SINGAPURA FINANCE LTD
Co. Reg. No. 196900340N

Full Year Financial Statements And Dividend Announcement

The Directors of Singapura Finance Ltd are pleased to announce the audited financial statements on consolidated results for full year ended 31 December 2019. These figures have been audited in accordance with Singapore Standards on Auditing.

1 (a) Audited Consolidated Income Statement for the year ended 31 December 2019

	2019	2018	Increase/ (Decrease)
	$'000	$'000	%
Interest income and hiring charges	**30,293**	27,766	9.1
Interest expense	**(9,735)**	(7,808)	24.7
Net interest and hiring charges	**20,558**	19,958	3.0
Fee and commission income	**695**	719	(3.3)
Dividend income	**-**	15	(100.0)
Other operating income	**524**	609	(14.0)
Income before operating expenses	**21,777**	21,301	2.2
Staff costs	**(8,746)**	(8,184)	6.9
Depreciation of property, plant and equipment & Right of Use assets	**(1,164)**	(782)	48.8
Other operating expenses [(1)]	**(4,228)**	(4,354)	(2.9)
Total operating expenses	**(14,138)**	(13,320)	6.1
Profit from operations before allowances	**7,639**	7,981	(4.3)
Write-back of impairment losses on loans and advances	**1,368**	1,006	36.0
Profit before tax	**9,007**	8,987	0.2
Tax expense [(2)]	**(1,526)**	(1,270)	20.2
Profit after tax	**7,481**	7,717	(3.1)

Notes:
(1) Includes interest on lease liabilities amounting to $581,000 (2018 : $Nil).
(2) Includes write-back of prior years' over-provision for tax of $Nil (2018 : $247,000).

1(b) Earnings per ordinary share of the Group

	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Annualised earnings per share (cents)		
- Basic	**4.71**	4.86
- Diluted	**4.71**	4.86

The Group's basic earnings per share is calculated based on the weighted average number of ordinary shares in issue of 158,685,890 for the years ended 31 December 2019 and 2018.

There are no potential dilutive ordinary shares for the years ended 31 December 2019 and 2018.

1(c) Audited Consolidated Statement of Comprehensive Income for year ended 31 December 2019

	2019	2018	+ / (-)
	$'000	$'000	%
Profit for the year	**7,481**	7,717	(3.1)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of investments measured at FVOCI *	**1,028**	(139)	n.m.
Tax relating to items that may be reclassified subsequently to profit or loss	**(175)**	24	n.m.
Other comprehensive income for the year, net of tax	**853**	(115)	n.m.
Total comprehensive income for the year	**8,334**	7,602	9.6

n.m. – not meaningful

* FVOCI - Fair Value through Other Comprehensive Income

2(a) Balance Sheets as at 31 December 2019

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Assets				
Cash and cash equivalents	**224,843**	115,519	**224,759**	115,348
Statutory deposit with the Monetary Authority of Singapore	**18,280**	18,641	**18,280**	18,641
Investments	**131,587**	172,753	**131,587**	172,753
Loans and advances	**736,144**	680,441	**736,144**	680,441
Others receivables, deposits and prepayments	**1,956**	1,597	**1,955**	1,593
Subsidiaries	**-**	-	**125**	125
Property, plant and equipment	**7,492**	7,937	**7,492**	7,937
Right of Use assets	**574**	-	**574**	-
Deferred tax assets	**-**	45	**-**	45
Total assets	**1,120,876**	996,933	**1,120,916**	996,883
Equity				
Share capital	**168,896**	168,896	**168,896**	168,896
Reserves	**90,268**	88,587	**88,099**	86,465
Total equity attributable to owners of the Company	**259,164**	257,483	**256,995**	255,361
Liabilities				
Deposits and savings accounts of customers	**845,516**	726,519	**847,958**	728,826
Trade and other payables	**11,529**	9,243	**11,300**	9,014
Lease liabilities	**933**	-	**933**	-
Current tax liabilities	**2,176**	2,223	**2,172**	2,217
Staff retirement gratuities	**1,454**	1,465	**1,454**	1,465
Deferred tax liabilities	**104**	-	**104**	-
Total liabilities	**861,712**	739,450	**863,921**	741,522
Total equity and liabilities	**1,120,876**	996,933	**1,120,916**	996,883

2(b) Net Asset Value

Net asset value per ordinary share ($)	**1.63**	1.62	**1.62**	1.61

The net asset value per share is calculated based on the number of shares of 158,685,890 ordinary shares in issue at the end of 31 December 2019 and 31 December 2018.

3 Consolidated Cash Flow Statement
Year ended 31 December 2019

	GROUP	
	2019	2018
	$'000	$'000
Cash flows from operating activities		
Profit for the year	**7,481**	7,717
Adjustments for:		
Depreciation of property, plant and equipment & Right of Use assets	**1,164**	782
Property, plant and equipment written off	**4**	16
Bad debts written off	**3**	44
Write-back of impairment losses on loans and advances	**(1,368)**	(1,006)
Staff retirement gratuities	**82**	97
Lease interest	**581**	-
Dividend income	**-**	(15)
Tax expense	**1,526**	1,270
	9,473	8,905
Changes in working capital:		
Statutory deposit with Monetary Authority of Singapore	**361**	2,137
Loans and advances	**(54,338)**	67,856
Other receivables, deposits and prepayments	**(359)**	466
Deposits and savings accounts of customers	**118,997**	(81,759)
Trade and other payables	**2,286**	(1,305)
Cash from/(used in) operations	**76,420**	(3,700)
Taxes paid	**(1,599)**	(951)
Staff retirement gratuities paid	**(93)**	-
Net cash flows from/(used in) operating activities	**74,728**	(4,651)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(321)**	(833)
Dividends received	**-**	15
Purchase of investments	**(840,454)**	(652,777)
Proceeds from sale and maturity of investments	**882,648**	640,898
Net cash from/(used in) investing activities	**41,873**	(12,697)
Cash flows from financing activities		
Dividends paid	**(6,347)**	(4,761)
Payment of lease liabilities	**(930)**	-
Net cash used in financing activities	**(7,277)**	(4,761)
Net increase/(decrease) in cash and cash equivalents	**109,324**	(22,109)
Cash and cash equivalents at 1 January	**115,519**	137,628
Cash and cash equivalents at 31 December	**224,843**	115,519

4(a) Consolidated statements of changes in equity - Group

	Share Capital	Capital Reserve	Regulatory Loss Allowance Reserve	Statutory Reserve	Fair Value Reserve	General Reserve	Accumulated Profits	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group								
At 1 Jan 2019	**168,896**	**1,353**	**1,854**	**69,308**	**194**	**730**	**15,148**	**257,483**
Effect of adopting new accounting standard SFRS(I) 16	**-**	**-**	**-**	**-**	**-**	**-**	**(306)**	**(306)**
Restated balance as at 1 Jan 2019	**168,896**	**1,353**	**1,854**	**69,308**	**194**	**730**	**14,842**	**257,177**
Total comprehensive income for the year								
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**7,481**	**7,481**
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Net change in fair value of investments measured at FVOCI*	**-**	**-**	**-**	**-**	**1,028**	**-**	**-**	**1,028**
Tax relating to items that may be reclassified subsequently to profit or loss	**-**	**-**	**-**	**-**	**(175)**	**-**	**-**	**(175)**
Total other comprehensive income	**-**	**-**	**-**	**-**	**853**	**-**	**-**	**853**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**853**	**-**	**7,481**	**8,334**
Transaction with owners, recorded directly in equity								
Contributions by and Distribution to owners								
Final dividend paid of 2 cents per share and Special dividend paid of 2 cents in respect of year 2018	**-**	**-**	**-**	**-**	**-**	**-**	**(6,347)**	**(6,347)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(6,347)**	**(6,347)**
Transfer from profit for the year to Statutory Reserve	**-**	**-**	**-**	**3,720**	**-**	**-**	**(3,720)**	**-**
Transfer from accumulated profits to Regulatory Loss Allowance Reserve	**-**	**-**	**2,172**	**-**	**-**	**-**	**(2,172)**	**-**
At 31 Dec 2019	**168,896**	**1,353**	**4,026**	**73,028**	**1,047**	**730**	**10,084**	**259,164**
The Group								
At 1 Jan 2018	**168,896**	**1,353**	**-**	**65,488**	**309**	**730**	**17,220**	**253,996**
Effect of adopting new accounting standard SFRS(I) 9	**-**	**-**	**-**	**-**	**-**	**-**	**646**	**646**
Restated balance as at 1 Jan 2018	**168,896**	**1,353**	**-**	**65,488**	**309**	**730**	**17,866**	**254,642**
Total comprehensive income for the year								
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**7,717**	**7,717**
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Net change in fair value of investments measured at FVOCI*	**-**	**-**	**-**	**-**	**(139)**	**-**	**-**	**(139)**
Tax relating to items that may be reclassified subsequently to profit or loss	**-**	**-**	**-**	**-**	**24**	**-**	**-**	**24**
Total other comprehensive income	**-**	**-**	**-**	**-**	**(115)**	**-**	**-**	**(115)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(115)**	**-**	**7,717**	**7,602**
Transaction with owners, recorded directly in equity								
Contributions by and Distribution to owners								
Final dividend paid of 2 cents per share and Special dividend paid of 1 cent in respect of year 2017	**-**	**-**	**-**	**-**	**-**	**-**	**(4,761)**	**(4,761)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(4,761)**	**(4,761)**
Transfer from profit for the year to Statutory Reserve	**-**	**-**	**-**	**3,820**	**-**	**-**	**(3,820)**	**-**
Transfer from accumulated profits to Regulatory Loss Allowance Reserve	**-**	**-**	**1,854**	**-**	**-**	**-**	**(1,854)**	**-**
At 31 Dec 2018	**168,896**	**1,353**	**1,854**	**69,308**	**194**	**730**	**15,148**	**257,483**

*FVOCI - Fair Value through Other Comprehensive Income

4(b) Consolidated statements of changes in equity - Company

	Share Capital	Capital Reserve	Regulatory Loss Allowance Reserve	Statutory Reserve	Fair Value Reserve	General Reserve	Accumulated Profits	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Company								
At 1 Jan 2019	**168,896**	**1,353**	**1,854**	**69,308**	**194**	**730**	**13,026**	**255,361**
Effect of adopting new accounting standard SFRS(I) 16	**-**	**-**	**-**	**-**	**-**	**-**	**(306)**	**(306)**
Restated balance as at 1 Jan 2019	**168,896**	**1,353**	**1,854**	**69,308**	**194**	**730**	**12,720**	**255,055**
Total comprehensive income for the year								
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**7,434**	**7,434**
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Net change in fair value of investments measured at FVOCI*	**-**	**-**	**-**	**-**	**1,028**	**-**	**-**	**1,028**
Tax relating to items that may be reclassified subsequently to profit or loss	**-**	**-**	**-**	**-**	**(175)**	**-**	**-**	**(175)**
Total other comprehensive income	**-**	**-**	**-**	**-**	**853**	**-**	**-**	**853**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**853**	**-**	**7,434**	**8,287**
Transaction with owners, recorded directly in equity								
Contributions by and Distribution to owners								
Final dividend paid of 2 cents per share and Special dividend paid of 2 cents in respect of year 2018	**-**	**-**	**-**	**-**	**-**	**-**	**(6,347)**	**(6,347)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(6,347)**	**(6,347)**
Transfer from profit for the year to Statutory Reserve	**-**	**-**	**-**	**3,720**	**-**	**-**	**(3,720)**	**-**
Transfer from accumulated profits to Regulatory Loss Allowance Reserve	**-**	**-**	**2,172**	**-**	**-**	**-**	**(2,172)**	**-**
At 31 Dec 2019	**168,896**	**1,353**	**4,026**	**73,028**	**1,047**	**730**	**7,915**	**256,995**
The Company								
At 1 Jan 2018	**168,896**	**1,353**	**-**	**65,488**	**309**	**730**	**15,194**	**251,970**
Effect of adopting new accounting standard SFRS(I) 9	**-**	**-**	**-**	**-**	**-**	**-**	**646**	**646**
Restated balance as at 1 Jan 2018	**168,896**	**1,353**	**-**	**65,488**	**309**	**730**	**15,840**	**252,616**
Total comprehensive income for the year								
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**7,621**	**7,621**
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Net change in fair value of investments measured at FVOCI*	**-**	**-**	**-**	**-**	**(139)**	**-**	**-**	**(139)**
Tax relating to items that may be reclassified subsequently to profit or loss	**-**	**-**	**-**	**-**	**24**	**-**	**-**	**24**
Total other comprehensive income	**-**	**-**	**-**	**-**	**(115)**	**-**	**-**	**(115)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(115)**	**-**	**7,621**	**7,506**
Transaction with owners, recorded directly in equity								
Contributions by and Distribution to owners								
Final dividend paid of 2 cents per share and Special dividend paid of 1 cent in respect of year 2017	**-**	**-**	**-**	**-**	**-**	**-**	**(4,761)**	**(4,761)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(4,761)**	**(4,761)**
Transfer from profit for the year to Statutory Reserve	**-**	**-**	**-**	**3,820**	**-**	**-**	**(3,820)**	**-**
Transfer from accumulated profits to Regulatory Loss Allowance Reserve	**-**	**-**	**1,854**	**-**	**-**	**-**	**(1,854)**	**-**
At 31 Dec 2018	**168,896**	**1,353**	**1,854**	**69,308**	**194**	**730**	**13,026**	**255,361**

*FVOCI - Fair Value through Other Comprehensive Income

5 Group's borrowings and debt securities as at the end of the current financial year and as at the end of the corresponding period of the immediately preceding financial year.

Nil.

6 Changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported.

Nil.

7 Number of shares held as treasury shares and the number of subsidiary holdings as at the end of the current financial year and as at the end of the corresponding period of the immediately preceding financial year.

Nil.

8 Sales, transfers, cancellation and/or use of treasury shares and subsidiary holdings as at the end of the financial year.

Not applicable. During the financial year, no shares were held as treasury shares and there were no subsidiary holdings.

9 Accounting Policies

For the current financial year, the Group has adopted all the relevant new or revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and interpretations ("INT FRS") which came into effect for the Group from 1 January 2019.

The adoption of these new or revised SFRS(I) and INT FRS does not have any material impact on the financial statements of the Group for the financial year under review except for SFRS(I)16 *Leases*.

SFRS(I) 16 requires all operating leases to be capitalised as Right of Use ("ROU") assets and depreciated on straight line basis while the corresponding lease liabilities ("LL") will be reduced using a single discount rate. Under the modified retrospective approach, the Group recognised a ROU assets of $0.7 million and LL of $1.0 million for its operating leases with a corresponding decrease in accumulated profits of $0.3 million on 1 January 2019.

Except as described above, the accounting policies and methods of computation used in the financial statements for the year under review are consistent with those applied in the audited financial statements for the year ended 31 December 2018.

10 Review of the Performance of the Company and its Principal Subsidiaries

The Group recorded a profit from operations before allowances of $7.6 million for the financial year ended 31 December 2019, 4.3% lower vis-à-vis the same period last year. Total income which grew by $0.5 million or 2.2% was outpaced by the increase in total operating expenses by 0.8 million or 6.1%.

Total income rose with higher net interest income partly offset by lower non-interest income. Net interest income improved by $0.6 million or 3.0% mainly due to higher recovery from non-performing loans partially offset by increase in interest expenses with the higher cost of funds. Non-interest income dipped by $0.1 million or 9.2% primarily due to decline in fees and commissions and other operating income. Total operating expenses edged up due to higher staff costs and depreciation but this was cushioned by the drop in other operating expenses.

Net write back on loan impairment losses amounted to $1.4 million for the year ended 31 December 2019 compared to $1.0 million for the same period last year. The Group continues to set aside adequate impairment allowances for its loan portfolio.

The Group's total loan net of allowances increased by 8.2% to $736 million as at 31 December 2019 compared to $680 million as at 31 December 2018. In line with the higher loan balance, the Group has actively managed the total deposits upwards by 16.4% to $846 million as at 31 December 2019.

In compliance with the regulatory requirement for loan loss allowance, $2.2 million was transferred from the accumulated profit to the Regulatory Loss Allowance Reserve for the year under review. The transfer is reflected in the Statement of Changes in the Equity.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen which is likely to affect substantially the results of the operations of the Group and the Company in the interval between the end of the financial year and the date of this report.

11 Comments on Significant Trends and Competitive Conditions in the Industry

The Singapore economy grew by 1.0% on a year-on-year basis in the fourth quarter of 2019, faster than the 0.7% growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded at a slower pace of 0.6% compared to the 2.2% growth in the preceding quarter. For the whole of 2019, the economy grew by 0.7%, within the earlier forecast of "0.5% to 1.0%". This pales in comparison with the 3.4% growth recorded for 2018.

The US-China trade war poses continued risk in 2020. Moreover, the ongoing unrest in Hong Kong, Brexit-related uncertainties and geopolitical tensions in the Middle East could lead to financial market volatility, and have negative spillover effects on the region and Singapore. Taking into account the global and domestic economic environment, the Ministry of Trade and Industry ("MTI") announced earlier in November 2019 that it expected a GDP growth of "0.5% to 2.5%" for 2020. The forecast was premised on a modest pickup in global growth, along with a recovery in the global electronics cycle.

However, since then, the outbreak of the coronavirus disease 2019 (COVID-19) has affected China, Singapore and many countries around the world. Should the COVID-19 outbreak be more widespread, severe and protracted than anticipated, there could be sharp pullback in global consumption, as well as more prolonged disruption to global supply chains and production. Against this backdrop, the outlook for the Singapore economy has weakened and MTI has therefore downgraded the GDP growth forecast for 2020 to "-0.5% to 1.5%", with growth expected to come in at around 0.5%, the mid-point of the forecast range.

Given the modest economic outlook, the Group expects a challenging time ahead. Nevertheless, the Group will continue to be prudent in seeking new business opportunities and be proactive in managing our credit exposure and operating expenses to remain competitive.

12 Dividends

Subject to shareholders' approval at the forthcoming Annual General Meeting, the Board of Directors is recommending a first & final dividend (one-tier tax-exempt) of 2 cents per share and a special dividend (one-tier tax-exempt) of 1.5 cents per share for the year ended 31 December 2019.

	Year ended 31 December 2019	Year ended 31 December 2018
Name of Dividend	First & final	First & final
Dividend Type	Cash	Cash
Dividend Rate	2 cents per share	2 cents per share
Tax Rate	Tax exempt one-tier	Tax exempt one-tier
Total Dividend	$3,173,718	$3,173,718
Name of Dividend	Special	Special
Dividend Type	Cash	Cash
Dividend Rate	1.5 cents per share	2 cents per share
Tax Rate	Tax exempt one-tier	Tax exempt one-tier
Total Dividend	$2,380,288	$3,173,718
Total Annual Dividend		
Ordinary	$5,554,006	$6,347,436
Preference	-	-
Total	$5,554,006	$6,347,436

13 Record and Dividend Payment Dates

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on Monday, 4 May 2020 for the purpose of determining shareholders' entitlements to the proposed dividend.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 up to 5.00 p.m. on Thursday, 30 April 2020 will be registered to determine shareholders' entitlement to the proposed dividend.

Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 p.m. on Thursday, 30 April 2020 will rank for the proposed dividend.

Payment of the dividend, if approved by shareholders at the Annual General Meeting to be held at 391A Orchard Road, Tower A, #26-00, Ngee Ann City Singapore 238873 on Friday, 24 April 2020 at 11.00 a.m., will be paid on Tuesday, 12 May 2020.

14 Segmented revenue and results for business or geographical segments

Segment reporting is not required as the Group operates only in one segment. Its activities relate to financing business. All activities are carried out in the Republic of Singapore.

15 Half-Yearly Income and Profit After Tax

	Year ended 31 December 2019	Year ended 31 December 2018	Increase/ (Decrease)
	$'000	$'000	%
Total Income			
First Half Year	11,877	11,028	7.7
Second Half Year	9,900	10,273	(3.6)
Profit After Tax			
First Half Year	5,600	3,040	84.2
Second Half Year	1,881	4,677	(59.8)

16 Shareholders' mandate for Interested Party Transactions

The Group has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920 of the SGX-ST Listing Manual.

17 The Company confirms that it has procured the undertakings required under Rule 720(1) from all its directors and executive officers.

18 Report of person occupying managerial position who are related to a Director, Chief Executive Officer or Substantial Shareholder pursuant to Rule 704(13) of the Listing Rules

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Jamie Teo Miang Yeow	46	Son of Executive Chairman [Teo Chiang Long]	Chief Executive Officer Year appointed : 2007 Oversees the business activities and operations of the Group	Nil

By Order of the Board

Ngiam May Ling
Company Secretary

21 February 2020

Extract of Independent auditors' report from the Financial Statements of Singapura Finance Ltd and its Subsidiaries for the year ended 31 December 2019

Independent auditors' report

Members of the Company
Singapura Finance Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Singapura Finance Ltd ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Loan impairment losses amounting to $6,653,000 (Refer to Note 6 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group's loans and advances to customers represent 66% of its total assets. Loss allowances of the Group are measured on either of the following bases: (i) 12-month ECLs for financial assets where credit risk has not increased significantly since initial recognition or if there is no longer a significant increase in credit risk ("Stage 1 ECLs"); or (ii) Lifetime ECLs for financial assets where there has been a significant increase in credit risk since initial recognition ("Stage 2 ECLs") or are credit impaired ("Stage 3 ECLs"). Judgement is involved in determining the methodology and assumptions used on the ECL assessment.	We tested the design, implementation and operating effectiveness of the key controls in place over the credit approval and review processes. We performed sample checks of credit reviews on loans and advances to critically assess the appropriateness of the credit grading and any objective evidence of impairment. For credit impaired exposures, we assessed the reasonableness of management estimates of expected future cashflows, including the realisable value of collaterals if relevant. For non-credit impaired exposures, we reviewed the appropriateness of the ECL methodology and management's assumptions used in the ECL model, including key assumptions such as probability of default term structure, loss given default and exposure at default. We also tested the accuracy of key inputs into the ECL models for a sample of exposures as at year-end by checking them against source systems. We independently re-calculated the ECL allowance for a sample of credit exposures to test the mathematical accuracy of the calculations produced by the ECL model.
Our findings	
We found that the methodology and management's assumptions used in the ECL model were appropriate and the ECL allowances computation was consistent with the ECL model.	

Other information

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

We have obtained all other information prior to the date of this auditors' report except for the analysis of shareholding ('the Report'), which is expected to be made available to us after the date of auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
21 February 2020