key risks to the business.

The Risk Management Department also assists the RMC in developing and implementing risk models, monitoring limits set by the Board reporting risk measurements, gap analysis, risk profiling, stress testing and control systems, 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 to the regulatory requirements. These are achieved through means of compliance testing and compliance monitoring. The Compliance Department reports independently to the Risk Management Committee.

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.

In year 2014, the Board has received assurance from the Managing Director/ CEO, the Head of Finance Department and Internal Auditor:

- (a) 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) that the Company's risk management and internal control systems are effective.

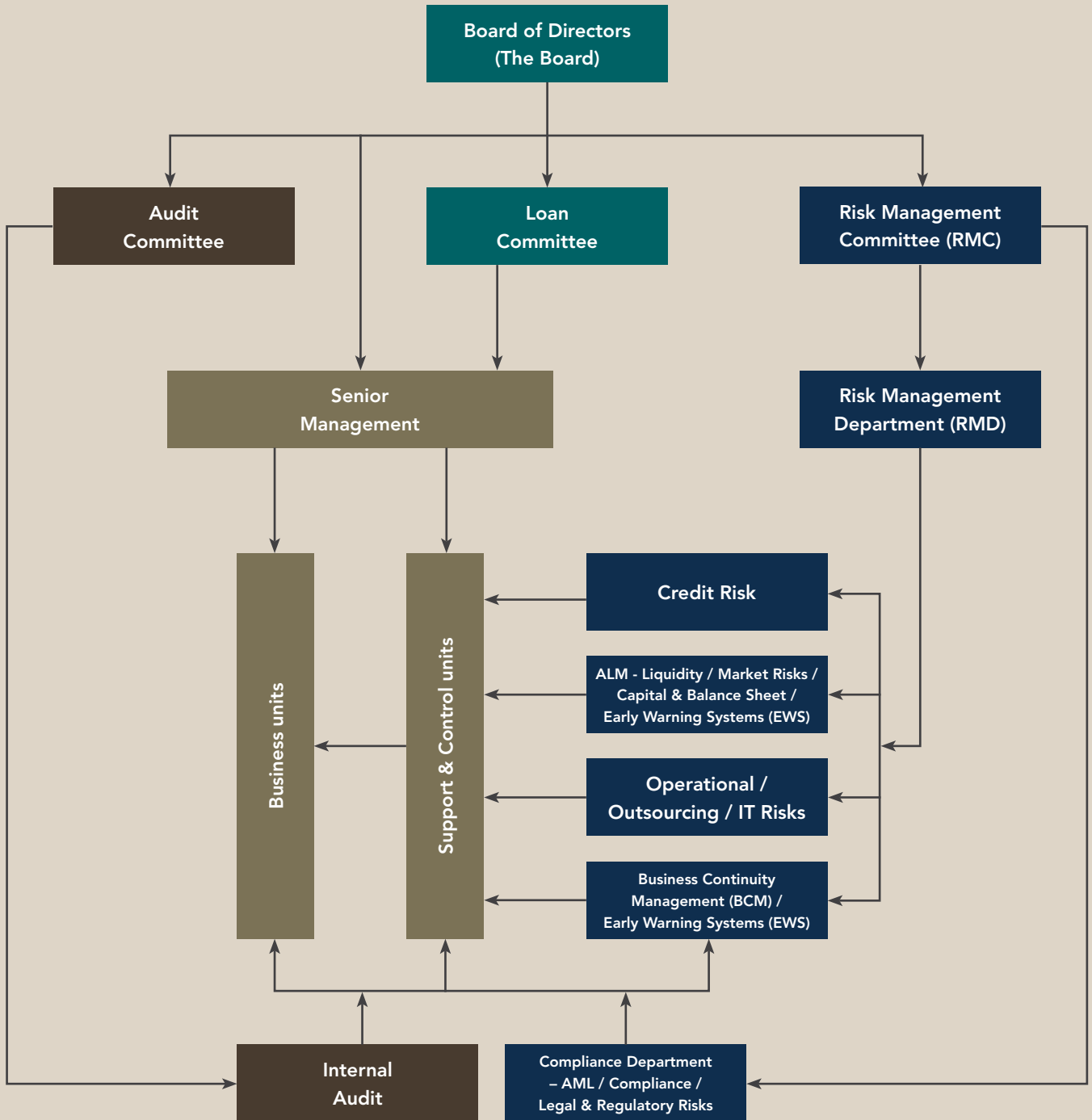
Enterprise Wide Risk Management Framework

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 practice and decision making which adequately balances risk and reward.

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

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ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK



Corporate Governance Statement

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. Credit Control Department provides independent inputs in valuations, credit evaluations and recommendations to enable risk to be priced appropriately in relation to the returns.

For year 2014, 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 within the business and all 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 protecting against them.

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 the 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 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 at least once a year. The Board, with the concurrence of the AC and RMC, is of the opinion that the Group's risk management and internal control systems, including financial, operational, compliance, information technology and sustainability are adequate and effective.

PRINCIPLE 12 AUDIT COMMITTEE

The AC comprises Mr Lim Poh Suan (Chairman), Mr Chee Jin Kiong and Mr Kim Seah Teck Kim, all of whom are independent and non-executive directors.

The Chairman of the AC, Mr Lim Poh Suan is a certified fellow member of both Institute of Singapore Chartered Accountants and Association of Chartered Certified Accountants. Mr Chee Jin Kiong is a certified fellow member of Institute of Singapore Chartered Accountants. Both Mr Lim and Mr Chee have strong accounting qualifications. Mr Kim Seah Teck Kim is a lawyer with many years of experience in business management and legal services. 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 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 Committee 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, the quality of the accounting principles applied, the financial statement presentations and the items that affect the financials. Through the maintaining and application of appropriate accounting and financial reporting principles and policies and internal controls and procedures, the AC determines 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 auditors.

The AC holds private meetings with the internal auditor and external auditor 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.

Corporate Governance Statement



In the year 2014, the AC's activities included:-

- Reviewing the integrity of the Group's quarterly, half year and full year financial results;
- Recommending the unaudited results and related SGX announcements for Board's approval;
- Reviewing the annual audit plan;
- Reviewing the scope and results of the external audit;
- Reviewing the independence and objectivity of external auditors;
- Reviewing the quarterly findings and reports of Internal Audit work;
- Reviewing and reporting to the Board on the adequacy and effectiveness of SIF's internal controls and internal audit function annually;
- Considering and recommending re-appointment of external auditor to the Board; and
- Reviewing related party transactions.

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 meetings with the external auditors who will update the AC on recent related developments.

External Audit

The Board is responsible for the appointment, re-appointment and removal of external auditors with the recommendation of the AC. The AC evaluates the external auditors based on aspects such as the performance and quality of their audit and independence and 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 & 715 of the SGX-ST Listing Manual in relation to the appointment of its auditing firm. The AC has reviewed the non-audit services provided during the financial year and the fees paid for such services. The total fees paid to the external auditor, Deloitte & Touche LLP, are disclosed in Note 21 to the Financial Statements.

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 has in place a whistle-blowing policy which encourages all staff and members of public to raise genuine concerns or suspicions about possible improprieties in accounting, auditing, financial reporting or any other fraudulent activities. Procedures for handling of feedback/complaints received from customers and independent investigations to be conducted have also been established.

The Company is committed to a high standard of ethical conduct and does not tolerate fraudulent practices. SIF undertakes to investigate complaints of suspected fraud in an objective manner 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 for reporting suspected fraud, corruption, dishonest practices or other similar matters.

The 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.

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.



Corporate Governance Statement



PRINCIPLE 13 **INTERNAL AUDIT**

Internal Audit Department

As effective risk management is a vital part of the company's business strategy, the Internal Audit function of the Group is also tasked to include risk management within its oversight role. 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 laws and regulations. One of its functions is also to evaluate the effectiveness of the organization's risk management processes. Various 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. Management is responsible for addressing issues identified by the internal auditor.

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 LLP (Singapore) ("EY") to perform the internal audit functions for the Information Technology Department of the company. Both in-house internal auditor 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 meets with the standards set by the IIA. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

PRINCIPLE 14 **SHAREHOLDER RIGHTS**

The Company advocates fair and equitable treatment to all shareholders. All price-sensitive information is timely disclosed publicly. 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 procedure that governs such general meetings of shareholders.

Shareholders are entitled to attend and vote at the AGM by person or proxy. A shareholder may appoint up to the maximum of two proxies. Investors who hold ordinary shares through corporations which provide nominee or custodial services but have not been appointed as proxies are also allowed to attend the AGM as observers. Investors who attend the AGM as observers are given the opportunity to hear and gather more information of the Company.

PRINCIPLE 15 **COMMUNICATION TO SHAREHOLDERS**

The Company has in place an Investor Relations Policy. 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 webpage at www.sif.com.sg. Price sensitive information is also publicly released and announced within the mandatory period. Apart from SGXNET announcements and Annual Reports, the Company updates shareholders with information via its website and AGM.

Corporate Governance Statement

The Company engages in regular and effective communication 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 and the notice of the AGM which is also published via SGXNET.

Meeting with institutional and retail investors is arranged upon request.

The Company has in place a general policy governing the payment of dividends. Annual dividend proposed for the year is shown on page 103.

PRINCIPLE 16 CONDUCT OF SHAREHOLDER MEETINGS

The Company strongly encourages and supports shareholder participation at its AGM. The Company sends out the Notice of the Meeting 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. A registered shareholder who is unable to attend may choose to appoint not more than two proxies to attend and vote on his behalf. 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.

All the Directors and Senior Management are in attendance to address queries and concerns about the Company. The Company's external auditors are also invited to attend 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.

The Company does not "bundle" resolutions, unless the resolutions are interdependent and linked so as to form one significant proposal. Separate resolutions on each distinct issue are tabled at the general meeting.

The Company Secretary prepares minutes of general meetings which reflects responses from the Board and management to queries and comments from shareholders. The minutes are available to shareholders upon their request.

The Board noted that with effect from 1st August 2015, the Company is required by the Listing Rules to conduct the voting of all resolutions put to general meetings by poll. For greater transparency, the Company has conducted electronic / sms voting for all the resolutions proposed in the Annual General Meeting 2014. Votes cast for and against each resolution and the respective percentages on each resolution are displayed live-on-screens immediately after each poll conducted. The results of the general meeting are also released via SGXNET on the same day.

ADDITIONAL INFORMATION RELATED PARTY TRANSACTIONS

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

The Board approves all related party transactions and ensures that these transactions with the Company are undertaken on an arm's length basis. The AC reviewed all material related party transactions and kept the Board informed of such transactions.

During the year, 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 the year is shown on pages 90 to 91.

INTERESTED PERSON TRANSACTIONS

In accordance to Rule 907 of the Listing Manual of the SGX-ST, details of the interested person transactions are required to be disclosed in the annual report. For the financial year ended 31 December 2014, there was no interested person transaction.

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

Except for the 3-year tenancy agreement entered into with Sing Holdings Limited in Year 2013, 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 the financial year 2014.

Corporate Governance Statement



DEALING IN COMPANY'S SHARES

The Company continues to adopt the best practices advocated by the Stock Exchange Securities Trading Limited 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 in 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 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 continues to observe high standards of professionalism and integrity in their dealings with the customers, business associates and colleagues.

Performance Review

(1) PERFORMANCE REVIEW

	2014 \$'000	2013 \$'000	Variance +/-/(%)
Selected Statement of Profit or Loss Items			
Net interest income	32,598	30,068	8.4
Non-interest income	4,522	4,266	6.0
Total income	37,120	34,334	8.1
Operating expenses	(20,953)	(20,638)	1.5
Profit from operations before impairment losses	16,167	13,696	18.0
Allowances for impairment losses on loans and advances	(1,252)	(285)	339.3
Profit before income tax	14,915	13,411	11.2
Profit after tax attributable to equity holders of the Group	12,658	11,463	10.4
Selected Balance Sheet Items			
Total equity	313,359	303,591	3.2
Total assets	2,263,979	2,071,772	9.3
Loans and advances	1,690,170	1,547,107	9.2
Deposits and savings accounts of customers	1,921,428	1,740,458	10.4
Key Financial Ratios (%)			
Net interest margin	1.6	1.6	
Non-interest income-to-total income	12.2	12.4	
Cost-to-income ratio	56.4	60.1	
Loans-to-deposits ratio	88.0	88.9	
Non-performing loans ratio	0.5	0.4	
Return on equity ⁽¹⁾	4.0	3.8	
Return on total assets ⁽²⁾	0.6	0.6	
Capital adequacy ratio	15.9	18.4	
Per Ordinary Share Data			
Basic earnings per share (cents)	8.03	7.27	
Net asset value per share (\$)	1.99	1.93	

⁽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.

Performance Review

The Group registered a profit after tax of \$12.7 million for the financial year ended 31 December 2014, an increase of 10.4% compared to \$11.5 million a year ago. The improvement in performance was mainly attributed to an increase in net interest income and hiring charges. This was partially offset by an increase in operating expenses, higher charge for allowances for impairment losses on loans and income tax expense.

Net interest income and hiring charges rose 8.4% to \$32.6 million for the year. This was mainly attributed to a higher loan base and a stable interest margin. The average loan base grew by 10.1% whilst the average deposit base increased by 8.7%.

Non-interest income increased by 6.0% to \$4.5 million, mainly attributed to a 8.1% increase in rental income from investment properties as well as a grant for the Wage Credit Scheme received.

Operating expenses increased by 1.5% mainly due to an increase in business costs from the increased business activities. This was partially offset by a decrease in the depreciation charge as some of the renovation costs had been fully depreciated in the previous year. In addition, staff costs declined by 2.5% due to a lower provision for staff bonus.

In line with the loan growth, the Group has set aside additional collective impairment allowances at a portfolio level. In addition, there was a decrease in write-back of individual impairment

which resulted in an increase of \$1 million in total allowances for loan losses for the year. Adequate individual and collective impairment allowances for the loan portfolio were being set aside during the year.

There was an increase in the fair value of available-for-sale financial assets under Other Comprehensive Income, mainly from revaluation of Singapore Government Securities ("SGS") as compared to a decline in the previous year. The Group purchases SGS as part of its liquid assets for purpose of maintaining the minimum liquid assets required under the Finance Companies' Act.

The Group's loan assets grew by 9.2% or \$143.1 million, from \$1,547.1 million as at 31 December 2013 to \$1,690.2 million as at 31 December 2014. In tandem with the higher loan base, deposits and savings accounts of customers increased by 10.4% to \$1,921.4 million as at 31 December 2014. Loans-to-deposits ratio decreased to 88.0%, from 88.9% in the previous year.

The Group's total equity increased 3.2%, from \$303.6 million to \$313.4 million and net asset value per share rose from \$1.93 to \$1.99.

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 the year under review.

(2) NET INTEREST INCOME

INTEREST-EARNING ASSETS & INTEREST-BEARING LIABILITIES

	2014			2013		
	Average Balance \$'000	Interest \$'000	Average Rate %	Average Balance \$'000	Interest \$'000	Average Rate %
Interest-Earning Assets						
Loans and advances	1,635,841	43,663	2.7	1,486,445	39,598	2.7
Singapore Government Securities	201,188	6,106	3.0	183,750	5,625	3.1
Other interest-earning assets	221,906	1,850	0.8	248,360	1,812	0.7
Total	2,058,935	51,619	2.5	1,918,555	47,035	2.5
Interest-Bearing Liabilities						
Deposits and savings accounts	1,818,265	18,879	1.0	1,672,772	16,722	1.0
SPRING loans (unsecured)	5,477	137	2.5	7,622	216	2.8
Other liabilities	438	5	1.1	3,781	29	0.8
Total	1,824,180	19,021	1.0	1,684,175	16,967	1.0
Net interest income/margin as a percentage of interest-earning assets		32,598	1.6		30,068	1.6

Interest income and hiring charges rose 9.7% to \$51.6 million for the year, from \$47.0 million in 2013 mainly attributed to loan growth. The average loan base grew by 10.1% whilst the average deposit base increased by 8.7%. With a stable interest margin, net interest income and hiring charges increased by 8.4% to \$32.6 million.

Net interest margin as a percentage of interest-earning assets has been maintained at about 1.6%, unchanged from the previous year.

Performance Review

The table below analyses the changes in net interest income in 2014 over 2013 due to changes in volume and changes in rates.

(3) VOLUME AND RATE ANALYSIS

Increase / (Decrease) for 2014 over 2013	2014		
	Volume \$'000	Rate \$'000	Total \$'000
Interest Income			
Loans and advances	4,034	31	4,065
Singapore Government Securities	541	(60)	481
Other assets	(185)	223	38
Total	4,390	194	4,584
Interest Expense			
Deposits and savings accounts	1,455	702	2,157
SPRING loans (unsecured)	(60)	(19)	(79)
Other liabilities	(27)	3	(24)
Total	1,368	686	2,054
Net interest income	3,022	(492)	2,530

(4) NON-INTEREST INCOME

	2014 \$'000	2013 \$'000	Variance +/(-%)
Fees and commissions	466	579	(19.5)
Dividends	131	127	3.1
Rental income from investment properties	3,495	3,232	8.1
Others	430	328	31.1
Total non-interest income	4,522	4,266	6.0

Non-interest income increased by 6.0% to \$4.5 million in 2014. This was mainly contributed by a 8.1% increase in rental income from investment properties due to increase in the occupancy and rental rates. The increase in other income was mainly due to a grant for the Wage Credit Scheme received.

(5) OPERATING EXPENSES

	2014 \$'000	2013 \$'000	Variance +/(-%)
Staff costs	12,652	12,973	(2.5)
Depreciation of property, plant and equipment	708	817	(13.3)
Depreciation of investment properties	378	377	0.3
Other expenses	7,215	6,471	11.5
Total operating expenses	20,953	20,638	1.5

Operating expenses increased by 1.5% mainly due to an increase in business costs from the increased business activities. This was partially offset by a decrease in the depreciation charge as some of the renovation costs had been fully depreciated in the previous year. Staff costs declined by 2.5% due to a lower provision for staff bonus.

(6) IMPAIRMENT ALLOWANCES FOR LOANS AND ADVANCES

	2014 \$'000	2013 \$'000	Variance +/(-%)
Write-back for individual impairment (net)	201	965	(79.2)
Allowance for collective impairment	(1,453)	(1,250)	16.2
Total allowances on loan losses	1,252	285	339.3

The increase in the total allowances was mainly due to a lower write-back in individual impairment coupled with an increase in the allowance for collective impairment made at a portfolio level due to the increase in loan base.

5 Years Financial Summary

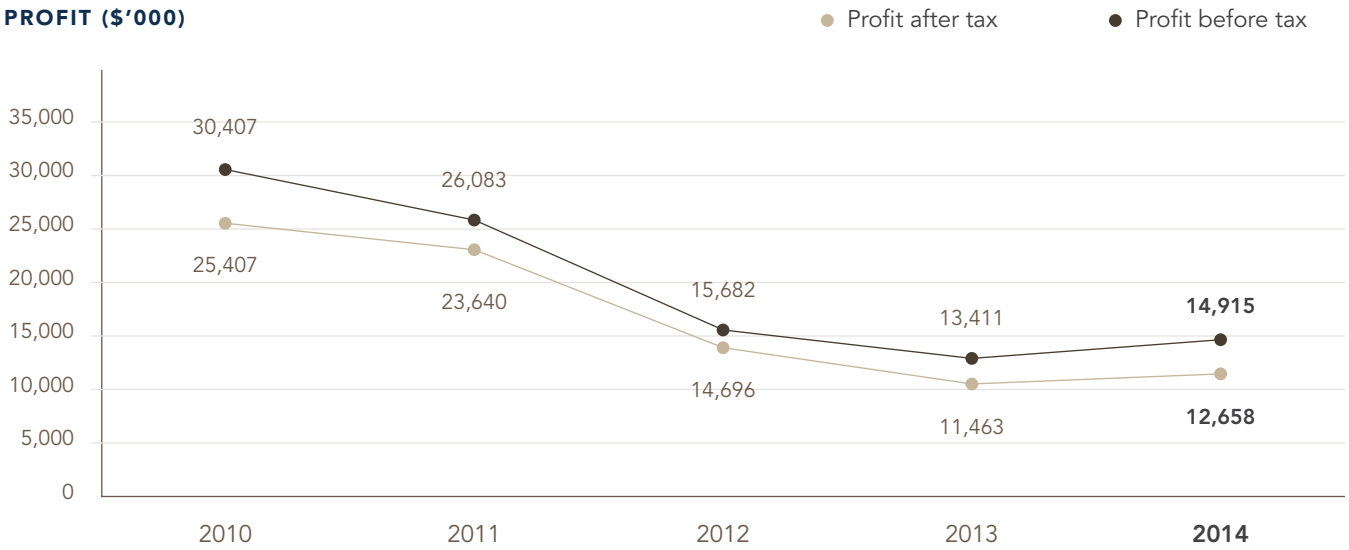
	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
Operating Revenue	51,619	47,035	44,339	43,796	52,686
Profit And Revenue Reserves					
Profit before tax	14,915	13,411	15,682	26,083	30,407
Profit after tax	12,658	11,463	14,696	23,640	25,407
Revenue Reserve	123,827	119,050	115,468	108,128	94,996
Share Capital					
Issued	180,008	180,008	180,008	117,199	117,199
Capital Employed					
Total Assets	2,263,979	2,071,772	1,977,623	1,657,600	1,545,090
Net Assets	313,359	303,591	315,707	241,341	218,257
Volume of Business					
Loans	1,690,170	1,547,107	1,423,325	1,179,655	960,054
Deposits	1,921,428	1,740,458	1,630,041	1,378,505	1,282,721
Dividend And Earnings Per Share					
Dividend (net)	9,458	7,881	7,881	7,356	10,508
Dividend per share (cents) *	6.00	5.00	5.00	7.00	10.00
Earnings per share (cents) **	8.03	7.27	12.22	20.83	24.18
Return After Tax On Total Assets (%)	0.56	0.55	0.74	1.43	1.64
Return After Tax On Net Assets (%)	4.04	3.78	4.65	9.80	11.64
Net Tangible Asset Per Share (\$)	1.99	1.93	2.00	2.30	2.08

* One-tier tax exempt dividend.

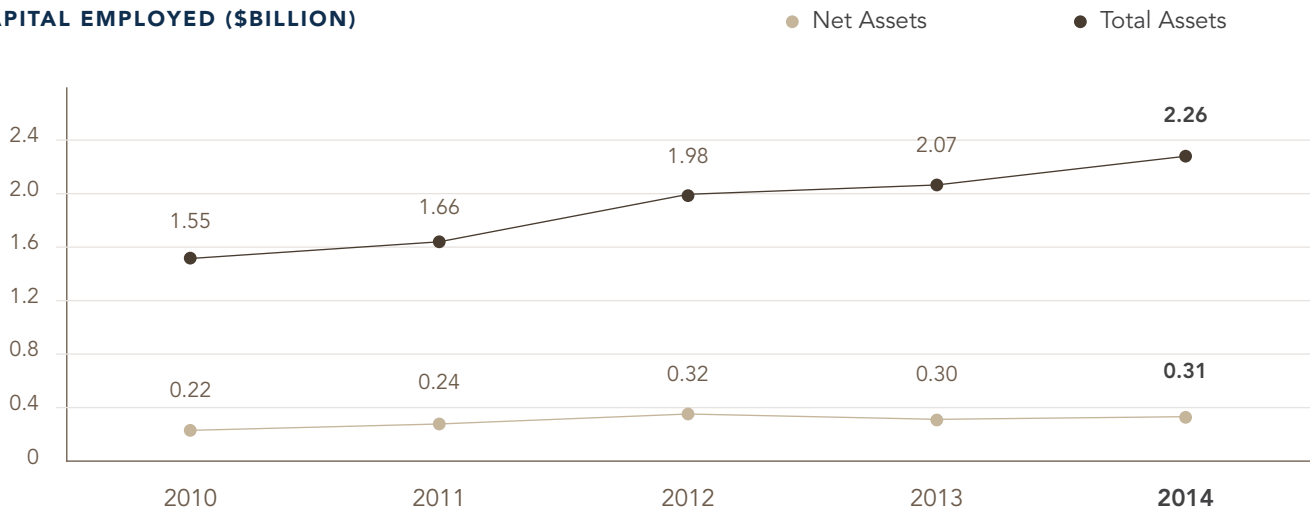
** Earnings per share is calculated based on the weighted average number of ordinary shares in issue during the year of 157,625,764 (Year 2013: 157,625,764, Year 2012: 120,221,170, Year 2011: 113,490,550, Year 2010: 105,083,843) shares.

5 Years Financial Summary

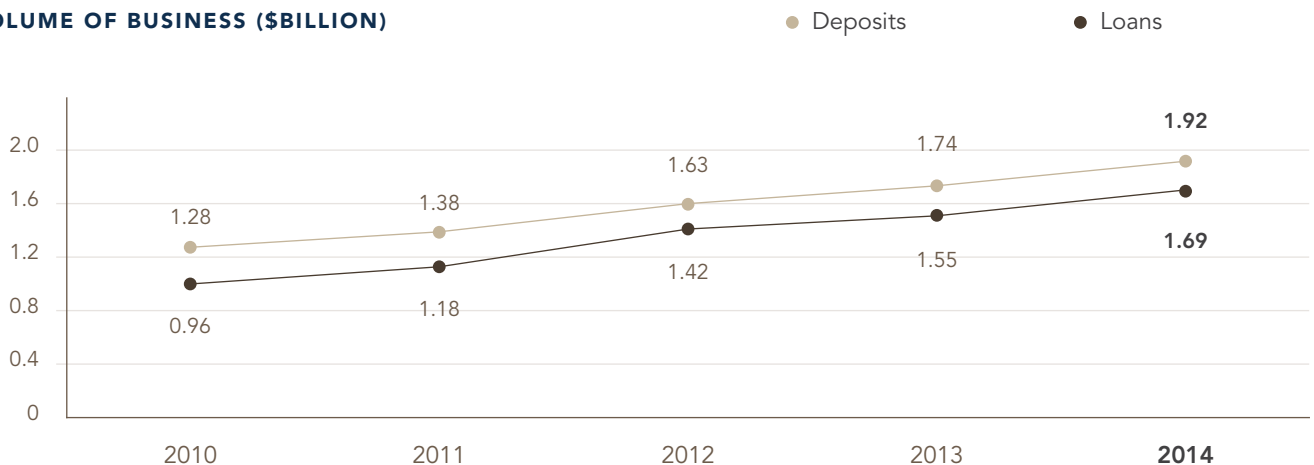
PROFIT (\$'000)



CAPITAL EMPLOYED (\$BILLION)



VOLUME OF BUSINESS (\$BILLION)



Corporate Social Responsibility



SIF is committed to giving back to the society and advocating good environmental practices. To commemorate our 50th anniversary, we carefully planned our CSR activities to address the various needs of the community as well as to encourage employees to play an active role.

On 20 December 2014, SIF embarked on a CSR project by performing volunteering work at Geylang East Home for the Aged. The beneficiaries are residents who are poor and without any family support. The event commenced with a mass cleaning exercise where all volunteers lent their hands to housekeeping of the living quarters of the old folks. The senior citizens participated in the games and sing-along sessions organized by the volunteers before they were treated to a sumptuous lunch. Ang-pows were then presented to them by our Senior Management. These activities brought much laughter and joy to the senior citizens and volunteers as everyone immersed in the Christmas festive celebration.

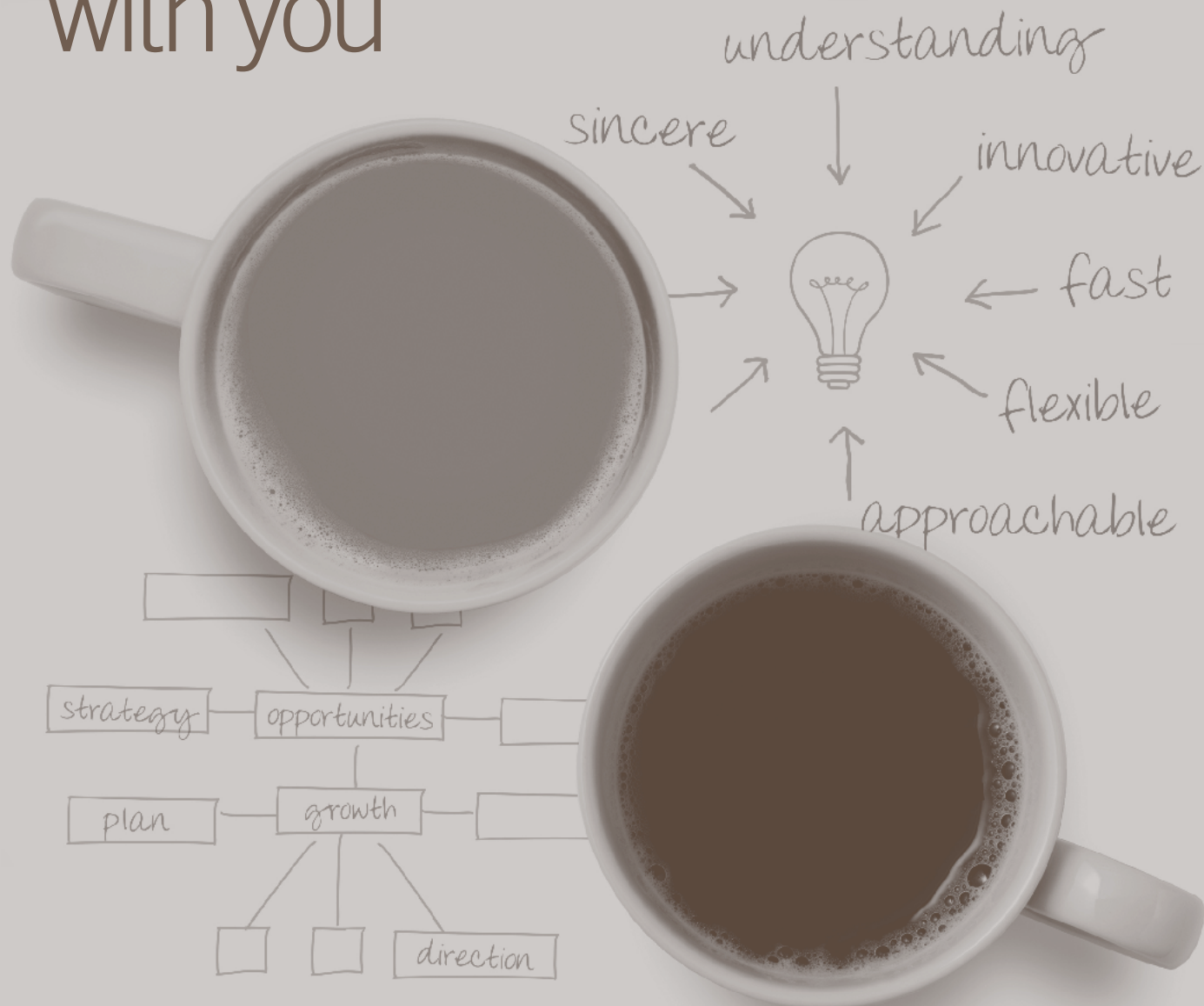
SIF will continue to give back to our community and seek to improve our CSR programmes to continue to bring joy and hope to the needy and the underprivileged.

As part of our continuous effort in caring for the community, we have also donated to institutions providing free and

subsidized medical and healthcare services as well as welfare societies in aid of the less fortunate. For the second consecutive year, we contributed to Business China, a platform dedicated to raise the bilingual and bicultural quotient of Singaporeans as well as the global connectivity of Singapore.

In response to the worldwide call for global warming reduction, SIF is committed to reduce energy usage and office consumables. Reduction in paper usage is achieved by making reports available in soft copies and encouraging staff to print on both sides of the paper and print documents only when necessary. To reduce power consumption, electrical devices and equipment are switched off when not in use and lights in the buildings appropriately dimmed after office hours. We will continue to raise the level of awareness amongst staff and step up on recycling efforts in all aspects of our operations.

Creating Possibilities with you



FINANCIAL CONTENTS

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Report Of The Directors

The directors present their report 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 2014.

1 DIRECTORS

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

Lee Sze Leong
 Lee Sze Siong
 Ng Tat Pun
 Dr Joseph Yeong Wee Yong
 Lim Poh Suan
 Kim Seah Teck Kim
 Chee Jin Kiong

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:

Name of directors	Holdings in the name of the director or nominee		Other holdings in which the director is deemed to have an interest	
	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	355,081	384,081	42,255,450	42,255,450
Lee Sze Siong	450,592	450,592	42,255,450	42,255,450

By virtue of Section 7 of the Act, Messrs Lee Sze Leong and Lee Sze Siong are deemed to have an interest in the wholly-owned 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 2015.

Report Of The Directors

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements.

During the financial year, the Company has engaged in transactions in the normal course of business with immediate family members of certain directors and with companies in which the directors have significant financial interests. However, the directors have not received, nor will they become entitled to receive, any benefits arising out of these transactions other than those which they may be entitled to as customers or as shareholders of these companies.

5 SHARE OPTIONS

(a) *Options to take up unissued shares*

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

6 AUDIT COMMITTEE

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

Lim Poh Suan (Chairman)
Kim Seah Teck Kim
Chee Jin Kiong

They are all independent non-executive 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 3 meetings since the last Annual General Meeting. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

Report Of The Directors

6 AUDIT COMMITTEE (CONT'D)

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 financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;
- d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- e) the co-operation and assistance given by the management to the Group's external auditors; and
- f) the re-appointment of the external auditors of the Group.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It 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.

7 AUDITORS

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

ON BEHALF OF THE BOARD OF DIRECTORS

Lee Sze Leong
Chairman

Lee Sze Siong
Director

9 February 2015

Statement By Directors

In the opinion of the directors:

- (a) 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 40 to 104 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE BOARD OF DIRECTORS

Lee Sze Leong
Chairman

Lee Sze Siong
Director

9 February 2015

Independent Auditors' Report

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying 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 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 104.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

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

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

Ang Poh Choo
Partner

9 February 2015

Statements Of Financial Position

As at 31 December 2014

	Note	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
ASSETS					
Current assets					
Cash on deposit, at banks and in hand		245,781	225,668	245,735	225,630
Other assets	6	5,271	5,853	5,271	5,853
Investments	7	231,004	206,428	230,636	206,136
Loans and advances due within twelve months	8	628,084	457,288	628,084	457,288
Statutory deposit with the Monetary Authority of Singapore ("MAS")		50,538	44,881	50,538	44,881
Total current assets		1,160,678	940,118	1,160,264	939,788
Non-current assets					
Property, plant and equipment	9	16,763	17,005	16,763	17,005
Investment properties	10	24,452	24,830	24,452	24,830
Subsidiary	11	–	–	25	25
Loans and advances due after twelve months	8	1,062,086	1,089,819	1,062,086	1,089,819
Total non-current assets		1,103,301	1,131,654	1,103,326	1,131,679
Total assets		2,263,979	2,071,772	2,263,590	2,071,467

Statements Of Financial Position

As at 31 December 2014

	Note	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
LIABILITIES AND EQUITY					
Current liabilities					
Deposits and savings accounts of customers	13	1,921,428	1,740,458	1,922,165	1,741,191
Other liabilities	14	20,473	17,367	19,995	16,898
SPRING loans due within twelve months (unsecured)	15	2,242	3,467	2,242	3,467
Provision for employee benefits	16	252	231	252	231
Current tax payable		2,343	2,136	2,343	2,136
Total current liabilities		1,946,738	1,763,659	1,946,997	1,763,923
Non-current liabilities					
SPRING loans due after twelve months (unsecured)	15	1,861	3,539	1,861	3,539
Deferred tax liabilities	12	2,021	983	1,968	943
Total non-current liabilities		3,882	4,522	3,829	4,482
Total liabilities		1,950,620	1,768,181	1,950,826	1,768,405
Equity attributable to equity holders of the Company					
Share capital	17	180,008	180,008	180,008	180,008
Reserves	18	133,351	123,583	132,756	123,054
Total equity		313,359	303,591	312,764	303,062
Total liabilities and equity		2,263,979	2,071,772	2,263,590	2,071,467
Off-balance sheet items					
Undrawn loan commitments	25	650,103	561,334	650,103	561,334
Guarantees issued	26	4,546	3,784	4,546	3,784
Total off-balance sheet items		654,649	565,118	654,649	565,118

See accompanying notes to financial statements.

Consolidated Statement Of Profit Or Loss

Year ended 31 December 2014

	Note	Group	
		2014 \$'000	2013 \$'000
Revenue			
Interest income and hiring charges	21	51,619	47,035
Interest expense	21	(19,021)	(16,967)
Net interest income and hiring charges		32,598	30,068
Fees and commissions		466	579
Dividends	21	131	127
Rental income from investment properties		3,495	3,232
Other income	21	430	328
Income before operating expenses		37,120	34,334
Staff costs	21	(12,652)	(12,973)
Depreciation of property, plant and equipment	9	(708)	(817)
Depreciation of investment properties	10	(378)	(377)
Other operating expenses	21	(7,215)	(6,471)
Profit from operations before impairment losses		16,167	13,696
Allowances for impairment losses on loans and advances	8	(1,252)	(285)
Profit before income tax		14,915	13,411
Income tax expense	22	(2,257)	(1,948)
Profit for the year attributable to equity holders of the Company		12,658	11,463
Earnings per share (cents)			
- Basic	23	8.03	7.27
- Diluted	23	8.03	7.27

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

Year ended 31 December 2014

	Group	
	2014 \$'000	2013 \$'000
Profit for the year	12,658	11,463
<u>Other comprehensive income</u>		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of available-for-sale financial assets	6,013	(18,913)
Income tax relating to components of other comprehensive income that may be reclassified subsequently	(1,022)	3,215
Other comprehensive income (loss) for the year, net of tax	4,991	(15,698)
Total comprehensive income (loss) for the year	17,649	(4,235)

See accompanying notes to financial statements.

Statements Of Changes In Equity

Year ended 31 December 2014

	Note	Share capital \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Total \$'000
Group						
Balance at 1 January 2013		180,008	80,559	20,231	34,909	315,707
Total comprehensive income for the year						
Profit for the year		–	–	–	11,463	11,463
Other comprehensive loss for the year - net		–	–	(15,698)	–	(15,698)
Total		–	–	(15,698)	11,463	(4,235)
Transfer from accumulated profits to statutory reserve		–	5,732	–	(5,732)	–
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2012 of 5 cents per share	24	–	–	–	(7,881)	(7,881)
Balance at 31 December 2013		180,008	86,291	4,533	32,759	303,591
Total comprehensive income for the year						
Profit for the year		–	–	–	12,658	12,658
Other comprehensive income for the year - net		–	–	4,991	–	4,991
Total		–	–	4,991	12,658	17,649
Transfer from accumulated profits to statutory reserve		–	6,328	–	(6,328)	–
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2013 of 5 cents per share	24	–	–	–	(7,881)	(7,881)
Balance at 31 December 2014		180,008	92,619	9,524	31,208	313,359

Statements Of Changes In Equity

Year ended 31 December 2014

	Note	Share capital \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Total \$'000
Company						
Balance at 1 January 2013		180,008	80,559	20,053	34,575	315,195
Total comprehensive income for the year						
Profit for the year		–	–	–	11,463	11,463
Other comprehensive loss for the year - net		–	–	(15,715)	–	(15,715)
Total		–	–	(15,715)	11,463	(4,252)
Transfer from accumulated profits to statutory reserve		–	5,732	–	(5,732)	–
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2012 of 5 cents per share	24	–	–	–	(7,881)	(7,881)
Balance at 31 December 2013		180,008	86,291	4,338	32,425	303,062
Total comprehensive income for the year						
Profit for the year		–	–	–	12,655	12,655
Other comprehensive income for the year - net		–	–	4,928	–	4,928
Total		–	–	4,928	12,655	17,583
Transfer from accumulated profits to statutory reserve		–	6,328	–	(6,328)	–
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2013 of 5 cents per share	24	–	–	–	(7,881)	(7,881)
Balance at 31 December 2014		180,008	92,619	9,266	30,871	312,764

See accompanying notes to financial statements.

Consolidated Statement Of Cash Flows

Year ended 31 December 2014

	Group	
	2014 \$'000	2013 \$'000
Operating activities		
Profit before income tax	14,915	13,411
Adjustments for:		
Impact of accrual of interest income	106	42
Impact of accrual of interest expense	1,527	468
Depreciation of property, plant and equipment	708	817
Depreciation of investment properties	378	377
Allowances for impairment losses on loans and advances	1,252	285
Dividends	(131)	(127)
Operating cash flows before movements in working capital	18,755	15,273
Changes in working capital		
Other assets	967	316
Loans and advances	(144,315)	(124,067)
Statutory deposit with the MAS	(5,657)	(4,459)
Deposits and savings accounts of customers	180,970	110,417
Other liabilities	1,579	764
SPRING loans	(2,903)	(1,608)
Provision for employee benefits	21	12
Cash generated from (used in) operations	49,417	(3,352)
Income taxes paid	(2,034)	(2,521)
Net cash from (used in) operating activities	47,383	(5,873)
Investing activities		
Purchase of investments	(23,965)	(28,985)
Purchase of property, plant and equipment and investment properties	(466)	(327)
Proceeds from disposal of investments	5,000	–
Dividends received	42	119
Net cash used in investing activities	(19,389)	(29,193)
Financing activities		
Dividends paid	(7,881)	(7,881)
Net cash used in financing activities	(7,881)	(7,881)
Net increase (decrease) in cash and cash equivalents	20,113	(42,947)
Cash and cash equivalents at beginning of the year	225,668	268,615
Cash and cash equivalents at end of the year	245,781	225,668

See accompanying notes to financial statements.

Notes To The Financial Statements

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 2014 were authorised for issue by the Board of Directors on 9 February 2015.

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 ("FRS").

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 *FRS 17 Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in *FRS 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 The Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS

On 1 January 2014, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and relevant to its operations. The adoption of these new/revised FRSs and INT FRSs 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.

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

- FRS 109 *Financial Instruments*
- FRS 115 *Revenue from Contracts with Customers*
- Improvements to Financial Reporting Standards (January 2014)
- Improvements to Financial Reporting Standards (February 2014)
- Improvements to Financial Reporting Standards (November 2014)

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

Key requirements of FRS 109 include:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

Notes To The Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

FRS 109 Financial Instruments (Cont'd)

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Group is currently evaluating the impact of the changes in the period of their initial adoption.

Notes To The Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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. 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 subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with the Company.

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.

Notes To The Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 BASIS OF CONSOLIDATION (CONT'D)

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 FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.4 FINANCIAL INSTRUMENTS

In the Company's financial statements, investment in subsidiary is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

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.

Effective interest method

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

Financial assets

Investments are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

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

(a) Available-for-sale financial assets

The Group's investments in equity securities and debt securities and MAS bills are classified as available-for-sale financial assets and are stated at fair value. Fair value is determined in the manner described in Note 4(a)(vi). Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses and interest calculated using the effective interest method which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in fair value reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Notes To The Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 FINANCIAL INSTRUMENTS (CONT'D)

Financial assets (Cont'd)

(b) Loans and receivables

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

(c) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Notes To The Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 FINANCIAL INSTRUMENTS (CONT'D)

Financial assets (Cont'd)

(c) Impairment of financial assets (Cont'd)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments fair value reserves. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Calculation of recoverable amount

Loans and advances

Future cash flows in a group of financial assets assessed for collective impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Portfolio impairment allowance is created for collective impairment of loans and advances.

When a loan is uncollectible, it is written off against the related impairment allowance. Subsequent recoveries of amounts previously written off are credited directly to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(d) 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.

Notes To The Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 FINANCIAL INSTRUMENTS (CONT'D)

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) Other financial liabilities

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.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in profit or loss in the period in which they are incurred.

Financial guarantee contract liabilities are measured initially at their fair values and, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

(c) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.5 OPERATING LEASES

When entities within the Group are lessees of an operating lease

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.

Notes To The Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 OPERATING LEASES (CONT'D)

When entities within the Group are lessors of an operating lease

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:

Leasehold land	-	remaining life of the lease
Freehold and leasehold buildings	-	shorter of 50 years or remaining life of the lease
Furniture, office equipment and motor vehicles	-	5 years
Renovation	-	5 years
Computers	-	3 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.

2.7 INVESTMENT PROPERTIES

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.

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:

Leasehold land	-	remaining life of the lease
Freehold and leasehold 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.

Notes To The Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 INVESTMENT PROPERTIES (CONT'D)

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

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

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

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

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

Notes To The Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

Notes To The Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 REVENUE RECOGNITION (CONT'D)

(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 The Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 The Financial Statements

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

The management are of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

(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:

Impairment losses on loans, advances and receivables

The Group reviews its loan portfolio to assess impairment at least on a semi-annual basis. To determine whether an impairment loss should be recorded in the profit or loss, the Group makes judgements as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows of the loan portfolio. The evidence may include observable data indicating adverse changes in the payment status of certain groups of borrowers or local economic conditions that correlate with default in the loan portfolio.

In addition, management uses estimates based on historical loss experience for loans, advances and receivables with credit risk characteristics and objective evidences of impairment similar to those in the loan portfolio. The methodology and assumptions used are reviewed regularly to reduce any differences between estimates and actual loss experience.

The carrying amount of loans and advances are disclosed in Note 8 to the financial statements.

Income tax

The Company makes provision for income tax based on the taxable profit. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. In determining the amount of taxable profit, management exercises judgement, and the amount is subject to the approval of the local tax authority.

A reconciliation of the income tax is disclosed in Note 22 to the financial statements.

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) 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
- 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 risk, and the Group's management of capital.

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 Risk Management Committee (RMC) is led by a non-independent / non-executive director and an independent / non-executive 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 actively feed 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 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 functioning effectively.

Senior management is accountable to the Board for ensuring the implementation of risk management policies. The business units shall be responsible for managing the risks of their respective activities and ensure compliance of the Group's policies. Control functions assist senior management in providing checks and controls as well as independent risk assessments.

(i) Credit risk

Credit risk is one of the primary risks in the Group's lending activities and 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 whose conditions 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.

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Financial risk management policies and objectives (Cont'd)

(i) Credit Risk (Cont'd)

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

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, which must be fully secured, require the approval by Management or the Loan Committee as appropriate. All collateral assets 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 where impairment provisions 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.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance.

Maximum exposure to credit risk

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 \$4,546,000 (2013 : \$3,784,000). 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.

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

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Financial risk management policies and objectives (Cont'd)

(i) Credit Risk (Cont'd)

Set out below is a breakdown of the total amounts of loan facility by loan type (based on underlying collateral assets) and net (of allowances for impairment):

	Group and Company		
	Performing \$'000	Non- performing \$'000	Total \$'000
Loan type			
<u>31 December 2014</u>			
Land and construction	669,984	–	669,984
Commercial properties	639,924	1,777	641,701
Motor vehicles	349,954	210	350,164
Private residential	343,177	3,147	346,324
Block discounting	204,319	–	204,319
Machinery and equipment	58,369	38	58,407
Share loans	54,246	–	54,246
Shipping	11,544	856	12,400
Factoring and accounts receivables	11,202	–	11,202
HDB flats	4,263	587	4,850
Others	3,794	–	3,794
	<u>2,350,776</u>	<u>6,615</u>	<u>2,357,391</u>
Less: Collective impairment	(17,070)	(48)	(17,118)
Total	<u>2,333,706</u>	<u>6,567</u>	<u>2,340,273</u>
<u>31 December 2013</u>			
Land and construction	705,618	–	705,618
Commercial properties	516,420	2,376	518,796
Motor vehicles	310,621	178	310,799
Private residential	294,597	1,528	296,125
Block discounting	182,551	–	182,551
Machinery and equipment	61,872	17	61,889
Share loans	25,780	–	25,780
Shipping	9,958	39	9,997
HDB flats	4,830	637	5,467
Factoring and accounts receivables	5,423	–	5,423
Others	1,660	1	1,661
	<u>2,119,330</u>	<u>4,776</u>	<u>2,124,106</u>
Less: Collective impairment	(15,630)	(35)	(15,665)
Total	<u>2,103,700</u>	<u>4,741</u>	<u>2,108,441</u>

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(i) Credit Risk (Cont'd)

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.

The nature and fair value of collateral held as security on loans and advances are as follows:

	Group and Company	
	2014 \$'000	2013 \$'000
Individually impaired:		
Properties	16,759	18,129
Equipment	159	21
Motor vehicles	269	361
Vessels	2,210	120
	<u>19,397</u>	<u>18,631</u>
Past Due but not impaired:		
Properties	3,048	2,266
Equipment	318	574
Motor vehicles	1,435	5,886
Vessels	-	3,800
	<u>4,801</u>	<u>12,526</u>

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(i) Credit Risk (Cont'd)

The nature and carrying amount of assets obtained by taking possession of collateral held as security are as follows:

	Group and Company	
	2014 \$'000	2013 \$'000
Motor vehicles and equipment	163	339

Credit quality

The Group 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). In addition, loans and advances are required under FRS 107 Financial Instruments: Disclosures to be categorised into "impaired", "past due but not impaired" and "neither past due nor impaired". Past due loans refer to loans that are overdue by one day or more. Impaired loans are non-performing loans with specific allowances made.

(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.

(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.

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(i) Credit Risk (Cont'd)

(b) Non-performing loans (Cont'd)

Set out below is a breakdown of the amounts of loans and advances by loan grading:

	2014 \$'000	2013 \$'000
Loans grading		
<u>Loans and advances to customers</u>		
(i) Individually impaired		
Substandard	6,615	4,776
Loss	1,187	1,765
Gross amount	7,802	6,541
Less: Allowance for impairment	(1,187)	(1,765)
Gross amount net of specific impairment	6,615	4,776
(ii) Collectively impaired		
Past due but not impaired		
Pass	–	6,349
Special mention	1,950	4,204
Gross amount	1,950	10,553
Neither past due nor impaired		
Pass	1,432,096	1,328,071
Special mention	266,627	219,372
Gross amount	1,698,723	1,547,443
Gross amount: collectively impaired	1,700,673	1,557,996
Loans and advances net of specific impairment	1,707,288	1,562,772
Less: Collective impairment	(17,118)	(15,665)
Carrying amount	1,690,170	1,547,107
Ageing of loans and advances that are past due but not impaired < 3 months	1,950	10,553

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(i) Credit Risk (Cont'd)

(b) Non-performing loans (Cont'd)

As of 31 December 2014, the Group has loans and advances of \$1,208,865 which the terms have been renegotiated (2013 : \$2,157,033). As at 31 December 2014, the loans were graded as individually impaired, for which impairment of \$812,460 was provided in respect of the loans (2013 : \$807,399).

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.

The RMC is delegated the authority by the Board to oversee the Group's credit activities and risk management process, including reviewing periodically the credit policies and guidelines of the Group, evaluating the risk profile of the Group's loan portfolio, reviewing and managing the quality and profitability of its loan assets.

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	
	2014 \$'000	2013 \$'000
Carrying amount	1,690,170	1,547,107
Concentration by sector		
Building and construction	608,331	653,393
Hire purchase finance	242,280	242,056
Financial institutions, and investment and holding companies	225,465	148,971
Professional and individuals	216,947	186,910
Block discounting	111,228	94,600
General commerce	99,378	73,549
Housing loans	87,158	80,399

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(i) Credit Risk (Cont'd)

(b) Non-performing loans (Cont'd)

Concentration of credit risk (Cont'd)

	Loans and advances to customers	
	2014 \$'000	2013 \$'000
Concentration by sector (Cont'd)		
Transport, storage and communication	35,367	16,852
Manufacturing	8,204	6,204
Factoring and accounts receivables	4,094	551
Others	68,836	59,287
	<u>1,707,288</u>	<u>1,562,772</u>
Less: Collective impairment	(17,118)	(15,665)
Total	<u>1,690,170</u>	<u>1,547,107</u>

(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 14 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.

At 31 December 2014, the Group has available funds of \$82 million (2013 : \$97million) from undrawn committed credit lines which allow the Group to use the funds up to the limit in respect of which all conditions precedent have been met in the event of liquidity shortfall.

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(ii) Liquidity risk (Cont'd)

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 2014							
Assets							
Statutory deposit with the Monetary Authority of Singapore	50,538	50,538	–	–	–	–	–
Investments	231,004	–	4,997	–	18,532	203,422	4,053
Loans and advances to customers	1,690,170	129,652	36,765	307,500	507,103	709,150	–
Cash on deposit, at banks and in hand	245,781	131,781	29,000	85,000	–	–	–
Others	3,080	162	2,441	477	–	–	–
Total Assets	2,220,573	312,133	73,203	392,977	525,635	912,572	4,053
Liabilities							
Deposits and savings accounts of customers	1,921,428	250,187	514,517	959,377	145,561	–	51,786
SPRING loans	4,103	408	353	1,481	1,861	–	–
Others	20,473	3,775	3,298	11,426	1,317	–	657
Total Liabilities	1,946,004	254,370	518,168	972,284	148,739	–	52,443
Net Liquidity Gap	274,569	57,763	(444,965)	(579,307)	376,896	912,572	(48,390)
Off-balance sheet							
Undrawn loan commitments	650,103	650,103	–	–	–	–	–
Guarantees issued	4,546	4,546	–	–	–	–	–

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(ii) Liquidity risk (Cont'd)

	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 2013							
Assets							
Statutory deposit with the Monetary Authority of Singapore	44,881	44,881	–	–	–	–	–
Investments	206,428	–	–	5,081	19,144	178,697	3,506
Loans and advances to customers	1,547,107	64,385	76,461	176,159	593,406	636,696	–
Cash on deposit, at banks and in hand	225,668	129,768	33,900	62,000	–	–	–
Others	2,695	157	2,250	288	–	–	–
Total Assets	2,026,779	239,191	112,611	243,528	612,550	815,393	3,506
Liabilities							
Deposits and savings accounts of customers	1,740,458	351,841	337,133	877,684	113,866	–	59,934
SPRING loans	7,006	761	580	2,126	3,539	–	–
Others	17,367	3,075	2,077	10,448	1,156	–	611
Total Liabilities	1,764,831	355,677	339,790	890,258	118,561	–	60,545
Net Liquidity Gap	261,948	(116,486)	(227,179)	(646,730)	493,989	815,393	(57,039)
Off-balance sheet							
Undrawn loan commitments	561,334	561,334	–	–	–	–	–
Guarantees issued	3,784	3,784	–	–	–	–	–

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(ii) Liquidity risk (Cont'd)

	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 2014							
Assets							
Statutory deposit with the Monetary Authority of Singapore	50,538	50,538	–	–	–	–	–
Investments	230,636	–	4,997	–	18,532	203,422	3,685
Loans and advances to customers	1,690,170	129,652	36,765	307,500	507,103	709,150	–
Cash on deposit, at banks and in hand	245,735	131,735	29,000	85,000	–	–	–
Others	3,105	162	2,441	477	–	–	25
Total Assets	2,220,184	312,087	73,203	392,977	525,635	912,572	3,710
Liabilities							
Deposits and savings accounts of customers	1,922,165	250,682	514,517	959,619	145,561	–	51,786
SPRING loans	4,103	408	353	1,481	1,861	–	–
Others	19,995	3,775	3,298	11,426	1,317	–	179
Total Liabilities	1,946,263	254,865	518,168	972,526	148,739	–	51,965
Net Liquidity Gap	273,921	57,222	(444,965)	(579,549)	376,896	912,572	(48,255)
Off-balance sheet							
Undrawn loan commitments	650,103	650,103	–	–	–	–	–
Guarantees issued	4,546	4,546	–	–	–	–	–

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(ii) Liquidity risk (Cont'd)

	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 2013							
Assets							
Statutory deposit with the Monetary Authority of Singapore	44,881	44,881	–	–	–	–	–
Investments	206,136	–	–	5,081	19,144	178,697	3,214
Loans and advances to customers	1,547,107	64,385	76,461	176,159	593,406	636,696	–
Cash on deposit, at banks and in hand	225,630	129,730	33,900	62,000	–	–	–
Others	2,720	157	2,250	288	–	–	25
Total Assets	2,026,474	239,153	112,611	243,528	612,550	815,393	3,239
Liabilities							
Deposits and savings accounts of customers	1,741,191	352,334	337,133	877,924	113,866	–	59,934
SPRING loans	7,006	761	580	2,126	3,539	–	–
Others	16,898	3,075	2,077	10,448	1,156	–	142
Total Liabilities	1,765,095	356,170	339,790	890,498	118,561	–	60,076
Net Liquidity Gap	261,379	(117,017)	(227,179)	(646,970)	493,989	815,393	(56,837)
Off-balance sheet							
Undrawn loan commitments	561,334	561,334	–	–	–	–	–
Guarantees issued	3,784	3,784	–	–	–	–	–

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(ii) Liquidity risk (Cont'd)

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 2014							
Deposits and savings accounts of customers	1,921,428	(1,932,659)	(250,383)	(482,181)	(1,000,841)	(147,468)	(51,786)
SPRING loans	4,103	(4,191)	(404)	(368)	(1,499)	(1,920)	–
Other liabilities	20,473	(20,473)	(3,775)	(3,298)	(11,426)	(1,317)	(657)
Total liabilities	1,946,004	(1,957,323)	(254,562)	(485,847)	(1,013,766)	(150,705)	(52,443)
Undrawn loan commitments	650,103	(650,103)	(650,103)	–	–	–	–
	2,596,107	(2,607,426)	(904,665)	(485,847)	(1,013,766)	(150,705)	(52,443)
31 December 2013							
Deposits and savings accounts of customers	1,740,458	(1,749,007)	(352,095)	(316,218)	(905,545)	(115,215)	(59,934)
SPRING loans	7,006	(7,219)	(763)	(583)	(2,165)	(3,708)	–
Other liabilities	17,367	(17,367)	(3,075)	(2,077)	(10,448)	(1,156)	(611)
Total liabilities	1,764,831	(1,773,593)	(355,933)	(318,878)	(918,158)	(120,079)	(60,545)
Undrawn loan commitments	561,334	(561,334)	(561,334)	–	–	–	–
	2,326,165	(2,334,927)	(917,267)	(318,878)	(918,158)	(120,079)	(60,545)

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(ii) Liquidity risk (Cont'd)

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
Company							
31 December 2014							
Deposits and savings accounts of customers	1,922,165	(1,933,397)	(250,878)	(482,181)	(1,001,084)	(147,468)	(51,786)
SPRING loans	4,103	(4,191)	(409)	(354)	(1,508)	(1,920)	–
Other liabilities	19,995	(19,995)	(3,775)	(3,298)	(11,426)	(1,317)	(179)
Total liabilities	1,946,263	(1,957,583)	(255,062)	(485,833)	(1,014,018)	(150,705)	(51,965)
Undrawn loan commitments	650,103	(650,103)	(650,103)	–	–	–	–
	2,596,366	(2,607,686)	(905,165)	(485,833)	(1,014,018)	(150,705)	(51,965)
31 December 2013							
Deposits and savings accounts of customers	1,741,191	(1,749,741)	(352,588)	(316,218)	(905,786)	(115,215)	(59,934)
SPRING loans	7,006	(7,219)	(763)	(583)	(2,165)	(3,708)	–
Other liabilities	16,898	(16,898)	(3,075)	(2,077)	(10,448)	(1,156)	(142)
Total liabilities	1,765,095	(1,773,858)	(356,426)	(318,878)	(918,399)	(120,079)	(60,076)
Undrawn loan commitments	561,334	(561,334)	(561,334)	–	–	–	–
	2,326,429	(2,335,192)	(917,760)	(318,878)	(918,399)	(120,079)	(60,076)

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(ii) Liquidity risk (Cont'd)

The negative net liquidity gap for the maturity band for up to 12 months as at 31 December 2014 (2013 : 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 2014 (2013 : up to 12 months), as compared to the tenures of loans and advances which constitute the Group's main asset.

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.

(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. A system is in place to track market interest rate movements and to adjust on a timely basis the Group's deposit and lending rates.

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.

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(iii) Market risk (Cont'd)

(1) Interest rate risk (Cont'd)

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 - 3 months \$'000	3 - 12 months \$'000	1 - 5 years \$'000	> 5 years \$'000	Total \$'000
Group							
31 December 2014							
Financial Assets							
Statutory deposit with the Monetary Authority of Singapore	–	50,538	–	–	–	–	50,538
Investments	3.09	9,050	–	–	18,532	203,422	231,004
Loans and advances to customers	3.38	–	752,846	453,868	341,077	142,379	1,690,170
Cash on deposit, at banks and in hand	1.03	1,872	158,909	85,000	–	–	245,781
Other assets	–	3,080	–	–	–	–	3,080
		<u>64,540</u>	<u>911,755</u>	<u>538,868</u>	<u>359,609</u>	<u>345,801</u>	<u>2,220,573</u>
Financial Liabilities							
Deposits and savings accounts of customers	1.12	57,389	759,101	959,377	145,561	–	1,921,428
SPRING loans	2.42	–	761	1,481	1,861	–	4,103
Other liabilities	–	20,473	–	–	–	–	20,473
		<u>77,862</u>	<u>759,862</u>	<u>960,858</u>	<u>147,422</u>	<u>–</u>	<u>1,946,004</u>

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(iii) Market risk (Cont'd)

(1) Interest rate risk (Cont'd)

	Effective weighted average interest %	Non-interest bearing \$'000	0 - 3 months \$'000	3 - 12 months \$'000	1 - 5 years \$'000	> 5 years \$'000	Total \$'000
Group							
31 December 2013							
Financial Assets							
Statutory deposit with the Monetary Authority of Singapore	–	44,881	–	–	–	–	44,881
Investments	3.19	3,506	–	5,081	19,144	178,697	206,428
Loans and advances to customers	3.47	–	706,839	377,318	285,373	177,577	1,547,107
Cash on deposit, at banks and in hand	0.75	2,349	161,319	62,000	–	–	225,668
Other assets	–	2,695	–	–	–	–	2,695
		53,431	868,158	444,399	304,517	356,274	2,026,779
Financial Liabilities							
Deposits and savings accounts of customers	0.98	61,529	687,379	877,684	113,866	–	1,740,458
SPRING loans	2.62	–	1,341	2,126	3,539	–	7,006
Other liabilities	–	17,367	–	–	–	–	17,367
		78,896	688,720	879,810	117,405	–	1,764,831

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(iii) Market risk (Cont'd)

(1) Interest rate risk (Cont'd)

	Effective weighted average interest %	Non-interest bearing \$'000	0 - 3 months \$'000	3 - 12 months \$'000	1 - 5 years \$'000	> 5 years \$'000	Total \$'000
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Company

31 December 2014

Financial Assets

Statutory deposit with the Monetary Authority of Singapore	–	50,538	–	–	–	–	50,538
Investments	3.09	8,682	–	–	18,532	203,422	230,636
Loans and advances to customers	3.38	–	752,846	453,868	341,077	142,379	1,690,170
Cash on deposit, at banks and in hand	1.03	1,826	158,909	85,000	–	–	245,735
Other assets	–	3,105	–	–	–	–	3,105
		64,151	911,755	538,868	359,609	345,801	2,220,184

Financial Liabilities

Deposits and savings accounts of customers	1.12	57,389	759,596	959,619	145,561	–	1,922,165
SPRING loans	2.42	–	761	1,481	1,861	–	4,103
Other liabilities	–	19,995	–	–	–	–	19,995
		77,384	760,357	961,100	147,422	–	1,946,263

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(iii) Market risk (Cont'd)

(1) Interest rate risk (Cont'd)

	Effective weighted average interest %	Non-interest bearing \$'000	0 - 3 months \$'000	3 - 12 months \$'000	1 - 5 years \$'000	> 5 years \$'000	Total \$'000
Company							
31 December 2013							
Financial Assets							
Statutory deposit with the Monetary Authority of Singapore	-	44,881	-	-	-	-	44,881
Investments	3.19	3,214	-	5,081	19,144	178,697	206,136
Loans and advances to customers	3.47	-	706,839	377,318	285,373	177,577	1,547,107
Cash on deposit, at banks and in hand	0.75	2,311	161,319	62,000	-	-	225,630
Other assets	-	2,720	-	-	-	-	2,720
		53,126	868,158	444,399	304,517	356,274	2,026,474
Financial Liabilities							
Deposits and savings accounts of customers	0.98	61,529	687,872	877,924	113,866	-	1,741,191
SPRING loans	2.62	-	1,341	2,126	3,539	-	7,006
Other liabilities	-	16,898	-	-	-	-	16,898
		78,427	689,213	880,050	117,405	-	1,765,095

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(iii) Market risk (Cont'd)

(1) Interest rate risk (Cont'd)

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 2014, a 100 basis point increase/(decrease) in the interest rate at the end of the reporting period would increase/(decrease) profit by \$659,000 (2013 : increase/(decrease) profit by \$845,000) and fair value reserves by \$2,220,000 (2013 : increase/(decrease) by \$2,029,000) mainly a result of the changes in the fair value of available-for-sale fixed rate instruments.

(2) Market 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.

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(iii) Market risk (Cont'd)

(2) Market risk on investments (Cont'd)

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 ensures that its investments are all into reputable companies with substantial market capitalisation, acceptable price-earning ratios, good track records and consistent yearly dividends payouts. These investments are held generally for stable returns and capital appreciation.

(3) Equity price risk on investments

The Group is exposed to equity risks arising from equity investments classified as available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purposes. The Group does not actively trade available-for-sale investments. No sensitivity analysis is prepared as the Group does not expect material adjustment to the profit or loss arising from the effect of the price changes on investments.

As at 31 December 2014, a 10% increase/(decrease) in the equity prices at the end of the reporting period would increase/(decrease) fair value reserves by \$405,000 (2013 : increase/(decrease) by \$351,000). The Group's net profit for the year ended December 31, 2014 would have been unaffected as the quoted equity securities are classified as available-for-sale and no investments were disposed of or impaired.

(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 arrangement are subjected to approval by the RMC to ensure checks and controls are adequate and risks are adequately mitigated.

The RMC review 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 on existing material outsourcing arrangements are also subject to RMC's approval.

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(iv) Operational risk (Cont'd)

The RMC review and approve 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. Furthermore, 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.

(v) Information technology risk

Information technology ("IT") risk is any risk related to information technology and information security. The IT Risk Committee meets monthly to address issues relating to IT risk and report to the RMC on any material incident or development.

The roles and responsibilities of the Committee are to identify potential Information Security threat and assess the vulnerability associated with the threats if the controls are not in place; review and evaluate gaps and vulnerabilities in security program and control mechanism in place and approve appropriate measures to mitigate such risks; assess critical parts of the information system in data gathering, processing, storage and access to ensure the security, reliability and recoverability of IT infrastructural assets; regular testing or practice on the contingency procedures and verification of recovery requirements and readiness of backup site to assess for adequacy, effectiveness, staff ability to execute on the contingency procedures, the overall restore operational capability; provide stability, reliability and consistency of customer service deliveries; and ensure alignment of IT capability, capacity and process to the Company's business strategy.

(vi) 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 directors have employed their 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 2014.

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(vi) Fair value of financial assets and financial liabilities (Cont'd)

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. 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 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 other term deposits and SPRING loans were calculated using discounted cash flow techniques, based on the deposit type and its related maturity. The discount rates are based on market related rates of similar types of deposits and SPRING loans at the end of the reporting period.

(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 attaching 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.

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(vi) Fair value of financial assets and financial liabilities (Cont'd)

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 2014 \$'000	Fair value 2014 \$'000	Carrying amount 2013 \$'000	Fair value 2013 \$'000
--	--------------------------------------	---------------------------------	--------------------------------------	---------------------------------

Group

Financial Assets

Loans and receivables:

Statutory deposit with the Monetary Authority of Singapore	50,538	50,538	44,881	44,881
Loans and advances	1,690,170	1,691,890	1,547,107	1,553,681
Cash on deposit, at banks and in hand	245,781	245,781	225,668	225,668
Other assets	3,080	3,080	2,695	2,695

Available-for-sale financial assets:

Investments	231,004	231,004	206,428	206,428
	<u>2,220,573</u>	<u>2,222,293</u>	<u>2,026,779</u>	<u>2,033,353</u>

Financial Liabilities

Amortised costs:

Deposits and savings accounts of customers	1,921,428	1,926,469	1,740,458	1,743,674
SPRING loans	4,103	4,103	7,006	7,006
Other liabilities	20,473	20,473	17,367	17,367
	<u>1,946,004</u>	<u>1,951,045</u>	<u>1,764,831</u>	<u>1,768,047</u>

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(vi) Fair value of financial assets and financial liabilities (Cont'd)

	Carrying amount 2014 \$'000	Fair value 2014 \$'000	Carrying amount 2013 \$'000	Fair value 2013 \$'000
Company				
Financial Assets				
Loans and receivables:				
Statutory deposit with the Monetary Authority of Singapore	50,538	50,538	44,881	44,881
Loans and advances	1,690,170	1,691,890	1,547,107	1,553,681
Cash on deposit, at banks and in hand	245,735	245,735	225,630	225,630
Other assets	3,080	3,080	2,695	2,695
Available-for-sale financial assets:				
Investments	230,636	230,636	206,136	206,136
	2,220,159	2,221,879	2,026,449	2,033,023
Financial Liabilities				
Amortised costs:				
Deposits and savings accounts of customers	1,922,165	1,927,206	1,741,191	1,744,407
SPRING loans	4,103	4,103	7,006	7,006
Other liabilities	19,995	19,995	16,898	16,898
	1,946,263	1,951,304	1,765,095	1,768,311

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(vi) Fair value of financial assets and financial liabilities (Cont'd)

Financial instruments measured at fair value:

	Group		Company	
	Total \$'000	Level 1 \$'000	Total \$'000	Level 1 \$'000

31 December 2014

Financial Assets

Available-for-sale financial assets:

Quoted equity securities	4,053	4,053	3,685	3,685
Singapore Government securities	226,951	226,951	226,951	226,951
	<u>231,004</u>	<u>231,004</u>	<u>230,636</u>	<u>230,636</u>

31 December 2013

Financial Assets

Available-for-sale financial assets:

Quoted equity securities	3,506	3,506	3,214	3,214
Singapore Government securities	202,922	202,922	202,922	202,922
	<u>206,428</u>	<u>206,428</u>	<u>206,136</u>	<u>206,136</u>

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(vi) Fair value of financial assets and financial liabilities (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the financial statements approximate their fair values:

	Fair Value Hierarchy			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2014				
Group				
Financial Assets				
Loans and advances	–	1,691,890	–	1,691,890
Financial Liabilities				
Deposits and savings accounts of customers	–	1,926,469	–	1,926,469
Company				
Financial Assets				
Loans and advances	–	1,691,890	–	1,691,890
Financial Liabilities				
Deposits and savings accounts of customers	–	1,927,206	–	1,927,206

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (Cont'd)

(vi) Fair value of financial assets and financial liabilities (Cont'd)

	Fair Value Hierarchy			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2013				
Group				
Financial Assets				
Loans and advances	–	1,553,681	–	1,553,681
Financial Liabilities				
Deposits and savings accounts of customers	–	1,743,674	–	1,743,674
Company				
Financial Assets				
Loans and advances	–	1,553,681	–	1,553,681
Financial Liabilities				
Deposits and savings accounts of customers	–	1,744,407	–	1,744,407

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(b) Capital risk management policies and objectives

The Group maintains a capital adequacy ratio ("CAR") which complies with the requirements of the Finance Companies Act. 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 and retained earnings.

The fair value reserve relating to unrealised gains (loss) on equity securities and certain debt securities instruments classified as available-for-sale 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 maintain 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.

The Group's capital position at 31 December was as follows:

	Group	
	2014 \$'000	2013 \$'000
<u>Capital element</u>		
Core capital		
Share capital	180,008	180,008
Disclosed reserves *	123,827	119,050
	<u>303,835</u>	<u>299,058</u>

* Excludes fair value reserve

	Group	
	2014 \$'000	2013 \$'000
Risk weighted assets	<u>1,912,845</u>	<u>1,628,717</u>
Capital adequacy ratio:		
Core capital/risk weighted assets (%)	<u>15.88</u>	<u>18.36</u>

Notes To The Financial Statements

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(b) Capital risk management policies and objectives (Cont'd)

(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.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken for synergies with other operations and activities, the availability of management and other resources and the fit of the activity with the Group's longer term strategic objectives. Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Group's overall strategy remains unchanged from 2013.

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 The Financial Statements

5 RELATED COMPANY AND RELATED PARTY TRANSACTIONS (CONT'D)

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	
	2014 \$'000	2013 \$'000
At 31 December		
(a) Deposits	39,116	14,161
For the year ended 31 December		
(b) Profit or loss transactions		
- Interest expenses on deposits	213	36
- Professional fee	-	8
- Rental income	(251)	(216)

6 OTHER ASSETS

	Group and Company	
	2014 \$'000	2013 \$'000
Accrued interest receivables	3,080	2,695
Prepaid commission	1,700	2,643
Prepayments, deposits and other assets	491	515
	5,271	5,853

7 INVESTMENTS

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Investments available-for-sale				
Quoted equity securities	4,053	3,506	3,685	3,214
Singapore Government securities	221,954	202,922	221,954	202,922
MAS Bills	4,997	-	4,997	-
	231,004	206,428	230,636	206,136
Other unquoted investments, at cost	29	29	29	29
Impairment loss	(29)	(29)	(29)	(29)
	-	-	-	-
	231,004	206,428	230,636	206,136

Notes To The Financial Statements

8 LOANS AND ADVANCES

	Group and Company	
	2014 \$'000	2013 \$'000
Housing, factoring receivables and other loans	1,354,485	1,227,771
Hire purchase receivables	374,519	360,197
Interest in suspense	(724)	(1,670)
Unearned interests	(19,805)	(21,761)
Allowances for impairment on loans and advances	(18,305)	(17,430)
	<u>1,690,170</u>	<u>1,547,107</u>
Due within 12 months	628,084	457,288
Due after 12 months	1,062,086	1,089,819
	<u>1,690,170</u>	<u>1,547,107</u>

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 \$2,534,930 (2013 : \$2,922,239) and \$2,196,365 (2013 : \$2,215,195) respectively.

Movements in allowances for impairment on loans and advances are as follows:

	Group and Company	
	2014 \$'000	2013 \$'000
Specific allowance		
At 1 January	1,765	3,078
Write-back of impairment losses during the year	(201)	(965)
Receivables written off against allowances	(377)	(348)
At 31 December	<u>1,187</u>	<u>1,765</u>
General allowance		
At 1 January	15,665	14,415
Allowances for impairment losses during the year	1,453	1,250
At 31 December	<u>17,118</u>	<u>15,665</u>
Total allowances for impairment on loans and advances		
At 1 January	<u>17,430</u>	<u>17,493</u>
At 31 December	<u>18,305</u>	<u>17,430</u>

Notes To The Financial Statements

8 LOANS AND ADVANCES (CONT'D)

The hire purchase receivables are as follows:

	Group and Company		
	Gross \$'000	Interest \$'000	Principal \$'000
2014			
Within 1 year	145,492	9,248	136,244
After 1 year but within 5 years	223,413	9,841	213,572
After 5 years	5,614	132	5,482
	<u>374,519</u>	<u>19,221</u>	<u>355,298</u>

	Group and Company		
	Gross \$'000	Interest \$'000	Principal \$'000
2013			
Within 1 year	127,585	9,358	118,227
After 1 year but within 5 years	220,771	11,281	209,490
After 5 years	11,841	346	11,495
	<u>360,197</u>	<u>20,985</u>	<u>339,212</u>

The Group and Company's leasing arrangements comprise hire purchase contracts mainly for motor vehicles and equipment.

Notes To The Financial Statements

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 2013	10,646	8,530	372	627	2,358	2,930	25,463
Additions	–	–	17	–	–	310	327
At 31 December 2013	10,646	8,530	389	627	2,358	3,240	25,790
Additions	–	–	16	–	44	406	466
Disposal/Write off	–	–	(59)	–	–	(4)	(63)
At 31 December 2014	10,646	8,530	346	627	2,402	3,642	26,193
Accumulated depreciation:							
At 1 January 2013	2,045	643	241	399	2,173	2,467	7,968
Depreciation for the year	65	200	37	125	98	292	817
At 31 December 2013	2,110	843	278	524	2,271	2,759	8,785
Depreciation for the year	65	200	35	71	36	301	708
Disposal/Write off	–	–	(59)	–	–	(4)	(63)
At 31 December 2014	2,175	1,043	254	595	2,307	3,056	9,430
Carrying amount:							
At 31 December 2014	8,471	7,487	92	32	95	586	16,763
At 31 December 2013	8,536	7,687	111	103	87	481	17,005

Notes To The Financial Statements

10 INVESTMENT PROPERTIES

	Group and Company	
	2014 \$'000	2013 \$'000
At cost:		
At 1 January and 31 December	28,794	28,794
Accumulated depreciation:		
At 1 January	3,964	3,587
Depreciation charge for the year	378	377
At 31 December	4,342	3,964
Carrying amount:		
At 31 December	24,452	24,830

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.

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 2014 and 31 December 2013 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 buildings 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 buildings. This method is of primary importance in ascertaining the value of income-producing properties.

The fair value of the leasehold land and buildings were cross-checked using comparison method of valuation, which is based on the direct comparison with recent transactions of comparable properties within the vicinity.

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 insignificant unobservable 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 The Financial Statements

10 INVESTMENT PROPERTIES (CONT'D)

Details of the Group's leasehold land and buildings and information about the fair value hierarchy as at 31 December 2014 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair value as at 31 December 2014 \$'000	Fair value as at 31 December 2013 \$'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% (2013 : 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.	–	72,271	–	72,271	72,271
A shop at Block 202, Bedok North Street 1, #01-479 to 485, Singapore 460202, with a floor area of approximately 269 square metres on leasehold land. Approximately 50% (2013 : 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
	–	74,471	–	74,471	74,471

The fair value of the entire 17-storey office building at 96 Robinson Road, Singapore 068899, is \$117,000,000 (2013 : \$117,000,000). The fair value of the shop at Block 202, Bedok North Street 1, #01-479 to 485, Singapore 460202, is \$4,400,000 (2013 : \$4,400,000).

Notes To The Financial Statements

11 SUBSIDIARY

	Company	
	2014 \$'000	2013 \$'000
Equity investments, at cost	25	25

Details of the subsidiary are as follows:

Name of subsidiary	Sing Investments & Finance Nominees (Pte.) Ltd.
Principal activities	Nominee services
Country of incorporation/business	Singapore
Equity held by the Group	100% (2013 : 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 31 December 2012 \$'000	Recognised in profit or loss for the year \$'000	Recognised in other comprehensive income \$'000	At 31 December 2013 \$'000	Recognised in profit or loss for the year \$'000	Recognised in other comprehensive income \$'000	At 31 December 2014 \$'000
Group							
Deferred tax assets (liabilities)							
Employee benefits	37	2	–	39	4	–	43
Property, plant and equipment	(88)	(5)	–	(93)	(20)	–	(113)
Investments	(4,143)	(1)	3,215	(929)	–	(1,022)	(1,951)
	<u>(4,194)</u>	<u>(4)</u>	<u>3,215</u>	<u>(983)</u>	<u>(16)</u>	<u>(1,022)</u>	<u>(2,021)</u>

Company

Deferred tax assets (liabilities)

Employee benefits	37	2	–	39	4	–	43
Property, plant and equipment	(88)	(5)	–	(93)	(20)	–	(113)
Investments	(4,107)	(1)	3,219	(889)	–	(1,009)	(1,898)
	<u>(4,158)</u>	<u>(4)</u>	<u>3,219</u>	<u>(943)</u>	<u>(16)</u>	<u>(1,009)</u>	<u>(1,968)</u>

Notes To The Financial Statements

13 DEPOSITS AND SAVINGS ACCOUNTS OF CUSTOMERS

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Fixed deposits	1,851,298	1,665,393	1,851,298	1,665,393
Fixed deposits from subsidiary	–	–	737	733
Savings accounts and call deposits	18,344	15,131	18,344	15,131
Project accounts	51,786	59,934	51,786	59,934
	<u>1,921,428</u>	<u>1,740,458</u>	<u>1,922,165</u>	<u>1,741,191</u>

14 OTHER LIABILITIES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Accrued interest payable	11,781	10,254	11,782	10,255
Accrued operating expenses	4,847	4,653	4,834	4,640
Amount due to subsidiary	–	–	36	43
Factoring current accounts	1,402	123	1,402	123
Deposits for safe deposit boxes and rental deposits	861	865	861	865
Unclaimed dividends	604	599	102	99
Others	978	873	978	873
	<u>20,473</u>	<u>17,367</u>	<u>19,995</u>	<u>16,898</u>

15 SPRING LOANS (UNSECURED)

	Group and Company	
	2014 \$'000	2013 \$'000
Due within 12 months	2,242	3,467
Due after 12 months	1,861	3,539
	<u>4,103</u>	<u>7,006</u>

SPRING Singapore ("SPRING") 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.

Notes To The Financial Statements

16 PROVISION FOR EMPLOYEE BENEFITS

	Group and Company	
	2014 \$'000	2013 \$'000
Liability for short-term accumulating compensated absences	252	231

17 SHARE CAPITAL

	Group and Company			
	2014 No. of shares ('000)	2013 No. of shares ('000)	2014 \$'000	2013 \$'000
Issued and fully paid:				
At 1 January and 31 December	157,626	157,626	180,008	180,008

The holders of ordinary shares, which have no par value, 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.

18 RESERVES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Statutory reserve	92,619	86,291	92,619	86,291
Fair value reserve	9,524	4,533	9,266	4,338
Accumulated profits	31,208	32,759	30,871	32,425
	133,351	123,583	132,756	123,054

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 available-for-sale investments until such investments are derecognised.

Notes To The Financial Statements

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

Directors' and key management personnel's remuneration is recognised in the following line items in the profit or loss:

	Group	
	2014 \$'000	2013 \$'000
Salaries and other benefits	1,865	1,653
Contributions to defined contribution plan	19	24
Directors' fees	524	536
Others	36	35
	<u>2,444</u>	<u>2,248</u>

21 PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit for the year:

	Group	
	2014 \$'000	2013 \$'000
Interest income and hiring charges		
Loans and advances and others	43,663	39,598
Cash and bank deposits	1,850	1,812
Available-for-sale investments	6,106	5,625
	<u>51,619</u>	<u>47,035</u>
Interest expense		
Deposits and others	19,016	16,938
Interest-bearing borrowings	5	29
	<u>19,021</u>	<u>16,967</u>

Notes To The Financial Statements

21 PROFIT BEFORE INCOME TAX (CONT'D)

	Group	
	2014 \$'000	2013 \$'000
Dividends		
Quoted equity securities	131	127
Other income		
Government grant	143	32
Bad debts recovered	60	82
Rental income from safe boxes	221	214
Others	6	–
	430	328
Staff costs		
Salaries and other benefits	11,431	11,653
Contributions to defined contribution plan	1,201	1,308
Increase in liability for short-term accumulating compensated absences	20	12
	12,652	12,973
Other operating expenses		
Audit fees	83	82
Non-audit fees	12	12
Operating expenses on investment properties	790	715
Maintenance, utilities and property tax	871	838
Legal and professional fees	91	104
Commission expense	2,698	2,233
Others	2,670	2,487
	7,215	6,471

Notes To The Financial Statements

22 INCOME TAX EXPENSE

	Group	
	2014 \$'000	2013 \$'000
Current tax expense		
Current year	2,241	2,061
Adjustments with respect to prior years	–	(117)
	<u>2,241</u>	<u>1,944</u>
Deferred tax credit (debit)		
Reversal of temporary differences (Note 12)	16	4
Total income tax expense	<u>2,257</u>	<u>1,948</u>
Reconciliation of effective tax rate		
Profit before income tax	<u>14,915</u>	<u>13,411</u>
Income tax using Singapore tax rate of 17% (2013 : 17%)	2,536	2,280
Adjustments with respect to prior years	–	(117)
Expenses not deductible for tax purposes	152	169
Income not subject to tax	(32)	(32)
Tax effect of income subject to concessionary tax rate of 10% (2013 : 10%)	(126)	(109)
Others	(273)	(243)
Total income tax expense	<u>2,257</u>	<u>1,948</u>

23 EARNINGS PER SHARE

	Group	
	2014 \$'000	2013 \$'000
Basic and diluted earnings per share are based on:		
Net profit attributable to ordinary shareholders	<u>12,658</u>	<u>11,463</u>
Weighted average number of ordinary shares	<u>157,626</u>	<u>157,626</u>

There were no potential dilutive ordinary shares for the years ended 31 December 2014 and 2013.

Notes To The Financial Statements

24 DIVIDENDS

In 2014, a dividend of 5 cents per share, one-tier tax exempt (total dividend \$7,881,000) was paid to shareholders. In 2013, a dividend of 5 cents per share, one-tier tax exempt (total dividend \$7,881,000) 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:	
2014 : 6 cents per share, one-tier tax exempt	9,458

25 COMMITMENTS

	Group and Company	
	2014 \$'000	2013 \$'000
Capital commitments		
Commitments for capital expenditure contracted but not provided for in the financial statements	90	340

Operating lease commitments

The Group as lessee

	Group and Company	
	2014 \$'000	2013 \$'000
Payment recognised as an expense during the year:		
Minimum lease payments under operating leases	226	302

The Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group and Company	
	2014 \$'000	2013 \$'000
Payable:		
Within 1 year	140	226
After 1 year but within 5 years	–	140
	140	366

Notes To The Financial Statements

25 COMMITMENTS (CONT'D)

The Group as lessee (Cont'd)

Operating lease payments represent rentals payable by the Group and the Company for some of its branches' premises. Leases are negotiated for an average term of 3 years (2013 : 3 years) and rentals are fixed for an average of 3 years (2013 : 3 years).

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	
	2014 \$'000	2013 \$'000
Receivable:		
Within 1 year	2,510	2,923
After 1 year but within 5 years	889	2,063
	<u>3,399</u>	<u>4,986</u>

Other commitment

	Group and Company	
	2014 \$'000	2013 \$'000
Undrawn loan commitments	650,103	561,334

26 CONTINGENT LIABILITIES (UNSECURED)

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	
	2014 \$'000	2013 \$'000
Guarantees issued and financing of goods imported	4,546	3,784

As at 31 December 2014, guarantees issued for the Group and the Company's operational requirements amounted to \$58,150 (2013 : \$88,600).

Additional Information

Year ended 31 December 2014

DIRECTORS' REMUNERATION

The following table shows the makeup (in percentage terms) of the average remuneration of directors. They are grouped by bands of \$250,000 for the year ended 31 December 2014.

Remuneration bands	Salary & Employer's CPF (including AWS*) %	Variable Bonus %	Directors' Fee %	Others %	Total %
\$1,000,000 to \$1,249,999					
Lee Sze Leong	59.1	30.6	8.3	2	100
\$750,000 to \$999,999					
Lee Sze Siong	62.7	27.4	8	1.9	100
Below \$250,000					
Tan Tong Guan	–	–	100	–	100
Ng Tat Pun	–	–	100	–	100
Dr Joseph Yeong Wee Yong	–	–	100	–	100
Lim Poh Suan	–	–	100	–	100
Kim Seah Teck Kim	–	–	100	–	100

* AWS – Annual Wage Supplement

Statistics Of Shareholdings

As at 05 March 2015

NUMBER OF SHARES ISSUED : 157,625,764
CLASS OF SHARES AND VOTING RIGHTS : ORDINARY SHARES WITH 1 VOTE PER SHARE

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	63	2.92	1,121	0.00
100 - 1,000	170	7.87	99,175	0.06
1,001 - 10,000	1,059	49.03	5,717,936	3.63
10,001 - 1,000,000	847	39.21	55,475,916	35.20
1,000,001 AND ABOVE	21	0.97	96,331,616	61.11
TOTAL	2,160	100.00	157,625,764	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	F H LEE HOLDINGS PTE LTD	39,733,950	25.21
2	CITIBANK NOMINEES SINGAPORE PTE LTD	9,835,327	6.24
3	PHILLIP SECURITIES PTE LTD	7,994,020	5.07
4	SUTL CAPITAL PTE LTD	4,068,818	2.58
5	AMELIA	4,061,311	2.58
6	LEE HENG WAH @ LEE HENG GUAN	3,000,000	1.90
7	KOH BOON HONG	2,708,600	1.72
8	DBS NOMINEES (PRIVATE) LIMITED	2,633,305	1.67
9	TAN CHEE JIN	2,631,300	1.67
10	SING HOLDINGS LIMITED	2,521,500	1.60
11	MORPH INVESTMENTS LTD	1,956,000	1.24
12	COSMOS INVESTMENT PTE LTD	1,785,150	1.13
13	ANG HAO YAO (HONG HAOYAO)	1,768,000	1.12
14	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,678,585	1.06
15	AW SEOH BEE	1,650,000	1.05
16	KIMANIS MARINE PTE LTD	1,629,500	1.03
17	NG CHIT TONG PETER	1,537,000	0.98
18	ANG CHIAN POH	1,522,250	0.97
19	TAI MAH SAWMILL CO (PTE) LTD	1,276,000	0.81
20	LIM HWEE SIN	1,182,000	0.75
TOTAL		95,172,616	60.38

Statistics Of Shareholdings

As at 05 March 2015

SUBSTANTIAL SHAREHOLDERS AS AT 5 MARCH 2015

Name	Number of shares			
	Shareholdings registered in the name of Substantial Shareholders or their nominees	%	Shareholdings in which Substantial Shareholders are deemed to have an interest	%
Lee Fee Huang ⁽¹⁾	601,650	0.38	42,555,450	27.00
Lee Sze Leong ⁽²⁾	384,081	0.24	42,255,450	26.81
Lee Sze Siong ⁽³⁾	450,592	0.28	42,255,450	26.81
Lee Sze Hao ⁽⁴⁾	444,213	0.28	42,255,450	26.81
Lee Yit ⁽⁵⁾	69,300	0.04	42,255,450	26.81
F.H. Lee Holdings (Pte) Limited ⁽⁶⁾	39,733,950	25.20	2,521,500	1.60

Notes:-

- (1) Lee Fee Huang is deemed to be interested in 300,000 shares held by his wife, Wee Yah Heong, 39,733,950 shares held by F.H. Lee Holdings (Pte) Limited and 2,521,500 shares held by Sing Holdings Limited.
- (2) Lee Sze Leong is deemed to be interested in 39,733,950 shares held by F.H. Lee Holdings (Pte) Limited and 2,521,500 shares held by Sing Holdings Limited.
- (3) Lee Sze Siong is deemed to be interested in 39,733,950 shares held by F.H. Lee Holdings (Pte) Limited and 2,521,500 shares held by Sing Holdings Limited.
- (4) Lee Sze Hao is deemed to be interested in 39,733,950 shares held by F.H. Lee Holdings (Pte) Limited and 2,521,500 shares held by Sing Holdings Limited.
- (5) Lee Yit is deemed to be interested in 39,733,950 shares held by F.H. Lee Holdings (Pte) Limited and 2,521,500 shares held by Sing Holdings Limited.
- (6) F.H. Lee Holdings (Pte) Limited is deemed to be interested in 2,521,500 shares held by Sing Holdings Limited.

Shareholdings held in hands of public

As at 5 March 2015, approximately 71.76% 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 5 March 2015.

Directors' shareholdings as at 21 January 2015

As shown in the Report of the Directors, the shares held by the Directors as at 31 December 2014 remain unchanged as at 21 January 2015.

Notice Of Annual General Meeting

TO ALL SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sing Investments & Finance Limited will be held at 168 Robinson Road, Level 9 STI Auditorium, Capital Tower, Singapore 068912, on Thursday, 23rd April 2015 at 3.00 p.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and, if approved, to adopt the Directors' Report and Accounts for the year ended 31st December 2014 together with the Auditors' Report thereon. (Resolution 1)
2. To approve the payment of \$425,000 as Directors' Fees for the year ended 31st December 2014. (2013: \$525,000). (Resolution 2)
3. To declare a first and final dividend of 6 Cents per ordinary share (tax exempt) for the financial year ended 31st December 2014. (Resolution 3)
4. To re-appoint Mr Ng Tat Pun as Director, who retires pursuant to Section 153(6) of the Companies Act. (Resolution 4)
5. To re-elect Dr Joseph Yeong Wee Yong as Director, who retires pursuant to Article 109 of the Articles of Association of the Company. (Resolution 5)
6. To re-elect Mr Chee Jin Kiong as Director, who retires pursuant to Article 119 of the Articles of Association of the Company. (Resolution 6)
7. To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company for the next financial year and to authorise the Directors to fix their remuneration. (Resolution 7)
8. To transact any other business of an Annual General Meeting.

AS SPECIAL BUSINESS

9. To consider and, if thought fit, to pass with or without modifications, the following resolutions which will be proposed as Ordinary Resolutions:-

"That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to:

- (a) (i) allot and issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion consider fit; and

Notice Of Annual General Meeting

- (b) for the avoidance of doubt, notwithstanding the authority conferred by this Resolution may have ceased to be in force, issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that :

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this resolution is passed, after adjusting for :
 - (i) new shares arising from the conversion or exercise of any convertible securities;
 - (ii) new shares arising from exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this resolution; and
 - (iii) any subsequent bonus issue, consolidation or sub-division of shares
- (3) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

BY ORDER OF THE BOARD

Chan Kum Kit
Tan Mui Sang
Company Secretaries

Singapore, 1 April 2015

Notice Of Annual General Meeting

Notes:

- (1) A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 96 Robinson Road #01-01 SIF Building, Singapore 068899 not less than 48 hours before the time for holding the Meeting.
- (2) Mr Ng Tat Pun, an Independent and Non-Executive Director, will upon re-appointment under item 4 above, continue to serve as a Member of the Nominating Committee and Risk Management Committee.
- (3) Dr. Joseph Yeong Wee Yong, a Non-Independent and Non-Executive Director, will upon re-election under item 5 above, continue to serve as the Chairman of the Risk Management Committee and as a Member of the Remuneration Committee and Loan Committee.
- (4) Mr Chee Jin Kiong, an Independent and Non-Executive Director, will upon re-election under item 6 above, continue to serve as the Chairman of the Remuneration Committee and as a Member of the Audit Committee.
- (5) The ordinary resolution 8 proposed in item 9 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares and convertible securities in the Company up to a number not exceeding in total 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company for the time being for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders pursuant to this Resolution shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the Company's total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for (a) new shares arising from the conversion of convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that the resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("**AGM**") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

SING INVESTMENTS & FINANCE LIMITED

(Incorporated in the Republic of Singapore -
Company Registration No: 196400348D)

IMPORTANT

1. For investors who have used their CPF monies to buy Sing Investments & Finance Limited shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Proxy Form

I/We _____ (Name) _____ (NRIC/PP/UEN No)

of _____ (Address)

being a member/members of Sing Investments & Finance Limited (the "Company") hereby appoint:

Name	Address	NRIC/ Passport Number	Percentage of shareholdings represented

and / or (delete as appropriate):

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as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held on 23 April 2015 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated with a "√" hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

NOTE: The Chairman of the AGM will be exercising his right under Article 82 of the Articles of Association of the Company to demand a poll in respect of the resolutions to be put to the vote at the AGM and at every adjournment thereof. Accordingly, such resolutions at the AGM will be voted on by way of a poll.

No.	Resolutions relating to:	For	Against
1	Adoption of Reports and Accounts		
2	Approval of Directors' Fees		
3	Declaration of Final Dividend		
4	Re-appointment of Mr Ng Tat Pun as a Director		
5	Re-election of Dr Joseph Yeong Wee Yong as a Director		
6	Re-election of Mr Chee Jin Kiong as a Director		
7	Re-Appointment of Messrs Deloitte & Touche LLP as Auditors and to authorize Directors to fix their remuneration		
8	As special business - approval of general mandate for the Directors to issue new shares or convertible instruments		

Dated this _____ day of _____ 2015.

Total Number of Shares Held

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf.
2. Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A proxy need not be a member of the Company.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and also in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by you.
5. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 96 Robinson Road #01-01 SIF Building, Singapore 068899 not less than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject any instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms as set out in the Notice of Annual General Meeting dated 1 April 2015.

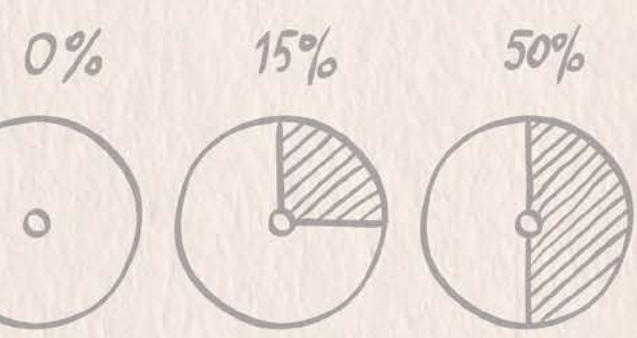
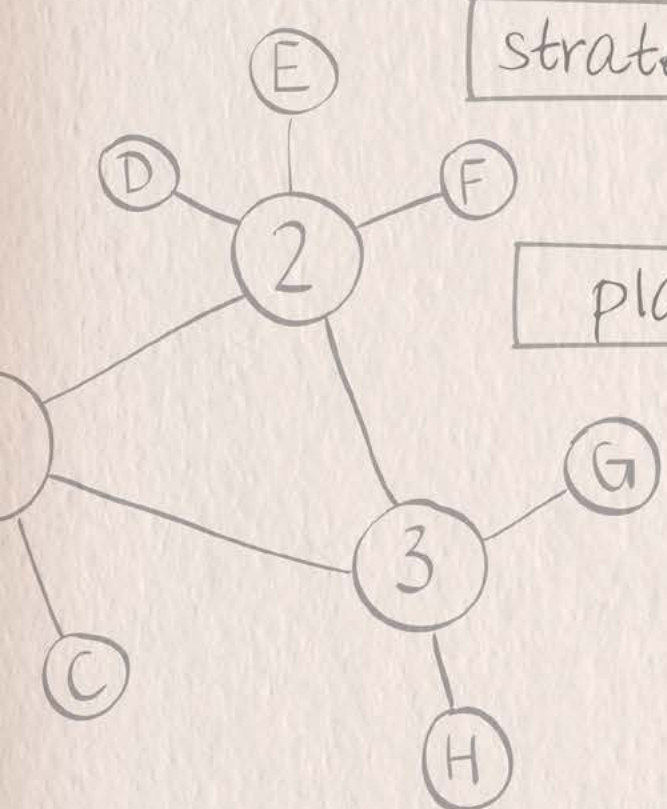
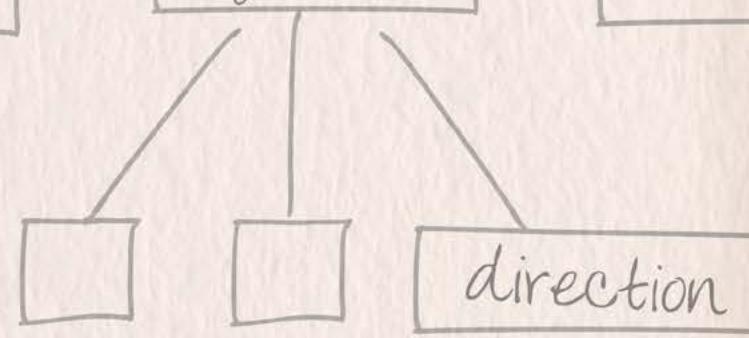
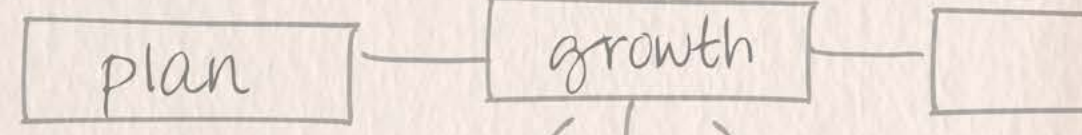
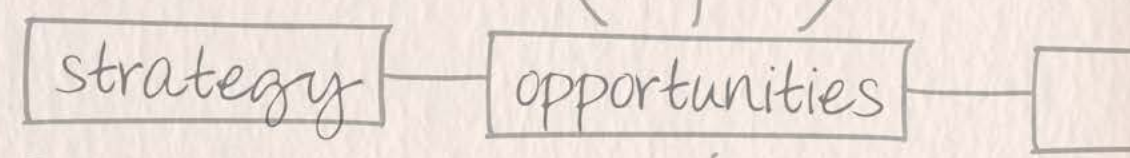
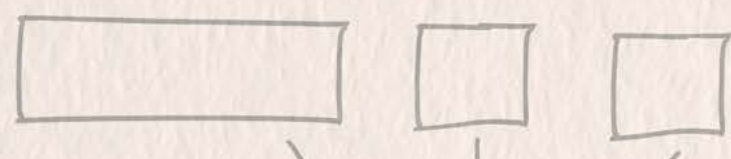
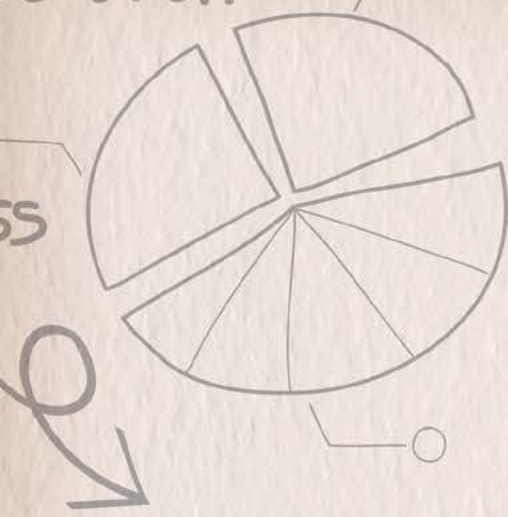
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**PROXY FORM FOR
ANNUAL GENERAL MEETING**

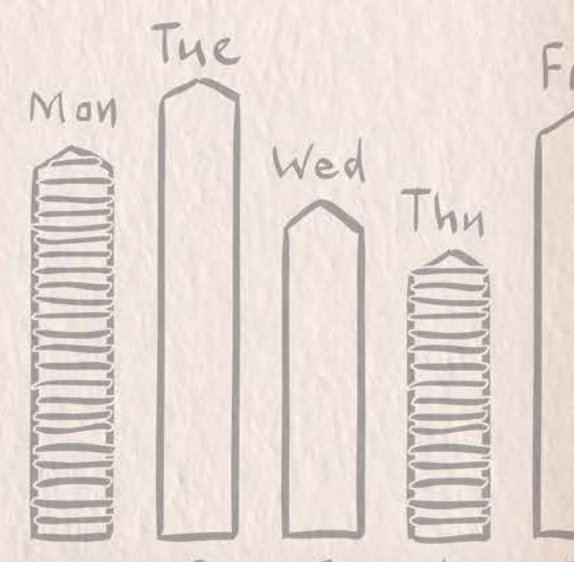
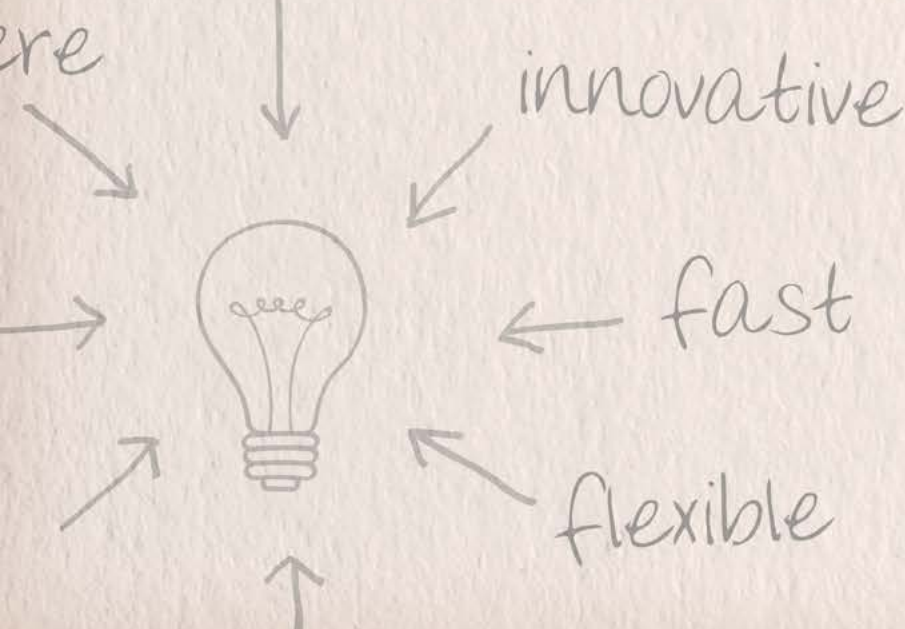


The Company Secretary
SING INVESTMENTS & FINANCE LIMITED
96 Robinsons Road #01-01
SIF Building
Singapore 068899

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understanding





**SING INVESTMENTS
& FINANCE LIMITED**

Co. Reg. No. 196400348D
96 Robinson Road #01-01
SIF Building
Singapore 068899
Tel : 6305 0300
Fax : 6305 0418
Website : www.sif.com.sg