



**SING INVESTMENTS  
& FINANCE LIMITED**



**GOING DIGITAL WITH  
A HUMAN TOUCH**

ANNUAL REPORT 2020

# GOING DIGITAL WITH A HUMAN TOUCH

**As a customer-oriented organization surging ahead with innovation and new ideas, each and everyone of us plays an integral role towards the growth with our customers. We are all geared as one to provide the personal touch to our customers as we scale new heights together.**



# CONTENTS

2 About Us

4 Chairman's Statement

6 Corporate Information

7 Board of Directors

11 Corporate Governance Statement

33 Sustainability Report

46 GRI Content Index

50 Performance Review

54 5 Years Financial Summary

56 Financial Reports

145 Additional Information

146 Statistics of Shareholdings

148 Notice of Annual General Meeting

152 Additional Information on Directors Seeking Re-Election

Proxy Form

## ABOUT US

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

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

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

### WHAT WE DO

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

At SIF, we are constantly on the lookout for innovative ways to improve our suite of online and offline services to enhance your banking experience with us.

### OUR OBJECTIVE

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



### OUR PRODUCTS & SERVICES

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

#### Deposits

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

#### Personal Financing

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

#### Corporate/SME Financing

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

#### Personal e-Services

- SIF Mobile app
- SIF Online (browser)



## AWARDS

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

### 2019

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

### 2018

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

### 2017

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

### 2016

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

### 2015

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

# CHAIRMAN'S STATEMENT

**Notwithstanding a backdrop of health and economic crisis, the Group managed to register strong growth in the operating profit before allowances of 20.8%, compared to 2019. This demonstrated the value of our franchise and the leadership of senior management in navigating through the crisis.**



## DEAR FELLOW SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the annual report of the Group and the Company for the financial year ended 31 December 2020.

## 2020, A YEAR LIKE NO OTHER

In 2020, the world experienced one of the greatest health threats posed to the lives and livelihoods of millions due to the COVID-19 pandemic. To mitigate the huge economic fallout and unemployment, the level of fiscal stimulus, monetary easing and regulatory policy support were also unprecedented.

The pandemic has severely impacted all of us, our customers, staff and the communities we serve, and presented unique challenges and hardships. I am proud of the team at Sing Investments & Finance Limited ("SIF") for their resilience, dedication and teamwork to pull us through this difficult year. Our key priorities were the health and safety of our customers and staff, while continuing to serve our customers by providing the essential financial services, especially during the Circuit Breaker period.

Our account relationship officers were also very proactive in getting in touch with our customers to provide the necessary support for those facing short term liquidity challenges. This was done by offering credit relief by way of deferment of instalment payments and granting temporary bridging loans and enhanced working capital loans under the Enterprise Singapore ("ESG") schemes. As at December 2020, we approved \$200 million of the government risk-sharing ESG loans and processed the requests for instalment deferment promptly. In doing so, we have strengthened the trust and loyalty of customers in the process.

We were also pleased for the timely roll out of our mobile app, **SIF Mobile**, and the web-based online service at the end of 2019. This has positioned us as the only finance company to meet the critical needs of our depositors to

transact their banking services via the digital channel, without visiting our physical branch during the pandemic outbreak. We saw a dramatic acceleration of digital activities. Our online saving accounts balance more than doubled that of our existing saving account balance as at end of 2019. The online fixed deposits balance also far exceeded our expectations when we first launched the online services. To ensure a seamless account opening process, our digital platform is linked to MyInfo, the Government depository of the citizen's personal data, as well as to our online Know Your Customer ("KYC") software, so that the customer can immediately transact the online transactions with a few simple key strokes, in the safety of their home. The volume of Fast and Secured Transfers ("FAST") also ballooned as the customers adapted to the e-payment environment.

Not only did we see the fruits of our investments in our digital transformation most evidenced in 2020, we also saw the benefits of our investments in IT infrastructure. Our IT department was able to seamlessly support at its peak, 70% of our staff, working from home via our Virtual Private Network ("VPN") at short notice during the commencement of the circuit breaker in April 2020, while maintaining business continuity. I commend all our staff for their adaptability and resilience in performing their tasks and serving our community despite the challenges of working from home and observing the safety measures in the office.

## FINANCIAL PERFORMANCE

Notwithstanding a backdrop of health and economic crisis, the Group managed to register strong growth in the operating profit before allowances of 20.8%, compared to 2019. This demonstrated the value of our franchise and the leadership of senior management in navigating through the crisis. For 2020, both Executive Directors opted for wage freezes voluntarily and the Performance Share Plan, which was approved by the shareholders in the last Annual General Meeting, was also put on hold until market conditions improved.

Total revenue grew by \$4.6 million or 9.1%, contributed by both 3.8% improvement in the net interest income and 56% increase in non-interest income, largely from Government grants via the Job Support Scheme. Operating expenses declined by \$0.4 million or 1.4% as staff cost was contained and business related expenses contracted in line with lower business activities. This has resulted in a 5.1 percentage point improvement for the cost-to-income ratio from 52.8% in 2019 to 47.7% in 2020.

In light of the great uncertainty in economic outlook, plus the damage to the economy arising from the virus pandemic, the Group has provided additional loan allowances, especially for general allowance for non-impaired loans and assets. As a consequence of the additional allowances, Group net profit tax for 2020 declined by 2.1%

Loans and advances totalled \$2.08 billion at the end of 2020, a decline of \$109 million or 5.0% from \$2.19 billion a year ago. The decline was in line with the overall slowdown in business activities in the midst of the pandemic outbreak. In tandem with the lower loan balance, deposits and balances of customers also decreased by \$218.9 million or 8.8% to \$2.28 billion as at the end of 2020.

Total shareholders' fund rose by 3.9% to reach \$387 million at the end of 2020, supported by additional earnings for the year under review.

## DIVIDENDS

The Board has recommended a first and final one-tier tax exempt dividend of 3.6 cents per share for approval at the forthcoming Annual General Meeting. The dividend pay-out is in line with the regulatory authority's guideline to moderate the dividends for the financial year 2020 in order to preserve capital in these uncertain times.

## SUSTAINABILITY

For 2020, despite the COVID-19 outbreak, the Group continued to press on with sustainability efforts and adapted, where possible, to the new environment. The Group managed to replace the lights for the ground floor of the SIF building with more energy efficient LED lights and plan to continue this initiative to the other floors of the building and branches. Due to safe distancing measures, we could not have large scale sustainability-related activities, like the World Cleanup Day in 2019. In place of that, we initiated a "Digital Clean Up" day for the staff to pledge to clean up our digital trash.

## GOING FORWARD INTO 2021

2021 is expected to be a year of recovery, with growth forecasted within the range of 4% to 6%, although the growth momentum is likely to be gradual and uneven. The recovery will be largely contingent on the speed of containment of the pandemic both globally and domestically, even as the mass vaccinations drives are being rolled out.

To be relevant and survive in the post-pandemic landscape, the Group will need to forge ahead relentlessly with our digital transformation investments. The original target date to roll out our mobile app for our corporate customers was in late 2020, however due to the unforeseen interruption of the pandemic outbreak, the project was delayed and the Group seek to introduce the app and internet platform in the latter half of 2021. This will provide a critical channel for our corporate customers for their digital banking needs. For the consumer, we have also partnered with HDB in January 2021 to be one of the financial institutions to provide financing for buyers of HDB flats via the HDB portal.

The Group also plan to adopt robotic process automation ("RPA") in 2021 for high volume, repetitive and routine processes, so that the staff can be deployed to more value-added and fulfilling work. The Group will also formalise the policies and guidelines for responsible banking and practices in the coming year and initiate more sustainability-related projects and activities.

## ACKNOWLEDGEMENT AND APPRECIATION

I would like to reiterate my gratitude to our dedicated colleagues for their tireless hard work in serving our valued customers, to our Board members for their wise counsel and insights, our shareholders and customers for their continued trust and unwavering support.

As the Board looks back how the Group has navigated through the challenging times of 2020 and look forward to 2021, the Board is confident that with our strong capital and balance sheet, the Group will be able to partner together with our customers and stakeholders to continue to build and thrive in this coming year of expected recovery.

Finally, I plan to step down from the Board in April 2021, after serving nine years as Director and six years as Chairman since May 2015. Serving as SIF's Director and Chairman has been the most rewarding journey and a great privilege for me, of which I am always thankful.

## NG TAT PUN

Chairman  
17 February 2021

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr Ng Tat Pun  
*Chairman*

Mr Lee Sze Leong  
*Managing Director/Chief Executive Officer*

Mr Lee Sze Siong  
*Deputy Managing Director*

Mr Chee Jin Kiong  
*Non-Executive & Independent Director*

Mr Michael Lau Hwai Keong  
*Non-Executive & Independent Director*

Mr Joseph Toh Kian Leong  
*Non-Executive & Independent Director*

## AUDIT COMMITTEE

Mr Joseph Toh Kian Leong *Chairman*

Mr Chee Jin Kiong

Mr Michael Lau Hwai Keong

## RISK MANAGEMENT COMMITTEE

Mr Michael Lau Hwai Keong *Chairman*

Mr Ng Tat Pun

Mr Lee Sze Leong

Mr Lee Sze Siong

Head, Risk Management Department

Head, Product Management Department

Head, Finance Department

Head, Compliance Department

Head, Branches/Treasury Department

## NOMINATING COMMITTEE

Mr Ng Tat Pun *Chairman*

Mr Chee Jin Kiong

Mr Lee Sze Leong

## REMUNERATION COMMITTEE

Mr Chee Jin Kiong *Chairman*

Mr Ng Tat Pun

Mr Joseph Toh Kian Leong

## LOAN COMMITTEE

Mr Lee Sze Leong *Chairman*

Mr Lee Sze Siong

Mr Ng Tat Pun

Ms Lim Lee Mei

Ms Rena Hioe Siew Peng

## REGISTERED & HEAD OFFICE

96 Robinson Road

#01-01 SIF Building

Singapore 068899

Tel: (65) 6305 0300

Fax: (65) 6305 0328

Website: [www.sif.com.sg](http://www.sif.com.sg)

## BRANCH OFFICES

### Ang Mo Kio Branch

Blk 715 Ang Mo Kio Ave 6

#01-4006

Singapore 560715

Tel: (65) 6456 0588

Fax: (65) 6456 9715

### Bedok Branch

Blk 202 Bedok North Street 1

#01-479/481

Singapore 460202

Tel: (65) 6445 9596

Fax: (65) 6449 3254

### Jurong Branch

Blk 131 Jurong Gateway Road

#01-255

Singapore 600131

Tel: (65) 6775 7248

Fax: (65) 6775 3463

## COMPANY SECRETARIES

Ms Ong Beng Hong

Ms Lee Yuan

## AUDITORS

### Deloitte & Touche LLP

6 Shenton Way

OUE Downtown 2

#33-00

Singapore 068809

Partner-in-charge: Ms Giam Ei Leen

Date of appointment: 24 April 2018

## SHARE REGISTRAR

### Boardroom Corporate & Advisory Services Pte Ltd

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

## INVESTOR RELATIONS

96 Robinson Road

#08-01 SIF Building

Singapore 068899

Tel: (65) 6438 7060

Fax: (65) 6305 0281

Email: [investor\\_relations@sif.com.sg](mailto:investor_relations@sif.com.sg)





# BOARD OF DIRECTORS

AS AT 17 FEBRUARY 2021



**STANDING FROM LEFT –**

MR JOSEPH TOH KIAN LEONG, MR LEE SZE SIONG,  
MR CHEE JIN KIONG, MR MICHAEL LAU HWAI KEONG

**SITTING FROM LEFT –**

MR NG TAT PUN, MR LEE SZE LEONG

# BOARD OF DIRECTORS

AS AT 17 FEBRUARY 2021

## MR NG TAT PUN, 76

### Role:

- Chairman
- Non-Executive and Independent Director

### Date of first appointment as a director:

1 March 2012

### Date of appointment as Chairman:

1 May 2015

### Date of last re-election as a director:

24 April 2019

### Length of service as a director:

8 years 11 months

### Board/Working Committee(s) served on:

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

### Academic & Professional Qualification(s):

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

### Present Directorships in other listed companies:

- Nil

### Other Appointments:

- SP Chemicals Pte Ltd (Chairman & Independent Director)

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

- Thai Beverage Public Company Limited

## MR LEE SZE LEONG, 62

### Role:

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

### Date of first appointment as a director:

20 February 1989

### Date of last re-election as a director:

24 April 2019

### Length of service as a director:

31 years 11 months

### Board/Working Committee(s) served on:

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

### Academic & Professional Qualification(s):

- Bachelor of Business Administration, University of Hawaii

### Present Directorships in other listed companies:

- Sing Holdings Limited (Non-Executive Chairman)

### Other Appointments:

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

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

- Nil

## MR LEE SZE SIONG, 59

### Role:

- Deputy Managing Director
- Executive and Non-Independent Director

### Date of first appointment as a director:

19 March 1997

### Date of last re-election as a director:

20 May 2020

### Length of service as a director:

23 years 11 months

### Board/Working Committee(s) served on:

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

### Academic & Professional Qualification(s):

- Bachelor of Business Administration, University of Hawaii
- Master in Accounting, University of Southern Queensland

### Present Directorships in other listed companies:

- Nil

### Other Appointments:

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

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

- Nil



**MR CHEE JIN KIONG, 74****Role:**

- Non-Executive and Independent Director

**Date of first appointment as a director:**

1 September 2014

**Date of last re-election as a director:**

20 May 2020

**Length of service as a director:**

6 years 5 months

**Board/Working Committee(s) served on:**

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

**Academic & Professional Qualification(s):**

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

**Present Directorships in other listed companies:**

- Nil

**Other Appointments:**

- Nil

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

- Nil

**MR MICHAEL LAU HWAI KEONG, 60****Role:**

- Non-Executive and Independent Director

**Date of first appointment as a director:**

2 January 2019

**Date of last re-election as a director:**

24 April 2019

**Length of service as a director:**

2 years 1 month

**Board/Working Committee(s) served on:**

- Risk Management Committee (Chairman)
- Audit Committee (Member)

**Academic & Professional Qualification(s):**

- Bachelor of Business Administration (First Class Honours), National University of Singapore
- Chartered Financial Analyst, CFA Institute

**Present Directorships in other listed companies:**

- Nil

**Other Appointments:**

- Octagon Advisors Pte Ltd (Managing Director, Advisory Services)
- Octagon Advisors (Shanghai) Co Ltd (Director)
- BeerCo Limited (Independent Director)

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

- Thai Beverage Public Company Limited

**MR JOSEPH TOH KIAN LEONG, 65****Role:**

- Non-Executive and Independent Director

**Date of first appointment as a director:**

2 January 2019

**Date of last re-election as a director:**

24 April 2019

**Length of service as a director:**

2 years 1 month

**Board/Working Committee(s) served on:**

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

**Academic & Professional Qualification(s):**

- Association of Chartered Certified Accountants
- Fellow, Institute of Singapore Chartered Accountants

**Present Directorships in other listed companies:**

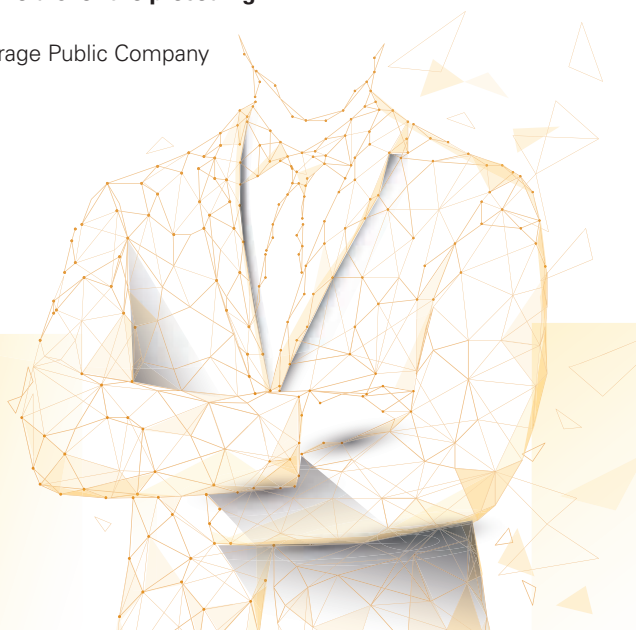
- Nil

**Other Appointments:**

- Nil

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

- Nil





**STRENGTH IN  
ADVERSITY**

# CORPORATE GOVERNANCE STATEMENT

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

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

For the financial year ended 31 December 2020 ("FY2020"), SIF has complied with and adhered to the spirit of the Code of Corporate Governance issued on 6 August 2018 (the "Code") in its corporate governance practices. Our corporate governance practices described in this report demonstrate the board of directors' ("Board") application of good governance which is underpinned by sound risk management and robust internal controls with reference to the Code. Where there is any variation in SIF's practices from the provisions of the Code, appropriate explanation has been provided in this report. We provide a Summary of Disclosures on our compliance with the Code in page 32 of this Annual Report.

## OUR CORPORATE GOVERNANCE FRAMEWORK

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

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

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

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

### LEADERSHIP AND STRATEGY

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

### ACCOUNTABILITY AND AUDIT

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

### COMMUNICATION WITH STAKEHOLDERS

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

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

# CORPORATE GOVERNANCE STATEMENT

## BOARD MATTERS

### PRINCIPLE 1

#### THE BOARD'S CONDUCT OF AFFAIRS

##### BOARD RESPONSIBILITY

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

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

##### BOARD INDUCTION AND TRAINING

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

Upon appointment of a new director, a formal letter of appointment setting out the director's duties and obligations is provided so that the new director understands his/her responsibilities and the Board's expectation. A comprehensive and tailored induction programme is provided to new directors joining the Board to provide them an overview of various aspects of the Company in order to facilitate them in discharging their responsibilities as directors. Accounting matters, risk-related issues, regulatory compliance updates, legal and other industry-specific topics are included in the induction programme. Department Heads of various departments conduct presentations on key functions and responsibilities of the respective departments to enable new directors to gain a better understanding of the businesses and operations of the Company.

##### CONTINUOUS DEVELOPMENT PROGRAMME 2020

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

As part of the Board members' continuous development programme for the year and in addition to the various courses and seminars attended by the directors, in-house training on "Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT)" were conducted in 2020. The Executive Directors also attended Singapore FinTech Festival 2020 to keep abreast with the opportunities and challenges in a new financial world amidst the evolving regulatory landscape.

In addition to the above, the Company also arranged for directors to attend external courses in 2020, including “ACRA-SGX-SID Audit Committee Seminar”, “SID Directors Virtual Conference – Living with Covid 19 Singapore Perspective”, “CGR – Annual Corporate Governance Roundup”, “Corporate Governance Digital Symposium”, “AC Chapter Pit-Stop Series – Reviewing Financial Statements & Selecting Auditors”, “SOR Transition to SORA: Interest Rate Landscape” and “MinLaw’s Framework”.

The purpose of the Continuous Development Programme 2020 is to keep the directors abreast of the latest developments in technologies and inventions, risk management, regulatory compliance and industry-specific issues. The courses attended are important to equip directors with appropriate skills to discharge their responsibilities as members of the Board and Board Committees.

The NC has assessed and is satisfied that the training, courses and seminars attended by the directors in FY2020 have adequately fulfilled their purposes.

#### **MATERIAL TRANSACTIONS WHICH REQUIRE BOARD APPROVAL**

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

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

#### **DELEGATION BY THE BOARD**

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

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

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

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



# CORPORATE GOVERNANCE STATEMENT

## MEETINGS OF THE BOARD AND BOARD COMMITTEES

The Board met 4 times during FY2020. The Chairman would brief the Board on the issues to be discussed during the Board meetings. Board papers are circulated to directors for review before the Board meeting.

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

The directors' attendance at the Board and Board Committees' meetings during FY2020 are set out as follows:

## ATTENDANCE AT THE BOARD AND BOARD COMMITTEE MEETINGS

Board/Board Committees	Board	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee	Non-Executive Directors' meeting (without presence of management)	Annual General Meeting (AGM)
No. of Meetings Held	4	4	4	3	1	1	1
Mr Ng Tat Pun	4	–	4	3	1	1	1
Mr Lee Sze Leong	4	–	4	3	–	–	1
Mr Lee Sze Siong	4	–	4	–	–	–	1
Mr Chee Jin Kiong	4	4	–	3	1	1	1
Mr Michael Lau Hwai Keong	4	4	4	–	–	1	1
Mr Joseph Toh Kian Leong	4	4	–	–	1	1	1

## ACCESS TO INFORMATION

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

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

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

## COMPANY SECRETARY

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



## PRINCIPLE 2 BOARD COMPOSITION AND GUIDANCE

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

### BOARD OF DIRECTORS

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

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

**Note:**

(1) Non-Executive and Independent Director

### BOARD INDEPENDENCE

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

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

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

### BOARD COMPOSITION

On an annual basis, the NC reviews the size and composition of the Board and Board Committees. The NC also examines the skill sets and core competencies

of all Board members to ensure the balance and diversity of skills and experience. All evaluations are presented to the Board.

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

### DIVERSITY POLICY

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

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

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

# CORPORATE GOVERNANCE STATEMENT

## MEETING OF DIRECTORS WITHOUT MANAGEMENT

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

## PRINCIPLE 3

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

#### ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

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

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

## PRINCIPLE 4

### BOARD MEMBERSHIP

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

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

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

- To assess and recommend candidates for appointment and re-appointment on the Board and Board Committees;
- To determine annually whether a director is independent. Where a director is a member of multiple boards, the NC also considers if such a director is able to adequately carry out his/her responsibilities as a director of the Company;
- To review the composition of the Board and assess annually the effectiveness of the Board as a whole, the Board Committees and the contribution by each individual director;
- To assess and recommend the objective performance criteria and process for evaluation of the effectiveness and performance of the Board, its Board Committees and directors;
- To review the training and professional development programmes for the Board and its directors; and
- To review and initiate succession planning to ensure the continuity of leadership for key Board members, in particular, the Chairman, the Managing Director/CEO and Key Management Personnel.

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

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

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

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

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

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

- (a) Independence;
- (b) Whether the candidate can fulfil the Monetary Authority of Singapore's ("MAS") fit and proper guidelines;
- (c) Other directorships held;
- (d) Ability to commit sufficient time to the affairs of the Company;
- (e) Contribution to the overall balance of the composition of the Board; and

- (f) Age, experience, track record and other relevant factors as determined by the NC.

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

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

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

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

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

The director standing for re-election at the forthcoming AGM pursuant to the Company's Constitution is Mr Lee Sze Leong (Executive Director). The NC has evaluated and recommended to the Board that Mr Lee Sze Leong be re-elected as a director at the forthcoming AGM by virtue of his skills, experience and contributions to the Board's deliberations. Pursuant to Rule 720(6) of the Listing Manual, the information as set out in Appendix 7.4.1 of the Listing Manual relating to Mr Lee Sze Leong, who is the director seeking re-election at the forthcoming AGM, is set out in pages 152 to 155.

# CORPORATE GOVERNANCE STATEMENT

## ANNUAL REVIEW OF DIRECTORS' INDEPENDENCE

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

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

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

Any director who has served on the Board beyond nine years from the date of his first appointment shall be deemed as non-independent. Any director who has been employed by the Company or any of its related corporations for the current or any of the past three financial years, or who is an immediate family member of any employee of the Company and its related corporations in any of the past three financial years shall be deemed as non-independent for the purposes of Rule 210(5)(d) of the Listing Manual. No director with the existence of relationships or circumstances as mentioned in the Code or the Listing Manual has been deemed as independent for FY2020.

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

## DIRECTORS' TIME COMMITMENT

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

### (a) Number of Board Memberships

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

### (b) Attendance at Meetings

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

All directors have met the above requirements on time commitment as required by the Board for FY2020. The NC and the Board are of the view that each director has been able to diligently discharge his/her duties. The listed company directorships (where applicable) and principal commitments of each director are disclosed in the 'Board of Directors' section of this Annual Report.

## ALTERNATE DIRECTORS

SIF has no alternate directors on its Board.

## SUCCESSION PLANNING FOR THE BOARD AND SENIOR MANAGEMENT

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

## KEY INFORMATION ON DIRECTORS

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

## PRINCIPLE 5 BOARD PERFORMANCE

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

The NC assesses the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board on an annual basis based on the criteria developed by the NC and reviewed by the Board. No external facilitators have been engaged for FY2020.

## EVALUATION OF BOARD AND BOARD COMMITTEES

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

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

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

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

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

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

The results of the assessment of the Board and the Board Committees are presented and reported to the Board for approval. The Board and the Board Committees have met the performance objectives for FY2020.

## EVALUATION OF INDIVIDUAL DIRECTORS

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

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

The Board is satisfied with the performance of all the individual directors in the recent evaluation exercise for FY2020 performed by the NC.

# CORPORATE GOVERNANCE STATEMENT

## REMUNERATION MATTERS

### PRINCIPLE 6

#### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

##### REMUNERATION COMMITTEE

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

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

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

The RC will seek remuneration consultants' advice or perform a market survey of benchmarking directors' compensation every 3 to 5 years depending on market conditions and the results of the survey will be presented to the Board. No remuneration consultants have been engaged for FY2020.

### PRINCIPLE 7

#### LEVEL AND MIX OF REMUNERATION

##### DIRECTOR REMUNERATION POLICY CRITERIA FOR SETTING REMUNERATION

The key principles of the director compensation

philosophy are as follows:

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

##### STRUCTURE OF NON-EXECUTIVE DIRECTORS' FEE

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

##### STRUCTURE OF EXECUTIVE DIRECTORS' REMUNERATION

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

The variable component of the compensation package consists of cash incentives, such as variable bonus. The remuneration package takes into account amongst other factors, the performance of the Company and the Executive Directors based on key performance indicators set by the Board, guidance from the National Wages Council, competitive market practices and information gathered from market surveys conducted by the Company's Human Resources Department. In addition, a corporate risk scorecard factor is also

included in the remuneration framework to ensure that compensation is adjusted for the risks undertaken by the Company and the framework is aligned with the risk management policies of the Company.

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

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

## **PRINCIPLE 8 DISCLOSURE OF REMUNERATION**

### **LINK BETWEEN REMUNERATION AND PERFORMANCE OF DIRECTORS AND KEY MANAGEMENT PERSONNEL**

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

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

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

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

### **DIRECTORS' REMUNERATION**

The remuneration of each director has been disclosed to the nearest thousand dollars with breakdown of base salary, variable bonus, directors' fees and other benefits in percentage terms.

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

Directors' remuneration with the breakdown of fees is shown in the Directors' Remuneration section in page 145.

### **KEY MANAGEMENT PERSONNEL'S REMUNERATION**

Provision 8.1 of the Code states that the company should disclose the names, amounts and breakdown of remuneration of at least the top five (5) key management personnel (who are not directors or the CEO) in bands of S\$250,000 and in aggregate the total remuneration paid to them.

For FY 2020, the Company identified Mr Lee Sze Leong and Mr Lee Sze Siong as its only Key Management Personnel. There are no other Key Management Personnel who is not director or the CEO. The remuneration of our Key Management Personnel (i.e. Mr Lee Sze Leong and Mr Lee Sze Siong) is duly captured in this annual report.

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

Other than Mr Lee Sze Leong, the Managing Director/CEO, and Mr Lee Sze Siong, the Deputy Managing Director, whose remuneration have been disclosed in the Directors' Remuneration section in page 145, there are no employees of the Company who are immediate family members of a director, the Managing Director/CEO or a substantial shareholder of the Company. Mr Lee Sze Leong and Mr Lee Sze Siong are siblings.

# CORPORATE GOVERNANCE STATEMENT

## SIF PERFORMANCE SHARE PLAN

On 20 May 2020, the Company obtained shareholders' approval to implement the Sing Investments & Finance Performance Share Plan 2020 (the "Plan").

The Plan is a share incentive scheme which allows the Company, inter alia, to set specific performance objectives and provide an incentive for participants to achieve these set targets. The Directors believe that the Plan will help the Company achieve the following objectives:

- (a) to recognise and reward past contributions and services;
- (b) to motivate participants to continue performing and out-perform their standards and efficiency and to maintain a high level of contribution to the Group;
- (c) to retain key Group employees whose contributions are important to the long-term growth and success of the Group;
- (d) to attract potential employees with relevant skills and talents necessary to enhance the Group's business; and
- (e) to align the interests of the participants with the interests of shareholders.

The award of fully-paid shares, free of charge, to the participants of the Plan (the "Award") is intended to give the Company the option and flexibility to pay eligible employees' bonuses in the form of cash, shares or a combination of cash and shares, resulting in a better and more flexible salary and cash-flow management for the Company. In addition, the Plan aims to foster an ownership culture within the Company and align the interests of the participants with the interest of shareholders.

Employees who are eligible to participate in the Plan must be:

- (a) Group employees;
- (b) Group executive directors;
- (c) Non-executive directors who have contributed or will contribute to the success of the Group.

Controlling shareholders or associates of controlling shareholders who meet the criteria as set out above are eligible to participate in the Plan.

The Plan is being administered by the RC. As at the date of this annual report, the RC comprises Mr Chee Jin

Kiong, Mr Ng Tat Pun and Mr Joseph Toh Kian Leong. In compliance with the requirements of the Listing Manual, a participant who has been granted an Award and who is a member of the RC shall not be involved in the deliberations in respect of Awards to be granted to or held by him or his associates.

The RC may grant Awards to the participants at any time during the period when the Plan is in force. The Plan shall continue in force at the discretion of the RC, subject to a maximum period of 10 years from 20 May 2020.

The number of shares which are the subject of each Award to be granted to a participant in accordance with the Plan shall be determined at the absolute discretion of the RC, which shall take into account criteria such as, inter alia, the participant's rank, scope of responsibilities, performance, years of service and potential for future development, contributions to the success of the Group, and prevailing market and economic conditions. The performance targets will be set by the RC depending on each individual participant's job scope and responsibilities.

The total number of new shares which may be issued under the Plan, when aggregated with the total number of shares granted under any other share schemes of the Company, shall not exceed fifteen per cent (15%) of the issued shares of the Company (excluding treasury shares) on the day preceding the date of granting the Award.

In accordance with Rule 845 of the Listing Manual, the Company observes that the following limits must not be exceeded:

- (a) the aggregate number of shares available under the Plan must not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) on the date preceding the date of an award;
- (b) the aggregate number of shares available to controlling shareholders and their associates must not exceed 25% of the new shares available under the Plan; and
- (c) the number of shares available to each controlling shareholder or his associate must not exceed 10% of the new shares available under the Plan.

No performance shares were granted for FY2020.



## ACCOUNTABILITY AND AUDIT

### PRINCIPLE 9

## RISK MANAGEMENT AND INTERNAL CONTROLS

### RISK GOVERNANCE

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

### RISK MANAGEMENT COMMITTEE

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

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

### RISK MANAGEMENT DEPARTMENT

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

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

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

### COMPLIANCE DEPARTMENT

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

### SENIOR MANAGEMENT, BUSINESS AND SUPPORT UNITS

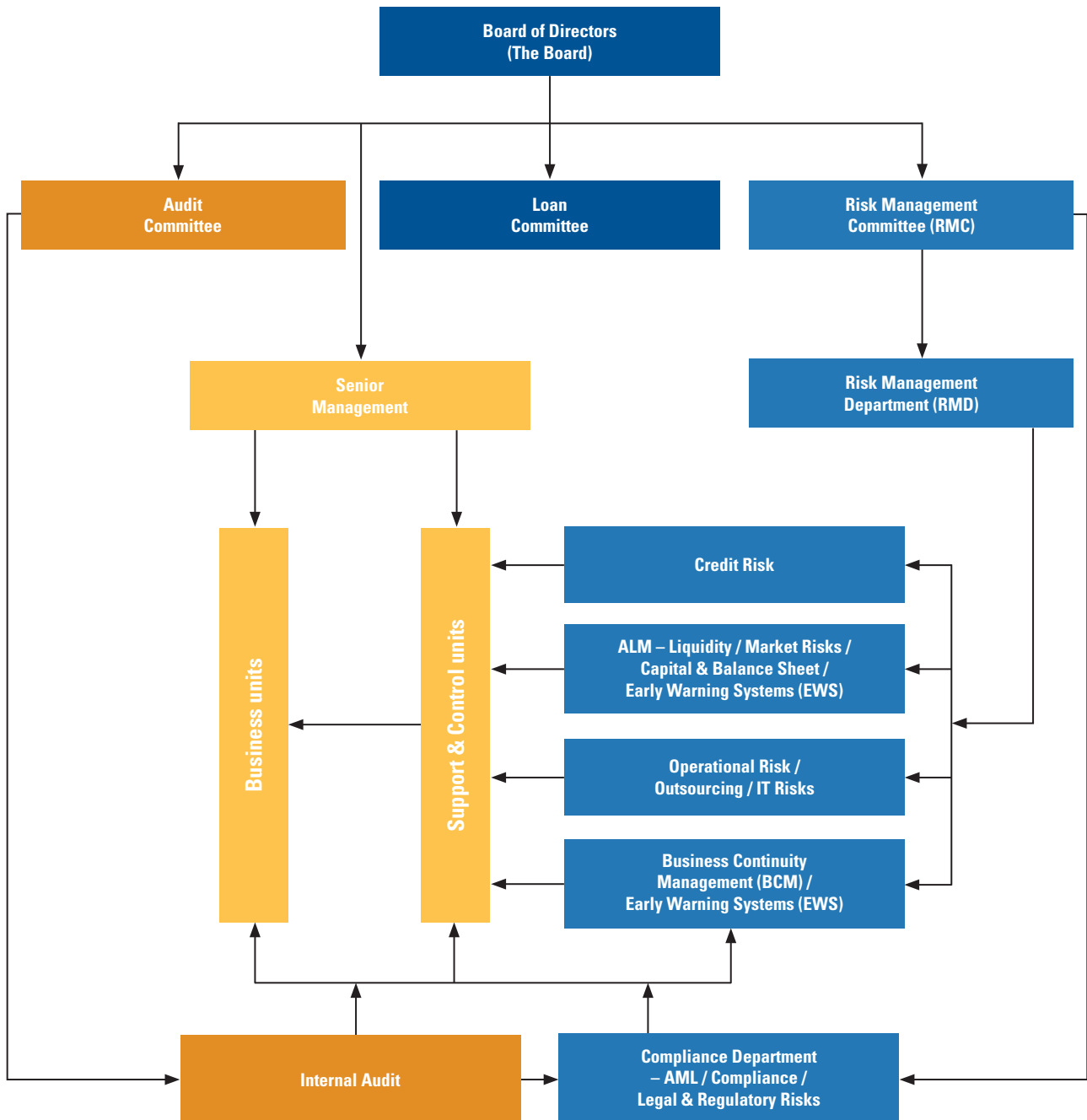
Senior Management is accountable to the Board for ensuring the effective implementation of risk management and adherence to the risk appetite, risk tolerance limits and internal control limits established by the Board. Business and Support units are primarily responsible for managing risk arising from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

For FY2020, the Board has received assurance from:

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

# CORPORATE GOVERNANCE STATEMENT

## ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK



## ENTERPRISE WIDE RISK MANAGEMENT (EWRM) FRAMEWORK

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

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

Material business risks relating to the Group can be categorised 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 policies and revision of existing policies are reviewed by the Risk Management and Compliance Departments. They are to ensure issues relating to risk, regulatory compliance and internal controls are addressed before submission to the RMC for approval. The Credit Control Department provides independent inputs on valuations, credit evaluations and recommendations to enable risk to be priced appropriately in relation to returns.

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

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

Self Assessments (RCSA), Risk Management Attestation statement, and residual risks.

For FY2020, the Board has reviewed the various risk reports, processes, together with the external and internal auditors' reports and is satisfied with the adequacy and effectiveness of the risk management framework, policies and internal control processes that are currently in place.

## FINANCIAL REPORTING, INTERNAL CONTROLS & COMPLIANCE WITH POLICIES AND REGULATIONS

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

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

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

## ACCOUNTABILITY

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

## CORPORATE GOVERNANCE STATEMENT

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

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

### **PRINCIPLE 10** **AUDIT COMMITTEE**

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

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

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

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

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

assesses whether the financial statements comply with the accounting standards and applicable laws and regulations.

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

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

In FY2020, the AC's activities, in line with its terms of reference, included:

- Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the Group's quarterly, half year and full year financial results and any announcements relating to the Company's financial performance;
- Recommending the unaudited results and related SGXNET announcements for the Board's approval;
- Reviewing the annual audit plan;
- Reviewing the adequacy, effectiveness, scope and results of the external audit;
- Reviewing the independence and objectivity of the external auditors;
- Reviewing the adequacy, effectiveness, independence, scope, quarterly findings and reports of the internal audit function;
- Reviewing and reporting to the Board on the adequacy and effectiveness of SIF's internal controls, risk management systems and internal audit function annually;
- Reviewing the assurance from the CEO and the Head of Finance Department on the financial records and financial statements;
- Considering and recommending the re-appointment of the external auditors, and the remuneration and terms of engagement of the external auditors, to the Board;
- Reviewing related party transactions; and
- Reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements by attending relevant training and via meetings with the external auditors who will update the AC on recent developments in accounting standards and other relevant matters.

## FINANCIAL MATTERS

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

Significant financial reporting matters	How the AC reviewed these matters
<p>Expected credit loss ("ECL") on non-credit impaired loans and advances</p>	<p>The level of judgements and estimates in determining the ECL allowances for non-credit impaired loans was significantly higher in 2020 due to the COVID-19 pandemic. There were great economic uncertainties arising from the health crisis, coupled with unprecedented level of government support for both businesses and consumers to cushion the severe impact of the pandemic on the economy.</p> <p>The AC together with RMC has given careful consideration to the ECL estimates, in particular the key judgements made in relation to the forward economic guidance, underlying economic factors and scenarios, reasonableness of the probability-weighted outcome and its impact to the financial statements.</p> <p>During the year, AC and RMC regularly reviewed the allocation of exposures between the different stages and considered the appropriateness of the criteria in identifying the significant increase in credit risk for the staging of loans into Stage 2 in accordance with SFRS (I) 9: Financial Instruments.</p> <p>The AC has discussed ECL allowance for non-credit impaired loans with Management and the external auditors and was satisfied that the overall loan impairment allowances, the underlying assumptions and the methodologies were reasonable and consistently applied</p>
<p>Loss allowances for Stage 3 credit-impaired loans and advances</p>	<p>The AC reviewed the Company's Loan Policy for classification of impaired loans, in accordance with MAS Notice 811 and MAS circulars issued in 2020, to ensure that a holistic approach was applied in the assessment of the borrower's ability to repay the loan and the likelihood of impairment.</p> <p>The AC also examined the procedure to ascertain the level of allowances, including judgements used in estimating the forced sale value of the applicable collaterals.</p> <p>The AC, in discussion with Management and external auditors, was satisfied that the level of loan allowances for the impaired loans was reasonable and appropriate.</p>

Following the review and discussions, the AC recommended to the Board to approve the audited financial statements for FY2020.

# CORPORATE GOVERNANCE STATEMENT

## INTERNAL AUDIT DEPARTMENT

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

The Internal Audit Department reports independently to the AC.

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

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

## EXTERNAL AUDIT

The AC is responsible for recommending to the Board the proposal to the shareholders on the appointment, re-appointment and removal of the external auditors. The AC evaluates the external auditors based on factors such as the adequacy of the resources and experience of the auditing firm and audit engagement partner

assigned to the audit, the firm's time commitment to the audit engagement, the number and experience of supervisory and professional staff assigned to the audit, the performance and quality of their audit and independence of the external auditors. After the evaluation, the AC recommends its decision to the Board. The AC also approves the external auditors' remuneration and terms of engagement.

SIF is in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of its auditing firm. The AC has reviewed the non-audit services provided during FY2020 and the fees paid for such services. The total fees paid to the external auditors, Deloitte & Touche LLP, are disclosed in Note 22 to the Financial Statements in the Annual Report. Deloitte & Touche LLP is the external auditor for both SIF and SIF Nominees (Pte) Ltd.

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

## WHISTLE-BLOWING POLICY

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

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

## COMPLAINT HANDLING PROCEDURES

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

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### PRINCIPLE 11

## SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

### SHAREHOLDER RIGHTS

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

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

### CONDUCT OF SHAREHOLDER MEETINGS

The Company strongly encourages and supports shareholder attendance and participation at its AGMs. The Company publishes the notice of the AGM on SGXNET and on the Company's website at <https://www.sif.com.sg/> (the "Corporate Website") on a timely basis to provide ample time for shareholders to receive and review the notice.

With the current COVID-19 pandemic, the Company now holds the AGM virtually and allowing shareholders to participate by watching the AGM proceedings via "live" webcast or listening to the AGM proceedings via "live" audio feed for the protection and safety of the shareholders.

All the directors and Senior Management are usually in attendance at general meetings to address queries and concerns about the Company. The Company's external

auditors are also invited to attend the AGM to assist the directors to address shareholders' queries that are related to the conduct of the audit and the preparation and content of the auditors' reports. All directors, including the Chairman of the Board and Managing Director/CEO attended the last AGM held in FY2020.

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

The Company Secretary prepares minutes of general meetings that include responses from the Board and Management to questions from shareholders submitted in advance. The minutes are published on the Corporate Website and the Company will furnish the minutes of the AGM upon request by any shareholder.

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

### DIVIDEND POLICY

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

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

# CORPORATE GOVERNANCE STATEMENT

The annual dividend proposed for FY2020 is shown in page 148 in the Notice of AGM.

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

## **PRINCIPLE 12**

### **ENGAGEMENT WITH SHAREHOLDERS**

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

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

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

## **MANAGING STAKEHOLDERS RELATIONSHIPS**

### **PRINCIPLE 13**

### **ENGAGEMENT WITH STAKEHOLDERS**

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

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

### **ADDITIONAL INFORMATION**

#### **RELATED PARTY TRANSACTIONS**

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

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

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

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

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



During FY2020 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 FY2020 is shown in page 130.

## 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 2020, there was no interested person transaction.

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

Except for the 3-year tenancy agreement entered into with Sing Holdings Limited in 2019, there were no material contracts entered into by the Company or its subsidiary involving the interests of the CEO, each director or controlling shareholder during FY2020.

## DEALING IN COMPANY'S SHARES

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

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

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

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

## BUSINESS AND ETHICAL CONDUCT

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

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

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

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

Date: 17 February 2021

# CORPORATE GOVERNANCE STATEMENT

## SUMMARY OF DISCLOSURES – CORPORATE GOVERNANCE

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

### BOARD MATTERS

#### The Board’s Conduct of Affairs

##### Principle 1

Provision 1.1	Page 12
Provision 1.2	Pages 12 to 13
Provision 1.3	Page 13
Provision 1.4	Page 13
Provision 1.5	Page 14
Provision 1.6	Page 14
Provision 1.7	Page 14

#### Board Composition and Guidance

##### Principle 2

Provision 2.1	Page 15
Provision 2.2	Page 15
Provision 2.3	Page 15
Provision 2.4	Page 15
Provision 2.5	Page 16

#### Chairman and Chief Executive Officer

##### Principle 3

Provision 3.1	Page 16
Provision 3.2	Page 16
Provision 3.3	Page 16

#### Board Membership

##### Principle 4

Provision 4.1	Page 16
Provision 4.2	Page 16
Provision 4.3	Page 17
Provision 4.4	Page 18
Provision 4.5	Pages 18 to 19

#### Board Performance

##### Principle 5

Provision 5.1	Page 19
Provision 5.2	Page 19

### REMUNERATION MATTERS

#### Procedures for Developing Remuneration Policies

##### Principle 6

Provision 6.1	Page 20
Provision 6.2	Page 20
Provision 6.3	Page 20
Provision 6.4	Page 20

#### Level and Mix of Remuneration

##### Principle 7

Provision 7.1	Page 20
Provision 7.2	Page 20
Provision 7.3	Pages 20 to 22

#### Disclosure on Remuneration

##### Principle 8

Provision 8.1	Page 21
Provision 8.2	Page 21
Provision 8.3	Pages 20 to 22

### ACCOUNTABILITY AND AUDIT

#### Risk Management and Internal Controls

##### Principle 9

Provision 9.1	Page 23
Provision 9.2	Page 23

#### Audit Committee

##### Principle 10

Provision 10.1	Page 26
Provision 10.2	Page 26
Provision 10.3	Page 26
Provision 10.4	Page 28
Provision 10.5	Page 26

### SHAREHOLDER RIGHTS AND RESPONSIBILITIES

#### Shareholder Rights and Conduct of General Meetings

##### Principle 11

Provision 11.1	Page 29
Provision 11.2	Page 29
Provision 11.3	Page 29
Provision 11.4	Page 29
Provision 11.5	Page 29
Provision 11.6	Pages 29 to 30

#### Engagement with Shareholders

##### Principle 12

Provision 12.1	Page 30
Provision 12.2	Page 30
Provision 12.3	Page 30

### MANAGING STAKEHOLDERS RELATIONSHIPS

#### Engagement with Stakeholders

##### Principle 13

Provision 13.1	Page 30
Provision 13.2	Page 30
Provision 13.3	Page 30

# SUSTAINABILITY REPORT

## STATEMENT OF THE BOARD OF DIRECTORS (“THE BOARD”)

The Board is pleased to present the Group’s Sustainability Report for 2020. This report seeks to communicate our approach towards and the consideration of sustainability issues in relation to Environmental, Social and Governance (“ESG”) matters. For the year of 2020, due to severe disruptions and unanticipated social challenges arising from the COVID-19 pandemic, the social aspect of the ESG matters took central stage and became the key focus for society at large. The health and safety of all customers and staff, together with the provision of essential financial services to support our customers, were our key priorities during these testing times. As the Board reviewed the work being done during this health and economic crisis in 2020, we are very proud of all our colleagues, who have acted and exemplified the social responsibilities principles, which the Group has inculcated all these years.

Apart from the social aspects, the Group is also mindful of the other crucial element of having a strong culture of governance, ethics and integrity in all our dealings. These values will ensure our continual role and responsibility to be a trusted financial partner for our customers and stakeholders in the long term. Similarly, efforts to protect our environment did not stop in light of the constraints and safe distancing measures during the pandemic. Instead, we sought alternative sustainability-related activities for our staff, and pressed on with recycling and energy-saving initiatives, which were planned before the onset of the pandemic.

Areas of responsible lending and sustainability practices, continued to be a key consideration in the Group’s strategy. The Group plans to formalise our policies and practices for responsible lending, so as to provide greater clarity and emphasis in the coming year.

Below are the key highlights and actions which the Group took during the year under review:

- On our social role during the pandemic, we have strengthened health and sanitation measures in our office and branches to ensure customers and staff’s health & safety. We engaged staff through clear and prompt communication with regards to COVID-19 advisories and business continuity arrangements. In addition, the technology team supported staff with laptops for their working-from-home arrangements. Our SIF Mobile app and internet platform provided our retail customers with a digital channel for them to transact banking activities, in the safety of their homes. For our borrowers, who were facing financial strains, the Group provided credit relief by way of deferment of repayment instalments and granting of bridging loans under Enterprise Singapore schemes.
- In terms of governance, the Company continued to be ranked in the top 5% of the listed companies being surveyed for the Governance & Transparency Index (“GTI”) for the seventh year in succession. For the third year running, we continued to be accorded prioritised clearance for selected corporate action submissions under the SGX FAST track programme due to our good corporate governance standing. Notwithstanding the latest changes in the SGX rules with regards to quarterly reporting, after due considerations, the Board has decided to continue with the quarterly reporting voluntarily, as we recognise the benefits of timely disclosures to our investors and shareholders, which we believe outweigh the additional costs of reporting preparations.
- With regards to our environmental and green projects, we have not stopped our recycling efforts for the SIF building, despite many of our staff and tenants working from home over the past year. We have also started to replace our existing lights with more energy efficient LED lights. In place of the large-scale sustainability activities like World Clean Up Day in 2019, we organised a “Digital Clean Up” day for the staff to pledge to clean up their digital trash.

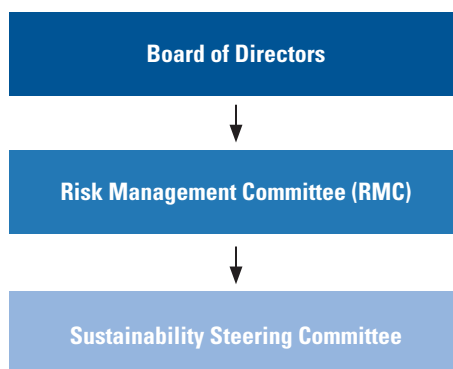
As the Board reflected on the resilience and adaptability of our workforce, and the support provided to the community whom we serve, the Board looks ahead towards 2021 with optimism and will strive to continue to make good progress in our sustainability journey.

# SUSTAINABILITY REPORT

## SUSTAINABILITY GOVERNANCE

The Board has overall responsibility for sustainability and its related report, and has in place a strong governance framework in managing our businesses effectively and responsibly. The Board also determines the material ESG factors and oversees their management and monitoring to ensure risks and opportunities are appropriately balanced.

The Sustainability Steering Committee has been assigned by the Board to oversee the on-going monitoring and management of our sustainability efforts and material ESG factors. The Committee reports regularly to the Risk Management Committee, which in turn reports to the Board.



## MATERIALITY ASSESSMENT

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

Despite the challenging circumstances in 2020, we managed to broadly achieve all the targets set for the year. We will elaborate on the respective material factors further in the report.

## ABOUT THIS REPORT

### REPORTING PERIOD

This is the fourth Sustainability Report for the Group, which covers the reporting period from 1 January 2020 to 31 December 2020 and is reported together with our Annual Report.

### SCOPE

This Sustainability Report covers the operations of Sing Investments & Finance Limited and its fully owned subsidiary Sing Investments & Finance Nominees (Pte.) Ltd in Singapore. This report seeks to provide both internal and external stakeholders with an overview of the Company's strategies, initiatives and performance, in relation to Environmental, Social and Governance issues.




### FRAMEWORK

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option, and is also in conformity with the Singapore Exchange Limited (SGX) Sustainability Guidelines. The GRI Standards were adopted by the Group, due to the good principles and performance indicators provided by GRI, to assist the Group in implementing and reporting on our sustainability policies, practices, performance and targets. The GRI Content Index can be found on pages 46 to 49.

## STAKEHOLDER ENGAGEMENT

Through the COVID-19 pandemic in 2020, the expectations established and engagements with our stakeholders have greatly changed. The expectations of health and safety, and offerings of digital services and channels to our customers will be here to stay, moving into the post-pandemic era. Hence, the Group needs to continue striving to meet these new expectations and engage our stakeholders actively to remain a relevant and trusted financial service provider.

The table below provides a summary of our key stakeholders and their expectations, and our corresponding responses and engagement methods.

Stakeholders	Their expectations	How we meet their expectations	How we engage them in 2020
<b>Customers</b> 	<ul style="list-style-type: none"> <li>– Health and safety at company premises</li> <li>– Digital enabled services and channels</li> <li>– Fair lending</li> <li>– Competitive products and services</li> <li>– Data privacy and security</li> <li>– Prompt service and resolution of complaints</li> </ul>	<ul style="list-style-type: none"> <li>– Enhancing health and safety monitoring system at company premises</li> <li>– SIF mobile app and digital enabled services on company website</li> <li>– Staff maintaining highest professional and ethical standards towards all customers</li> <li>– Providing new products and services by leveraging new technologies</li> <li>– Listening to customers' needs and providing the best financial advice</li> <li>– Providing clear and transparent information to assist customers to make informed financial decisions</li> <li>– Managing customers' feedback and complaints promptly and effectively</li> </ul>	<ul style="list-style-type: none"> <li>– Interactions at branches</li> <li>– Face to face meetings</li> <li>– Customer service hotline</li> <li>– Marketing campaigns</li> <li>– Feedback via SIF mobile app and website channels</li> </ul>
<b>Regulators</b> 	<ul style="list-style-type: none"> <li>– Adhere to the laws and regulations set by regulators and to support them in fostering a sound and progressive financial industry in Singapore.</li> <li>– Process and policies to mitigate technology risk and financial crime.</li> </ul>	<ul style="list-style-type: none"> <li>– Strong Compliance culture and framework to ensure compliance with applicable laws, rules and regulations</li> <li>– Constant updating and strengthening of processes and policies to address emerging technology risk, financial crime, money laundering and financing of terrorism</li> </ul>	<ul style="list-style-type: none"> <li>– Regular dialogues, updates and consultation with regulators</li> <li>– Supportive of industry-wide initiatives to support the economy and soundness of the financial industry</li> <li>– Participate in Compliance Program and survey, where applicable</li> </ul>
<b>Employees</b> 	<ul style="list-style-type: none"> <li>– Health and safety at work</li> <li>– Trust and respect from employer</li> <li>– Career development</li> <li>– Fair employment</li> <li>– Work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>– Safe distancing and health measures in place</li> <li>– Laptop issued for working-from-home arrangements</li> <li>– Providing training opportunities</li> <li>– Career development</li> <li>– Talent management and retention</li> <li>– Fair human resource policies</li> <li>– Fair and transparent performance appraisal processes</li> </ul>	<ul style="list-style-type: none"> <li>– One-to-one sessions, virtually or face-to-face</li> <li>– Greater flexibility for working-from-home arrangements</li> <li>– HR policies and procedures</li> <li>– Training</li> <li>– Appraisals</li> </ul>



# SUSTAINABILITY REPORT

Stakeholders	Their expectations	How we meet their expectations	How we engage them in 2020
<b>Investors</b> 	<ul style="list-style-type: none"> <li>– Stable and sustainable growth</li> <li>– Soundness of funding and capital position</li> <li>– Returns to shareholders</li> <li>– Strong corporate governance and transparency</li> <li>– Timely disclosures</li> </ul>	<ul style="list-style-type: none"> <li>– Competent Board of Directors and Management staff</li> <li>– Ensuring strong liquidity and capital position</li> <li>– Maintaining sustainable dividend pay-out</li> <li>– Maintaining robust corporate and risk governance</li> <li>– Ensuring timely disclosure and reporting</li> </ul>	<ul style="list-style-type: none"> <li>– Virtual Annual General Meeting due to the pandemic, but addressing all the substantive and relevant questions</li> <li>– Annual reports</li> <li>– Quarterly financial reports</li> <li>– SGXNet Announcement</li> </ul>
<b>Community</b> 	<ul style="list-style-type: none"> <li>– Good corporate citizen</li> </ul>	<ul style="list-style-type: none"> <li>– Giving back to the society through our corporate social responsibility activities</li> <li>– Promoting environmental sustainability</li> </ul>	<ul style="list-style-type: none"> <li>– Recycling program</li> <li>– Initiate “Digital Clean Up” Day</li> <li>– Donations</li> </ul>

## MATERIALITY ANALYSIS

The material sustainability factors disclosed below reflect SIF's significant economic, environmental and social impacts to our society and our Group. These factors will influence the assessments and decisions of our stakeholders. Our materiality definition is guided by the GRI standards.

Material Factors		GRI Topic – Specific Disclosures
<b>Economic</b> 	Our financial performance, value creation, and distribution and retention of profits for our shareholders	Economic performance
<b>Social Economic</b> 	Our external impact through our role as a Financial Institution	Indirect economic performance
<b>Governance</b> 	Our governance structure, ethics and integrity, anti-corruption and compliance policies	Anti-corruption Social Economic Compliance
<b>People</b> 	Our Talent management and responsible employment practices	Employment Labour Relations Training and Education Diversity and equal opportunity Non-discrimination Promotion of worker health

Material Factors		GRI Topic – Specific Disclosures
<b>Community</b> 	Our local community engagement activities	Local Communities
<b>Environment</b> 	Our role in mitigating climate change	Energy Effluent and Waste

All our key stakeholders expect our Company to be engaged on ESG matters, given its attention and urgency highlighted by the effects of climate change around the globe. We will continue to explore responsible business opportunities, expand our digital enabled services, and increase our efforts on environmental initiatives to enable us to contribute in this area.

## ECONOMIC

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

Similarly, SIF seeks to provide sustainable dividend returns to our shareholders within the regulatory guidance, where applicable. This is achieved by balancing dividend pay outs to shareholders, and retaining earnings to support business growth and strong capital position.

**Table 1: Information on direct economic value generated and distributed**

\$'000	2018	2019	2020
Total Income	51,824	50,464	55,053
Staff Cost	15,111	16,077	15,975
Operating costs (exclude depreciation)	7,927	9,060	8,088
Income Tax expenses	4,699	2,101	3,640
Profit After Tax	24,028	20,018	19,602
Dividend*	11,034	9,458	5,675
Retained in the business	12,994	10,560	13,927

\*Dividend for 2020 subjected to shareholders' approval

### Economic Targets for FY 2021

#### Sustainable Value Creation for stakeholders

To continue achieving sustainable growth and creating long-term value for all stakeholders

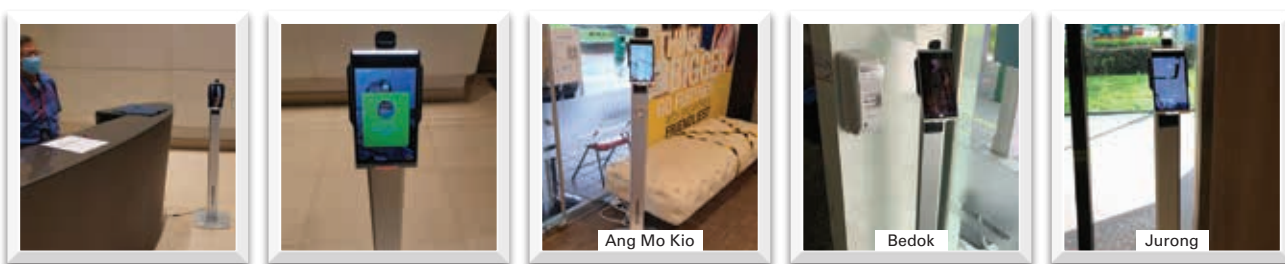
# SUSTAINABILITY REPORT

## SOCIAL ECONOMIC IMPACTS

During the COVID-19 pandemic, inclusive of the circuit breaker period, SIF continued to provide essential financial services to our customers and community at large. Customers' health, safety and well-being have remained our top priority. Timely and clear communications have been critical in informing customers where and how they can perform their banking activities safely, in the midst of the pandemic.

Notices have been placed on our corporate website and at all branches on the safety measures implemented such as:

- The closure of two (Jurong and Bedok) out of four branches, during the Circuit Breaker.
- Reducing the number of customers inside our Branches at any point in time.
- Monitoring of the queues to ensure a one metre space between each customer.
- Requesting customers to sit at least one metre apart from each other.
- Temperature taking and health declarations.
- Alternative platforms such as our online internet / mobile for their transactions if customers do not wish to visit our branches.



Facial Recognition thermometer @ SIF Building

During the pandemic, a key trend observed was the exponential growth, and heightened speed of adoption of digital and online channels, even amongst the seniors. We are pleased to be able to provide such online services at the start of the pandemic, with the roll out of our **SIF Mobile App** and the web-based online service at the end of 2019. This has made it possible for our retail customers to transact their banking services digitally, without having to visit our physical branch.

We also continued to refine our mobile app features during the year to provide better services. One of the enhanced features is the online account opening process. Our digital platform is linked to MyInfo, the Government depository of citizens' personal data, as well as to our online Know Your Customer ("KYC") software, which then allows for immediate online transactions to be conducted easily. We have also gone paperless for Fixed Deposit auto-renewal advice for retail customers in Nov 2020. Customers will now receive an email notification when an FD Receipt is renewed, and they can log in to SIF Mobile to view the renewed FD Receipt details. Customers can continue to request for hardcopy advices if needed. Within just two months of implementation, we saw a close to 75% decline in hardcopy advices.

For our borrowing customers, we have been diligent in reaching out to them to provide necessary financial support, arising from short term cash flow challenges. This was done through offering credit relief by way of deferment of instalment repayments and granting temporary bridging loans and enhanced working capital loans under the Enterprise Singapore ("ESG") schemes. To ease rental burden, the Group also granted one-month rental waiver for all our tenants.



As a trusted financial institution, we are always committed to:

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

We are pleased that in 2020, the Group has been able to meet the above commitments and will continue striving to do better in the years ahead.

For 2021, to meet the emerging need for more digital enabled services for all customers, we plan to roll out our mobile app for our corporate customers in the latter half of this year. For potential buyers of HDB flats, we have partnered with HDB in January 2021, to be one of the financial institutions to provide financing for them. The Group will also formalise the policies and guidelines for responsible banking and practices in the coming year.

---

#### **Social Economic Targets for FY 2021**

##### **Well Capitalised and Trusted Finance Company**

Continuing to have a buffer above the regulatory capital requirements, and put in place processes that support good governance practices.

##### **Customers' engagement**

Continuing our on-going efforts to meet customers' needs, and introducing new products and services.

---

## **GOVERNANCE**

SIF has set high standards of corporate governance and business ethics as guided by the Code of Corporate Governance. The Group has consistently ranked in the top 5% among listed companies being surveyed for the Governance & Transparency Index ("GTI"), during the last seven years. Further information can be found in our Corporate Governance Report.

SIF continued to be under the SGX FastTrack program. SGX recognized that SIF has a good corporate governance standing and compliance track record with good quality submission of reports.

The Group is also committed to timely disclosures. Hence, notwithstanding the latest change in the SGX ruling on quarterly reporting, the Board, after due considerations, has decided to continue with the quarterly reporting voluntarily. In our opinion, the added benefits of timely disclosures of our Group's financial performance to our investors and shareholders, outweigh the additional costs of preparing the quarterly results announcements.

SIF believes a strong risk culture is vital to the finance house's business strategy. We strive to balance the risk and return equation to ensure that SIF can optimise the profits within a comfortable risk appetite, defined and set by the Board and the Risk Management Committee. Great emphasis has also been put on staff training programmes, including technology risk and regular communications, to ensure that risk behaviours and practices are consistent across functions, with everyone at SIF embracing and complying with the risk culture.

# SUSTAINABILITY REPORT

## OUR CODE OF CONDUCT AND ETHICS POLICY

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

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

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

For more information, please refer to Principle 12 "Audit Committee" for Whistle Blowing Policy and Complaint Handling Procedures of the Corporate Governance Report.

## COMBATING FINANCIAL CRIME

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

Communications and training in 2020 include the following:

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

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

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

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

For more information, please refer to Principle 11 "Risk Management and Internal Controls" for Compliance Department under the Corporate Governance statement.

---

### Governance Targets for FY 2021

#### Effective Compliance and Risk Management

To disclose the number of incidents of corruption and actions taken;

To disclose the number of material non-compliance with laws and regulations; and

To disclose any substantiated complaints received concerning breaches of customer privacy.

---

## PEOPLE

Our employees are our key asset. Hence, during 2020, the health and well-being of our staff are our key priorities, especially as essential service providers.

### EMPLOYEE WELL-BEING

To ensure the health, safety and well-being of our staff, we implemented the following safe management measures:

#### Operating in Teams

In line with MOM advisory, staff operate in teams with those performing the critical functions working onsite daily and those in non-critical functions, work onsite on alternate days. Staff working onsite are restricted to one work area wherever possible.

Laptops were issued to staff, and secured Virtual Private Network (“VPN”) in place to facilitate working from home (“WFH”). At the peak of the circuit breaker, 70% of our staff were working from home. Thanks to our existing robust IT infrastructure, the switch to WFH went seamlessly, despite the short notice.

#### Work Stations in the office

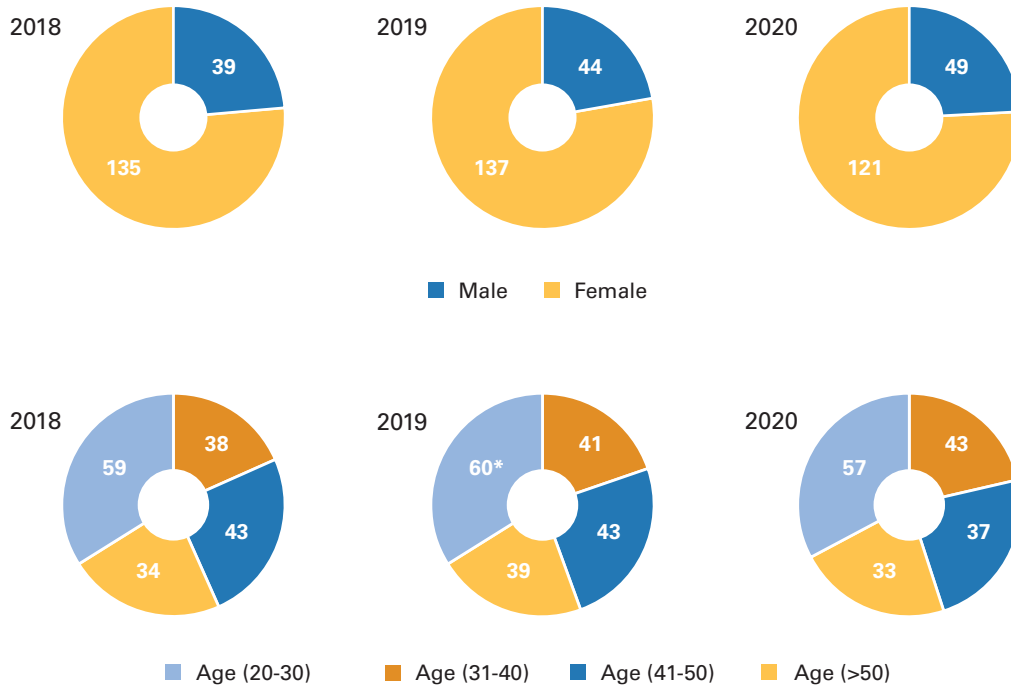
- Clear markings of at least one-metre marked in the office premises / workstations within SIF building, as well as those at the branches.
- Majority of meetings conducted virtually, and planned company events (e.g. annual Team Building) cancelled.
- Central Mail Room at designated floors set up for depository or return of documents, to minimise physical contact of staff from different floors / teams.
- Hand sanitizers made available at Main Lobby and entrance of every SIF office.
- Temperature of staff working onsite recorded twice daily.
- A formal feedback channel introduced to address any concerns on company safe management practices.
- Regular email circulars sent to staff on Covid-19 safety measures.

### DIVERSITY IS STRENGTH

Being able to attract and retain talent while maximising each person’s potential is an essential strategy in our continued success. When hiring, we seek to value the contributions of each staff, regardless of age and gender. Our total headcount and workforce mix have remained stable through the years, with all employees being employed in Singapore. Notably, around 13% of our employees have been with the Company for more than 20 years. Moving forward, we endeavour to continue developing a robust mix of young and mature workers while improving on our gender mix.

# SUSTAINABILITY REPORT

**Table 2: Information on employees by gender and age**



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

Year	Age (20-30)	Gender (M)	Gender (F)	Age (31-40)	Gender (M)	Gender (F)	Age (41-50)	Gender (M)	Gender (F)	Age (>50)	Gender (M)	Gender (F)	Grand total
2018 – New Hire	28	4	24	19	7	12	11	1	10	5	1	4	63
2019 – New hire	35	7	28	12	9	3	12	1	11	5	3	2	64
2020 – New hire	8	4	4	5	4	1	8	1	7	1	1	0	22

Year	Age (20-30)	Gender (M)	Gender (F)	Age (31-40)	Gender (M)	Gender (F)	Age (41-50)	Gender (M)	Gender (F)	Age (>50)	Gender (M)	Gender (F)	Grand total
2018 – Resigned	21	5	16	19	5	14	9	2	7	6	1	5	55
2019 – Resigned	26	5	21	15	6	9	10	2	8	6	2	4	57
2020 – Resigned	11	3	8	9	3	6	13	1	12	7	3	4	40

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

## DEVELOPING OUR HUMAN CAPITAL

With the evolving landscape and changing demands of financial products and services, it is critical that our work force keep pace with the necessary skills set to serve our customers, and for self-development.

The training target set for 2020 was 15 hours per staff. Despite the disruptions brought on by COVID-19, with physical classes cancelled or postponed, and many having to adapt to remote working and learning, we managed to still achieve an average of 15.3 training hours per staff through webinars, online learning and small-scale team-based workshops with proper safe distancing measures.

However, training hours for staff in positions of 'Assistant Manager' and below fell significantly, as many had to sustain operations under split work arrangements with safe distancing measures in place. As such, it was a challenge to meet the targeted training hours, especially during the onset of the pandemic.

**Table 4: Average hours of training by Gender**

Ave Training Hours by Gender	Male	Female
2018	14.44	22.15
2019	12.82	18.25
2020	17.21	14.57

**Table 5: Average hours by Employee Category**

Ave Training Hours by Employee Category	AM and below	AVP to SVP	AGM to MD
2018	18.52	21.48	15.75
2019	19.46	10.63	19.92
2020	9.97	26.76	43.34

With the COVID-19 situation largely stabilized, we plan to leverage on available grants to continue upskilling our workforce, especially those in non-managerial positions.

The target this year is to maintain the average hours of training per staff at 15 hours with a focus on equipping them in areas that would complement our ongoing digitalization efforts. This includes:

- Robotic Process Automation ("RPA") training for both 'Beginner' and 'Intermediate' (for IT staff)
- Cyber security awareness
- Managing technology risks and compliance
- Cross-training of functions to improve workforce mobility
- Orientation program for new hires to develop sound culture and conduct practice

### People Targets for FY 2021

#### Training and Education

To maintain an average hours of training per staff at 15 hours

# SUSTAINABILITY REPORT

## ENVIRONMENT

### ENVIRONMENTAL FOOTPRINT

During 2020, we continued to witness many significant and devastating climate change events, which emphasized the urgency for actions to be taken. In this respect, the Group managed to cut down our energy consumption in 2020, following the spike in 2019, due to implementation of the new core banking system which increased energy consumption.

Due to the disruption caused by the pandemic, the plan to replace current lighting within SIF Building to LED lights was delayed till Q3 2020, and only the lights of the first floor of the SIF building were replaced. Going into 2021, we plan to proceed with LED lights replacements for the rest of SIF building, as well as the three branches.



**Table 6: Electricity consumption per staff**

Energy Consumption	KwH/staff
2016	6,634
2017	6,579
2018	6,097
2019	6,837
2020	6,635

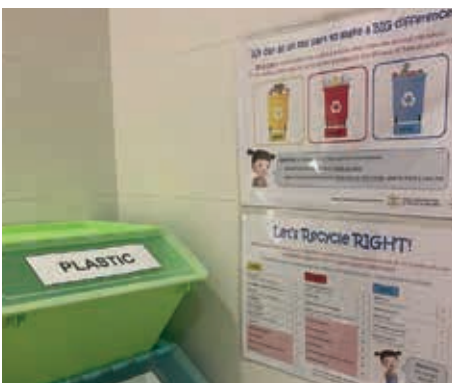
\* 2016 is the baseline year when we started tracking our carbon emissions.

### SUSTAINABLE SOURCING AND PAPER CONSUMPTION

As a matter of corporate policy, we have implemented due diligence checks on our suppliers in four areas- (i) human rights, (ii) health and safety, (iii) environment sustainability and (iv) business integrity and ethics. As such, we procure all our paper supplies only from Green Label certified vendors.

In a bid to reduce waste, we have also ceased the mailing of printed hardcopy annual reports since 2019. Stakeholders can refer to our Company's website for the annual report in softcopy. In 2021, we will continue to explore new ways to reduce the need for hardcopy advices and statements, following in the footsteps of our successful initiative for fixed deposit auto-renewal advice.

### RECYCLING PROGRAM



Starting in September 2019, we launched our in-house Recycling Program within the SIF Building, in a bid to encourage staff and tenants to be mindful in sorting their trash and recycling accurately. Through circulars and monthly e-newsletters, we created awareness, encouraged participation and continued to update everyone on our progress through the months. While the program was also disrupted by the pandemic, we pressed on with the program. Hence, despite the circuit breaker, and subsequent safety management measures with staff working from home, we successfully recycled 1,604 kg of paper. This amounts to saving 27 trees.

Recycled Waste	Paper (kg)	Plastics (kg)
Sept to Dec 2019	606	13
2020	1,604	-

## DIGITAL CLEAN UP



In 2019, we conducted a physical clean-up of the environment on World Clean-Up Day.

However, due to the pandemic, we decided to do our part for the environment by cleaning up our digital trash instead. As a company, we collected 95 pledges to clean up 3.09TB of data – the carbon offset equivalent to planting 1,931 trees in a tropical forest.

### Environment Targets for FY 2021

- To continue our efforts to reduce energy consumption per staff
- To increase recycling output by 10%
- To continue encouraging staff to volunteer for sustainability-related activities

## LOCAL COMMUNITY

As a Finance Company, serving the financial needs of our customers is our business and contributing back to the communities has always been a part of our corporate values. We believe in building strong bonds not only with our customers, but amongst our staff and the community at large.

### VOLUNTEERING WITH WILLING HEARTS

As part of our National day celebrations, around 30 volunteers from SIF went about in small teams to deliver 350 packed meals to around 150 households island wide. This spirit of giving, with willing hearts and hands was made even more meaningful, in view of the challenging times during the Covid-19 pandemic.

The staff together with the Company also donated \$10,000 to “Willing Hearts” for their excellent work in the community.



### OTHER DONATIONS

In January 2020, prior to the outbreak of COVID-19 in Singapore, the Group continued to sponsor our long-time charity partner, Red Star Restaurant Pte Ltd in hosting 200 elderly folks to a sumptuous CNY lunch. To support the community in the fight against Covid-19, the Group also donated to the Singapore Red Cross and other mask donation projects. With these contributions, we hope to do our small part, in supporting the community through these difficult times.



### Local Community Targets for FY 2021

- To sustain high levels of staff participation in a safe and meaningful way

# GRI CONTENT INDEX

## GENERAL STANDARD DISCLOSURES

GRI Reference	Disclosure title	Where have we disclosed this?
102-1	Name of the organization	Sing Investments & Finance Limited
102-2	Activities, brands, products, and services	Please refer to "About us".
102-3	Location of headquarters	96 Robinson Road #01-01 Singapore 068899
102-4	Location of operations	Singapore
102-5	Ownership and legal form	Public Limited Company listed on the Singapore Exchange
102-6	Markets served	Please refer to "About us".
102-7	Scale of the organization	Please refer to "5 years financial summary"
102-8	Information on employees and other workers	Please refer to "Diversity is Strength".
102-9	Supply chain	Please refer to "Sustainable Sourcing".
102-10	Significant changes to the organization and its supply chain	There were no significant changes in our organizational profile during the reporting period.
102-11	Precautionary Principle or approach	SIF does not explicitly follow the precautionary principle or approach in its risk management framework. However, we will continue to contribute to society by generating profits responsibly.
102-12	External initiatives	We have applied the GRI standards in preparation of our Annual Report.
102-13	Membership of associations	Our key memberships include: <ul style="list-style-type: none"> <li>– Hire Purchase, Finance and Leasing Association of Singapore (Chairman)</li> <li>– Finance Houses Association of Singapore (Honorary Treasurer)</li> <li>– Singapore Chinese Chamber of Commerce &amp; Industry (SCCCI)</li> <li>– Singapore Business Federation</li> </ul>
102-14	Statement from senior decision-maker	Please refer to "Chairman's statement".
102-16	Values, principles, standards, and norms of behaviour	Please refer to "Our code of conduct and ethics policy".
102-18	Governance structure	Refer to "Sustainability Governance".
102-40	List of stakeholder groups	Please refer to "Stakeholders engagement".
102-41	Collective bargaining agreements	Please refer to "Diversity is Strength".
102-42	Identifying and selecting stakeholders	Please refer to "Stakeholders engagement".
102-43	Approach to stakeholder engagement	Please refer to "Stakeholders engagement".



GRI Reference	Disclosure title	Where have we disclosed this?
102-44	Key topics and concerns raised	Please refer to "Stakeholders engagement".
102-45	Entities included in the consolidated financial statements	Refer to "Scope of report".
102-46	Defining report content and topic Boundaries	Refer to "Sustainability Governance".
102-47	List of material topics	Refer to "Materiality Analysis".
102-48	Restatements of information	Restatements of information, where applicable, are noted within the relevant data sets.
102-49	Changes in reporting	There are no significant changes in scope and aspect boundaries.
102-50	Reporting period	This report covers the period 1 January to 31 December 2020.
102-51	Date of most recent report	31 December 2020
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	<a href="mailto:investor_relations@sif.com.sg">investor_relations@sif.com.sg</a>
102-54	Claims of reporting in accordance with the GRI Standards	SIF had chosen the "in accordance- core" option to focus on the matters most material to our stakeholders.
102-55	GRI content index	This appendix is the GRI content index.
102-56	External assurance	This report has not been externally assured.
<b>TOPIC-SPECIFIC DISCLOSURES</b>		
103-1	Explanation of the material topic and its Boundary	Please refer to "Economic".
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
201-1	Direct economic value generated and distributed	
103-1	Explanation of the material topic and its Boundary	Please refer to "Social Economic".
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
203-2	Significant indirect economic impacts	

## GRI CONTENT INDEX

GRI Reference	Disclosure title	Where have we disclosed this?
103-1	Explanation of the material topic and its Boundary	Please refer to "Governance".
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
205-2	Communication and training about anti-corruption policies and procedures	Please refer to "Combating Financial Crime".
417-3	Incidents of non-compliance concerning marketing communications	Refer to "Governance" in sustainability report.
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Refer to "Governance" in sustainability report.
103-1	Explanation of the material topic and its Boundary	Please refer to "People".
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
401-1	New employee hires and employee turnover	Please refer to "Diversity is Strength".
403-6	Promotion of worker health	Please refer to "Employee Well-Being".
404-1	Average hours of training per year per employee	Please refer to "Developing our Human Capital".
404-3	Percentage of employees receiving regular performance and career development reviews	100% of eligible employees received regular performance and career development reviews in 2019
103-1	Explanation of the material topic and its Boundary	Please refer to "Environment".
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
302-1	Energy consumption within the organization	Please refer to "Environmental footprint".
306-2	Waste by type and disposal method	Please refer to "Environmental footprint".

GRI Reference	Disclosure title	Where have we disclosed this?
103-1	Explanation of the material topic and its Boundary	Please refer to Local Community.
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
413-1	Operations with local community engagement, impact assessments, and development programs	

# PERFORMANCE REVIEW

## 1. PERFORMANCE REVIEW

	2020 \$'000	2019 \$'000	Variance +/- (%)
<b>Selected Income Statement Items</b>			
Net interest income	47,040	45,326	3.8
Non-interest income	8,013	5,138	56.0
Total income	55,053	50,464	9.1
Operating expenses	(26,286)	(26,652)	(1.4)
Profit from operations before allowances	28,767	23,812	20.8
Allowances for credit losses on loans and other assets	(5,525)	(1,693)	226.3
Profit before income tax	23,242	22,119	5.1
Profit after tax attributable to equity holders of the Company	19,602	20,018	(2.1)
<b>Selected Balance Sheet Items</b>			
Total equity	387,464	372,981	3.9
Total assets	2,850,450	2,915,796	(2.2)
Loans and advances	2,077,683	2,186,617	(5.0)
Deposits and balances of customers	2,278,708	2,497,637	(8.8)
<b>Key Financial Ratios (%)</b>			
Net interest margin	1.7	1.7	
Non-interest income-to-total income	14.6	10.2	
Cost-to-income ratio	47.7	52.8	
Loans-to-deposits ratio	91.2	87.5	
Non-performing loans ratio	2.8	2.9	
Return on equity <sup>(1)</sup>	5.1	5.4	
Return on total assets <sup>(2)</sup>	0.7	0.7	
Capital adequacy ratio	16.3	14.4	
<b>Per Ordinary Share Data</b>			
Basic earnings per share (cents)	12.4	12.7	
Net asset value per share (\$)	2.5	2.4	

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

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

## EARNINGS FOR THE YEAR

For the financial year 2020 the Group recorded a net profit after tax of \$19.6 million, 2.1% lower than the \$20.0 million in the previous year. This was after setting aside additional general allowances for non-impaired loans, arising from weak and uncertain macroeconomic factors due to the COVID pandemic. However, profit from operation before credit loss allowance improved by almost \$5.0 million to \$28.7 million or 20.8% higher than a year ago. Total revenue rose by \$4.6 million or 9.1% to \$55.0 million whilst operating expenses declined by \$0.4 million or 1.4%.

Net interest income and hiring charges grew by \$1.7 million or 3.8% to \$47.0 million compared to \$45.3 million in the previous year. This was primarily attributable to the lower interest expense, driven by lower deposit rates as well as decrease in customer deposits balance. Net interest margin remained stable at 1.7% as the decline in the yield for the interest earning assets was cushioned by lower cost of deposits.

Non-interest income increased by \$2.9 million, largely from the Government grant for the Job Support Scheme and higher fees and commissions. Operating expenses decreased by \$0.4 million or 1.4% as staff cost was contained and business related expenses, namely commission and business promotion expenses, contracted by \$1.0 million in line with lower business activities during the year. With our investments in digital transformation, depreciation increased by \$0.7 million compared to a year ago.

Additional allowances for credit losses of \$5.5 million were made for 2020 compared to \$1.7 million in 2019. The higher allowances were predominantly for general allowances for non-impaired loans, given the current weak and uncertain macroeconomic outlook in the midst of the pandemic crisis. The Group continues to maintain adequate loss allowances in respect of its loan portfolio and other assets.

## LOANS AND DEPOSITS

Total loans and advances declined by \$109 million or 5.0% from \$2.19 billion as at 31 December 2019 to \$2.08 billion as at 31 December 2020. The decline was in line with the overall slowdown in business activities during the pandemic outbreak. In tandem with the lower loan balance, deposits and balances of customers also decreased by \$218.9 million or 8.8% to \$2.28 billion as at the end of 2020. Loan to deposit ratio was 91.2% at the end of 2020 compared with 87.5% at the end of 2019.

## SHAREHOLDERS' EQUITY AND DIVIDENDS

Total shareholders' funds rose 3.9% to \$387.5 million in line with the earnings for 2020. Total assets decreased by 2.2% or \$65.3 million to \$2.85 billion as at the end of 2020 due to lower loan balance. Net asset value per share grew by nine cents from \$2.37 in 2019 to \$2.46 as at end of 2020.

In line with the lower earnings in comparison to last year, return on equity declined to 5.06% from 5.37% in 2019.

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 3.6 cents per share for 2020. The reduction in dividend is in line with the guidance from the Monetary Authority of Singapore to moderate dividends for financial year 2020, in order to preserve capital in these uncertain times.

## 2. NET INTEREST INCOME

### INTEREST-EARNING ASSETS & INTEREST-BEARING LIABILITIES

	2020			2019		
	Average Balance \$'000	Interest \$'000	Average Rate %	Average Balance \$'000	Interest \$'000	Average Rate %
<b>Interest-Earning Assets</b>						
Loans and advances	2,146,366	72,594	3.4	2,139,871	73,221	3.4
Singapore Government Securities	280,637	5,759	2.1	294,442	7,246	2.5
Other interest-earning assets	352,473	4,960	1.4	278,927	5,452	2.0
<b>Total</b>	<b>2,779,476</b>	<b>83,313</b>	<b>3.0</b>	<b>2,713,240</b>	<b>85,919</b>	<b>3.2</b>
<b>Interest-Bearing Liabilities</b>						
Deposits and balances of customers	2,427,911	35,914	1.5	2,420,767	40,316	1.7
Enterprise Singapore loans (unsecured)	8,062	299	3.7	9,675	264	2.7
MAS Funding Loan/Bank Loan	48,724	55	0.1	-	-	-
Other liabilities	92	5	5.4	368	13	3.5
<b>Total</b>	<b>2,484,789</b>	<b>36,273</b>	<b>1.5</b>	<b>2,430,810</b>	<b>40,593</b>	<b>1.7</b>
<b>Net interest income/margin as a percentage of interest-earning assets</b>		<b>47,040</b>	<b>1.7</b>		<b>45,326</b>	<b>1.7</b>

Net interest income grew by 3.8% or \$1.7 million from a year ago to \$47.0 million mainly due to lower interest expenses of \$4.3 million, which more than offset the \$2.6 million decline in the gross interest income. The Group managed to maintain the net interest margin as last year at 1.7%, as the decline in the yield of interest earning assets was cushioned by the decline in funding cost.

## PERFORMANCE REVIEW

### VOLUME AND RATE ANALYSIS

The table below shows the changes in net interest income in 2020 over 2019 due to changes in volume and changes in rates. The key driver for the net favourable variance of \$1.7 million was the lower deposit rate paid to our depositors as well as the increase in volume for the bank placements under the other assets category, which more than compensated for the decline in yield for the interest earnings assets.

Increase/(Decrease) for 2020 over 2019	2020		Total \$'000
	Volume \$'000	Rate \$'000	
<b>Interest Income</b>			
Loans and advances	222	(849)	(627)
Singapore Government Securities	(340)	(1,147)	(1,487)
Other assets	1,438	(1,930)	(492)
<b>Total</b>	<b>1,320</b>	<b>(3,926)</b>	<b>(2,606)</b>
<b>Interest Expense</b>			
Deposits and balances of customers	119	(4,521)	(4,402)
Enterprise Singapore loans (unsecured)	(44)	79	35
MAS Funding Loan/Bank Loan	–	55	55
Other liabilities	(10)	2	(8)
<b>Total</b>	<b>65</b>	<b>(4,385)</b>	<b>(4,320)</b>
<b>Net interest income</b>	<b>1,255</b>	<b>459</b>	<b>1,714</b>

### 3. NON-INTEREST INCOME

	2020 \$'000	2019 \$'000	Variance +/(-) %
Fees and commissions	1,736	1,080	60.7
Dividends	189	195	(3.1)
Rental income from investment properties	3,156	3,271	(3.5)
Profit on Sale of SGS Portfolio	276	206	34.0
Government Grant	2,512	141	NM
Others	144	245	(41.2)
<b>Total non-interest income</b>	<b>8,013</b>	<b>5,138</b>	<b>56.0</b>

Non-interest income increased by \$2.9 million (56.0%) due mainly to \$2.0 million government grant received under the Jobs Support scheme and \$0.2 million government grant from IRAS for the premises occupied for our own use. The decline in rental income was due to the rental waiver granted to tenants.

#### 4. OPERATING EXPENSES

	2020 \$'000	2019 \$'000	Variance + / (-) %
Staff costs	15,975	16,077	(0.6)
Depreciation of property, plant and equipment	1,815	1,110	63.5
Depreciation of investment properties	378	377	0.3
Depreciation of right of use assets	30	28	7.1
Other expenses	8,088	9,060	(10.7)
<b>Total operating expenses</b>	<b>26,286</b>	<b>26,652</b>	<b>(1.4)</b>

Operating expenses decreased by \$0.4 million (1.4%) due mainly to \$1.0 million lower business related expenses from commission expense and business promotion, but partially offset by \$0.7 million higher depreciation of property, plant and equipment as the Group continued to invest in digital transformation.

#### 5. ALLOWANCES FOR CREDIT LOSSES ON LOANS AND OTHER ASSETS

	2020 \$'000	2019 \$'000	Variance + / (-) %
Allowances for impaired loans	2,294	1,666	37.8
Allowance for non-impaired assets	3,231	27	NM
<b>Total allowances on loan losses</b>	<b>5,525</b>	<b>1,693</b>	<b>226.3</b>

NM: Not meaningful

Specific allowances for credit losses for 2020 was higher by \$0.6 million compared last year due to the worsening economic environment as well as prudent provision in line with the Group's policy.

There was an additional general allowance made for non-impaired assets of \$3.2 million as at 31 December 2020. This was set aside largely to buffer the portfolio on a forward-looking basis, in view of the very uncertain macroeconomic outlook due to the COVID-19 pandemic.

## 5 YEARS FINANCIAL SUMMARY

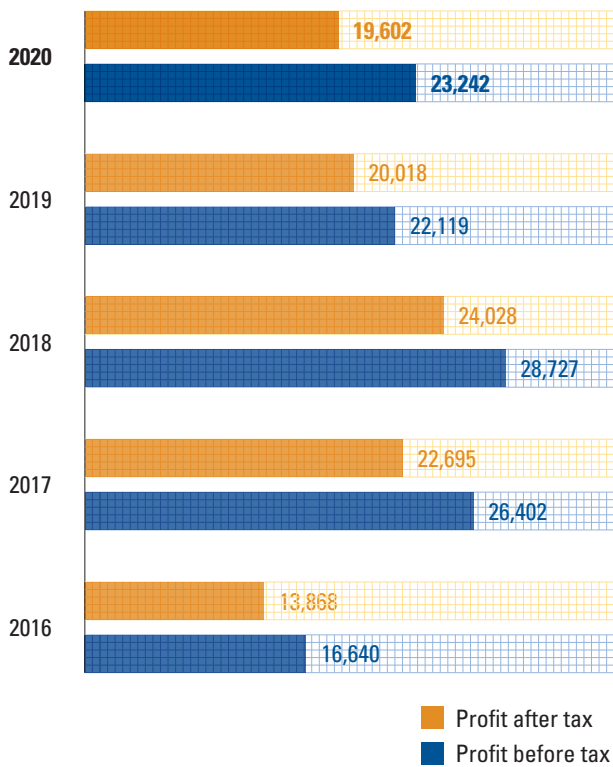
	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
<b>Total Income</b>	<b>55,053</b>	50,464	51,824	51,780	43,826
<b>Profit</b>					
Profit before tax	23,242	22,119	28,727	26,402	16,640
Profit after tax	19,602	20,018	24,028	22,695	13,868
<b>Share Capital</b>					
Issued and Fully Paid	180,008	180,008	180,008	180,008	180,008
<b>Capital Employed</b>					
Total Assets	2,850,450	2,915,796	2,814,039	2,521,674	2,682,976
Net Assets	387,464	372,981	363,005	337,723	319,914
<b>Volume of Business</b>					
Loans	2,077,683	2,186,617	2,081,004	1,909,261	1,905,456
Deposits	2,278,708	2,497,637	2,402,886	2,141,763	2,319,272
<b>Dividend And Earnings Per Share</b>					
Dividend (net)	5,675	9,458	11,034	11,034	7,881
Dividend per share (cents)*	3.60	6.00	7.00	7.00	5.00
Earnings per share (cents)**	12.44	12.70	15.24	14.40	8.80
<b>Return After Tax On Total Assets (%)</b>	<b>0.69</b>	0.69	0.85	0.90	0.52
<b>Return After Tax On Net Assets (%)</b>	<b>5.06</b>	5.37	6.62	6.72	4.33
<b>Net Tangible Asset Per Share (\$)</b>	<b>2.46</b>	2.37	2.30	2.14	2.03
<b>Number of Employees</b>	<b>167</b>	181	174	164	160

\* One-tier tax exempt dividend.

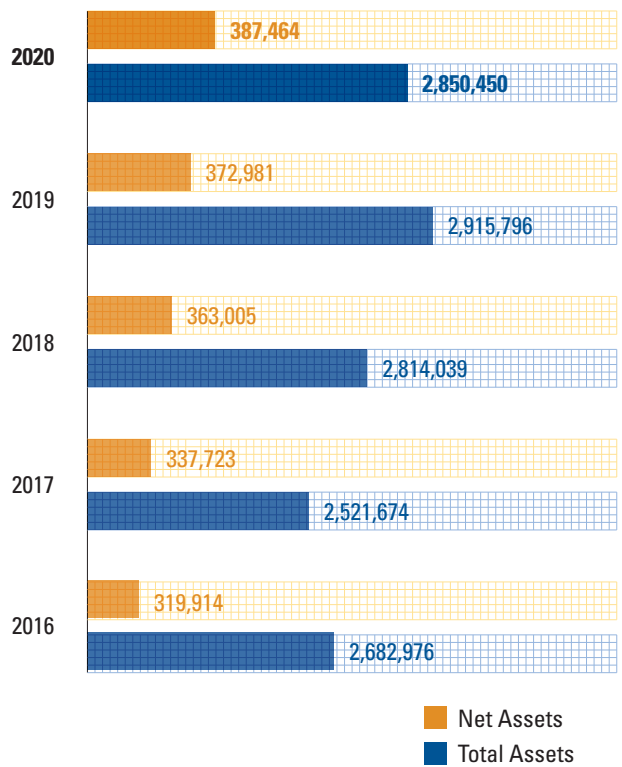
\*\* Earnings per share is calculated based on the weighted average number of ordinary shares in issue during the year (FY 2016 to FY 2020: 157,625,764 shares)



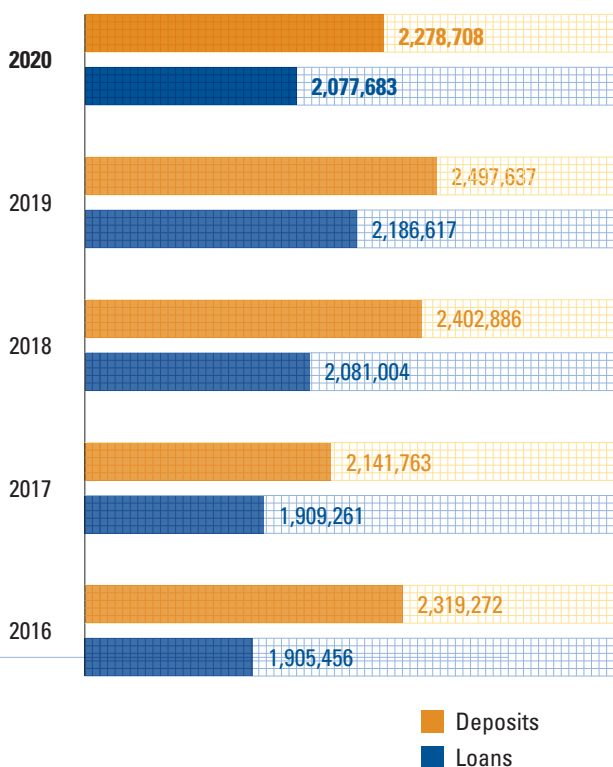
**PROFIT (\$'000)**



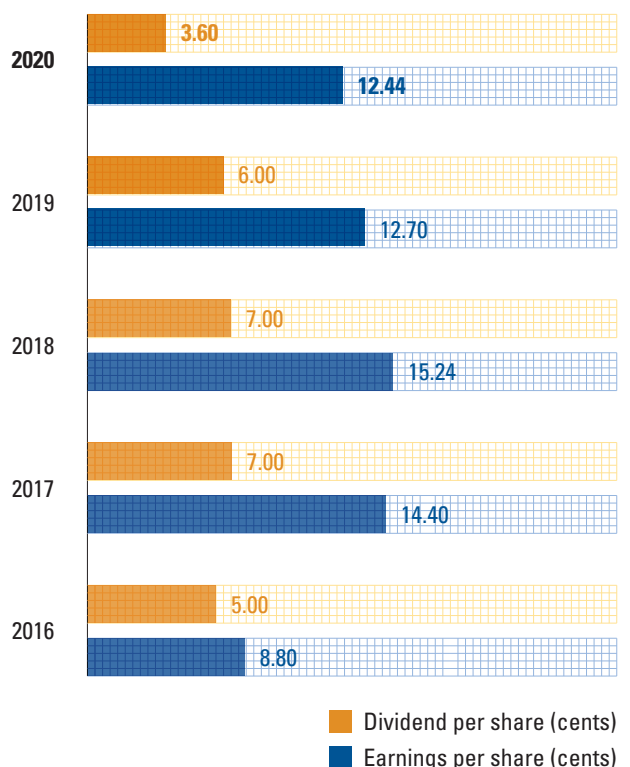
**CAPITAL EMPLOYED (\$'000)**



**VOLUME OF BUSINESS (\$'000)**



**DIVIDEND AND EARNINGS PER SHARE (CENTS)**



# FINANCIAL REPORTS

- 57 Directors' Statement
- 60 Independent Auditor's Report
- 66 Statements Of Financial Position
- 67 Consolidated Statement Of Profit Or Loss
- 68 Consolidated Statement Of Profit Or Loss And Other Comprehensive Income
- 69 Statements Of Changes In Equity
- 71 Consolidated Statement of Cash Flows
- 72 Notes To Financial Statements



GOING DIGITAL WITH  
**A HUMAN TOUCH**

# DIRECTORS' STATEMENT

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

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 66 to 144 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## 1 DIRECTORS

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

Ng Tat Pun  
 Lee Sze Leong  
 Lee Sze Siong  
 Chee Jin Kiong  
 Toh Kian Leong Joseph  
 Lau Hwai Keong Michael

## 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 and company in which interests are held	Shareholdings in the name of the directors or nominee		Shareholdings in which the directors 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
<b>Sing Investments &amp; Finance Limited</b> (Ordinary shares)				
Lee Sze Leong	599,631	619,631	47,179,050	47,314,868
Lee Sze Siong	651,142	651,142	47,179,050	47,314,868

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

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

# DIRECTORS' STATEMENT

## 4 SHARE OPTIONS

### (a) Options to take up unissued shares

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

### (b) Options exercised

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

### (c) Unissued shares under option

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

## 5 AUDIT COMMITTEE

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

Toh Kian Leong Joseph (Chairman)  
Chee Jin Kiong  
Lau Hwai Keong Michael

All members are non-executive independent directors.

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

The Audit Committee has held 4 meetings during the financial year. In performing its functions, the Audit Committee met with the Company's executive directors, external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee reviewed the following:

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

# DIRECTORS' STATEMENT

## 5 AUDIT COMMITTEE (CONTINUED)

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

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

## 6 AUDITORS

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

ON BEHALF OF THE BOARD OF DIRECTORS

---

Ng Tat Pun  
Chairman

---

Lee Sze Leong  
Director

17 February 2021

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Sing Investments & Finance Limited (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 144.

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

### Basis for Opinion

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

## Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Expected credit loss on non-credit impaired loans and advances</b></p> <p>Refer to Note 2.4 for the Group's accounting policy on impairment of loans and advances, Note 3 on critical judgements and estimation uncertainty and Note 4(b)(i) for the Group's credit risk disclosures.</p> <p>Loans and advances constitute approximately 73.0% of the Group's total assets. SFRS(I) 9 Financial Instruments requires the Group to recognise Expected Credit Losses ("ECL") on these loans and advances. As at 31 December 2020, the expected credit losses on non-credit-impaired loans and advances was \$5.78 million.</p> <p>The determination of ECL involves the use of significant judgement and estimates including: forward looking macro-economic factors including the impact of the COVID-19 pandemic, criteria used to determine the significant increase in credit risk, probability of default, and loss given default.</p> <p>Given the significant judgements and high degree of estimation uncertainty involved in the determination of ECL arising from the matters described above, the size of the loan and advances, and the current economic uncertainty due to COVID-19, we have identified the expected credit losses on non-credit-impaired loans and advances to be a matter of significance in the audit, and therefore a key audit matter.</p>	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none"> <li>• We tested the design, implementation and operating effectiveness of key controls over the determination of ECL which includes the following:               <ul style="list-style-type: none"> <li>i. Accuracy of data inputs in the ECL model</li> <li>ii. Identification of significant increases in credit risk</li> <li>iii. Review and approval over post model adjustments by Risk Management Committee.</li> </ul> </li> <li>• We involved our internal credit modelling specialist to assist us in understanding and evaluating the appropriateness of the Group's ECL methodology against the requirements of SFRS(I) 9 <i>Financial Instruments</i>.</li> <li>• We tested the accuracy of key inputs into the ECL model by comparing against source systems and documents.</li> <li>• For selected samples, we re-computed the ECL to test the mathematical accuracy of the ECL model.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

## Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Loss allowances for Stage 3 credit-impaired loans and advances</b></p> <p>Refer to Note 2.4 for the Group's accounting policy on impairment of loans and advances, Note 3 on critical judgements and estimation uncertainty and Note 4(b)(i) for the Group's credit risk disclosures.</p> <p>As at 31 December 2020, the loss allowances for impaired loans was \$5.53 million.</p> <p>The determination of stage 3 credit-impaired loans and advances and the resultant loss allowances involves the use of significant judgement and estimates including: identification of impairment indicators, classification of loan grading, and estimation of recoverable cash flows.</p> <p>Given the significant judgements and high degree of estimation uncertainty involved, we have identified the loss allowances for stage 3 credit impaired loans and advances to be a matter of significance in the audit, and therefore a key audit matter.</p>	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none"> <li>• We tested the design, implementation and operating effectiveness of key controls over allowances for credit-impaired loans and advances, which includes the following:               <ol style="list-style-type: none"> <li>i. Oversight of credit risk by Risk Management Committee</li> <li>ii. Classification of loan grading and monitoring</li> <li>iii. Identification of impairment indicators</li> <li>iv. Existence and valuation of collaterals</li> </ol> </li> <li>• We tested selected loan files and credit reviews performed by the Group to assess the appropriateness of the classification of loan grading and challenged management's evaluations and conclusions on the credit worthiness, and classification of the selected loans. This includes a sample of loans and advances which have been granted deferral of repayments and not identified as credit-impaired.</li> <li>• For selected credit-impaired loans, we evaluated management's estimation of recoverable cash flows, including forecasts, recoverable values of collaterals and other sources of repayment.</li> </ul>



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

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

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

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

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

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

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

## **Responsibilities of Management and Directors for the Financial Statements**

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

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

## Auditor's Responsibility for the Audit of the Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

## **Auditor's Responsibility for the Audit of the Financial Statements** (Continued)

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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

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

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

17 February 2021

# STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>ASSETS</b>					
Cash and deposit with banks and Monetary Authority of Singapore ("MAS")		370,620	282,862	370,560	282,798
Statutory deposit with the MAS Singapore Government		59,836	69,623	59,836	69,623
Securities and MAS bills	7	284,989	316,316	284,989	316,316
Investment in Equity Securities	7	4,292	4,621	4,003	4,231
Loans and advances	8	2,077,683	2,186,617	2,077,683	2,186,617
Other receivables, deposits and prepayments	6	6,227	7,815	6,227	7,815
Subsidiary	11	–	–	25	25
Property, plant and equipment	9	24,617	25,378	24,617	25,378
Investment properties	10	22,186	22,564	22,186	22,564
<b>Total assets</b>		<b>2,850,450</b>	<b>2,915,796</b>	<b>2,850,126</b>	<b>2,915,367</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits and balances of customers	13	2,278,708	2,497,637	2,279,481	2,498,401
Other liabilities	14	23,855	30,421	23,375	29,941
Borrowings from MAS	15	147,168	–	147,168	–
Enterprise Singapore loans	16	4,670	10,007	4,670	10,007
Provision for employee benefits	17	396	598	396	598
Current tax payable		4,520	1,393	4,520	1,393
Deferred tax liabilities	12	3,669	2,759	3,630	2,703
<b>Total liabilities</b>		<b>2,462,986</b>	<b>2,542,815</b>	<b>2,463,240</b>	<b>2,543,043</b>
<b>Equity attributable to equity holders of the Company</b>					
Share capital	18	180,008	180,008	180,008	180,008
Reserves	19	207,456	192,973	206,878	192,316
<b>Total equity</b>		<b>387,464</b>	<b>372,981</b>	<b>386,886</b>	<b>372,324</b>
<b>Total liabilities and equity</b>		<b>2,850,450</b>	<b>2,915,796</b>	<b>2,850,126</b>	<b>2,915,367</b>
<b>Off-balance sheet items</b>					
Undrawn loan commitments	26	674,025	432,494	674,025	432,494
Guarantees issued	27	1,844	2,009	1,844	2,009
<b>Total off-balance sheet items</b>		<b>675,869</b>	<b>434,503</b>	<b>675,869</b>	<b>434,503</b>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 \$'000	Group 2019 \$'000
<b>Revenue</b>			
Interest income and hiring charges	22	83,313	85,919
Interest expense	22	(36,273)	(40,593)
<b>Net interest income and hiring charges</b>		<b>47,040</b>	<b>45,326</b>
Fees and commissions		1,736	1,080
Dividends	22	189	195
Rental income from investment properties		3,156	3,271
Other income	22	2,932	592
<b>Income before operating expenses</b>		<b>55,053</b>	<b>50,464</b>
Staff costs	22	(15,975)	(16,077)
Depreciation of property, plant and equipment	9	(1,815)	(1,110)
Depreciation of investment properties	10	(378)	(377)
Depreciation of right-of-use assets		(30)	(28)
Other operating expenses	22	(8,088)	(9,060)
<b>Total operating expenses</b>		<b>(26,286)</b>	<b>(26,652)</b>
<b>Profit from operations before allowances</b>		<b>28,767</b>	<b>23,812</b>
(Allowances for) credit losses on loans and other assets	4(b)	(5,525)	(1,693)
<b>Profit before income tax</b>		<b>23,242</b>	<b>22,119</b>
Income tax expense	23	(3,640)	(2,101)
<b>Profit for the year attributable to equity holders of the Company</b>		<b>19,602</b>	<b>20,018</b>
<b>Earnings per share (cents)</b>			
– Basic	24	12.44	12.70
– Diluted	24	12.44	12.70

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Group	
	2020 \$'000	2019 \$'000
<b>Profit for the year</b>	<b>19,602</b>	20,018
<u>Other comprehensive income</u>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Gain on disposal of equity investments at FVOCI	17	24
Net change in fair value of equity investments at FVOCI	(479)	(166)
Income tax relating to items that will not be reclassified subsequently to profit or loss	79	23
	<u>(383)</u>	<u>(119)</u>
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change in fair value of debt investments at FVOCI	5,965	1,544
Net change in fair value of debt investments at FVOCI reclassified to profit or loss on disposal	(276)	(206)
Income tax relating to items that may be reclassified subsequently to profit or loss	(967)	(227)
	<u>4,722</u>	<u>1,111</u>
<b>Other comprehensive income for the year, net of tax</b>	<b>4,339</b>	992
<b>Total comprehensive income for the year</b>	<b>23,941</b>	21,010

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Note	Share capital \$'000	Statutory reserve \$'000	Regulatory loss allowance reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Total \$'000
<b>Group</b>							
Balance at 1 January 2020		180,008	115,965	9,940	9,446	57,622	372,981
Total comprehensive income for the year:							
Profit for the year		–	–	–	–	19,602	19,602
Other comprehensive income for the year – net		–	–	–	4,325	14	4,339
Total		–	–	–	4,325	19,616	23,941
Transfer to regulatory loss allowance reserve		–	–	–	–	–	–
Transfer from accumulated profits to statutory reserve		–	4,899	–	–	(4,899)	–
Transactions with owners, recognised directly in equity:							
Final one-tier tax exempt dividend paid for financial year 2019 of 6 cents per share	25	–	–	–	–	(9,458)	(9,458)
Balance at 31 December 2020		180,008	120,864	9,940	13,771	62,881	387,464
<b>Group</b>							
Balance at 1 January 2019		180,008	110,964	8,391	8,473	55,169	363,005
Total comprehensive income for the year:							
Profit for the year		–	–	–	–	20,018	20,018
Other comprehensive income for the year – net		–	–	–	973	19	992
Total		–	–	–	973	20,037	21,010
Transfer to regulatory loss allowance reserve		–	–	1,549	–	(1,549)	–
Transfer from accumulated profits to statutory reserve		–	5,001	–	–	(5,001)	–
Transactions with owners, recognised directly in equity:							
Final one-tier tax exempt dividend paid for financial year 2018 of 7 cents per share	25	–	–	–	–	(11,034)	(11,034)
Balance at 31 December 2019		180,008	115,965	9,940	9,446	57,622	372,981

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Note	Share capital \$'000	Statutory reserve \$'000	Regulatory loss allowance reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Total \$'000
<b>Company</b>							
Balance at 1 January 2020		180,008	115,965	9,940	9,172	57,239	372,324
Total comprehensive income for the year:							
Profit for the year		–	–	–	–	19,598	19,598
Other comprehensive income for the year – net		–	–	–	4,408	14	4,422
Total		–	–	–	4,408	19,612	24,020
Transfer to regulatory loss allowance reserve		–	–	–	–	–	–
Transfer from accumulated profits to statutory reserve		–	4,899	–	–	(4,899)	–
Transactions with owners, recognised directly in equity:							
Final one-tier tax exempt dividend paid for financial year 2019 of 6 cents per share	25	–	–	–	–	(9,458)	(9,458)
Balance at 31 December 2020		180,008	120,864	9,940	13,580	62,494	386,886
<b>Company</b>							
Balance at 1 January 2019		180,008	110,964	8,391	8,243	54,799	362,405
Total comprehensive income for the year:							
Profit for the year		–	–	–	–	20,005	20,005
Other comprehensive income for the year – net		–	–	–	929	19	948
Total		–	–	–	929	20,024	20,953
Transfer to regulatory loss allowance reserve		–	–	1,549	–	(1,549)	–
Transfer from accumulated profits to statutory reserve		–	5,001	–	–	(5,001)	–
Transactions with owners, recognised directly in equity:							
Final one-tier tax exempt dividend paid for financial year 2018 of 7 cents per share	25	–	–	–	–	(11,034)	(11,034)
Balance at 31 December 2019		180,008	115,965	9,940	9,172	57,239	372,324

See accompanying notes to financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 \$'000	Group 2019 \$'000
<b>Operating activities</b>			
Profit before income tax		23,242	22,119
Adjustments for:			
Impact of accrual of interest income		1,448	(338)
Impact of accrual of interest expense		(10,194)	7,189
Interest expense on lease liabilities		5	6
Depreciation of property, plant and equipment	9	1,815	1,110
Depreciation of investment properties	10	378	377
Depreciation of right-of-use assets		30	28
Allowances for credit losses on loans and other assets		5,525	1,693
Gains on disposal of investments		(276)	(206)
Loss on write-off of property, plant and equipment		2	30
Dividends		(189)	(195)
Operating cash flows before movements in working capital		21,786	31,813
<b>Changes in working capital</b>			
Deposits and balances of customers		(218,929)	94,752
Other liabilities		3,656	(5,411)
Borrowings from MAS		147,168	–
Enterprise Singapore loans		(5,337)	301
Statutory deposit with the MAS		9,787	(7,042)
Singapore government securities and MAS bills <sup>1</sup>		36,524	(18,465)
Loans and advances		103,408	(107,306)
Other assets		879	487
Provision for employee benefits		(202)	329
Cash generated from/(used in) operating activities		98,740	(10,542)
Income taxes paid		(491)	(7,657)
Net cash generated from/(used in) operating activities		98,249	(18,199)
<b>Investing activities</b>			
Purchase of property, plant and equipment	9	(1,056)	(5,082)
Purchase of equity securities <sup>1</sup>		(286)	(1)
Dividends received		130	67
Proceeds from disposal of equity securities <sup>1</sup>		212	24
Net cash used in investing activities		(1,000)	(4,992)
<b>Financing activities</b>			
Cash payments of lease liabilities		(33)	(32)
Dividends paid	25	(9,458)	(11,034)
Net cash used in financing activities		(9,491)	(11,066)
Net increase/(decrease) in cash and cash equivalents		87,758	(34,257)
Cash and cash equivalents at beginning of the year		282,862	317,119
<b>Cash and cash equivalents at end of the year</b>		<b>370,620</b>	<b>282,862</b>

<sup>1</sup> The comparative figures for 2019 have been represented to conform to current year's presentation, which is more representative of the Company's operations, where the Singapore government securities and MAS bills are considered as operating assets for liquidity purposes. Movements in cash and cash equivalents relating to Singapore government securities and MAS bills were previously shown within investing activities. The Singapore government securities and MAS bills are now considered to be part of the operating activity performed by the Group and have been presented within operating activities. Comparatives have been restated. The effect of this change was to reclassify outflows of \$333,385,000 and inflows of \$314,943,000 from investing activities in 2019 to net cash outflow of Singapore government securities and MAS bills of \$18,465,000 in operating activities, purchase of equity securities of \$1,000 and proceeds from disposal of equity securities of \$24,000 in investing activities.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 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 2020 were authorised for issue by the Board of Directors on 17 February 2021.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of accounting

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

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

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

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

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

### 2.2 New or amended SFRS(I) and interpretations effective for 2020 year-end

On 1 January 2020, the Group and Company adopted all the new and revised SFRS(I) pronouncements that are relevant to their operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Basis of consolidation (Continued)

All intra-group balances, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

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

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

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

### 2.4 Financial instruments

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

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

#### *Financial assets*

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Financial instruments (Continued)

#### *Financial assets* (Continued)

##### *Classification of financial assets:*

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

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

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

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Financial instruments (Continued)

#### *Amortised cost and effective interest method* (Continued)

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

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

Interest income is recognised in profit or loss and is included in the "Revenue-interest income" line item.

#### *Debt instruments classified as at FVOCI*

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

#### *Equity instruments designated as at FVOCI*

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Financial instruments (Continued)

#### *Equity instruments designated as at FVOCI* (Continued)

The Group has designated all investments in equity instruments that are not held for trading as at FVOCI on initial recognition.

A financial asset is held for trading if:

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

#### *Impairment of financial assets*

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

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

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

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

- ECL measurement for Stage 1 financial instrument will be based on a 12-month horizon, while those in the Stage 2 and 3 categories will be measured on based on the lifetime of the instruments.
- Financial instruments that are non-credit impaired on initial recognition are classified in "Stage 1" and its credit risk is continuously monitored by the Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument will be transferred to "Stage 2" and remain as non-credit impaired. Further details on "significant increase in credit risk" is described below.
- If financial instrument is credit impaired, the financial instrument will be transferred to "Stage 3".

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Financial instruments (Continued)

#### *Impairment of financial assets* (Continued)

##### *Measurement of ECL*

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

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

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

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down.

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

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

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

##### *Definition of default*

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Financial instruments (Continued)

#### *Impairment of financial assets* (Continued)

##### *Significant increase in credit risk*

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

##### Quantitative criteria:

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

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

##### Qualitative criteria:

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

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

##### Backstop:

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Financial instruments (Continued)

#### *Impairment of financial assets* (Continued)

##### *Credit-impaired financial assets*

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

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

##### *Write-off policy*

Financial assets are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

##### *Presentation of allowance for ECL in the statement of financial position*

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

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve; and
- where a financial instrument includes both a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Financial instruments (Continued)

#### *Derecognition of financial assets*

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

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

#### *Financial liabilities and equity instruments*

##### Classification as debt or equity

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

##### (a) Equity instruments

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

##### (b) Financial liabilities

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

#### *Financial Liabilities measured at amortised cost*

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Financial instruments (Continued)

#### *Derecognition of financial assets* (Continued)

##### *Financial guarantee contract liabilities*

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

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

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

#### *Derecognition of financial liabilities*

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

### 2.5 Leases

#### *The Group as lessee*

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Leases (Continued)

#### *The Group as lessee* (Continued)

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

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

The lease liability is presented under "Other liabilities" in the statement of financial position.

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Leases (Continued)

#### *The Group as lessee* (Continued)

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

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

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

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

#### *The Group as lessors*

The Group enters its lease agreements as a lessor with respect to its investment property. Leases for which the Group is a lessor are classified as operating leases.

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

Subsequent to initial recognition, the group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of SFRS(I) 9, recognising an allowance for expected credit losses on the lease receivables.

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated

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

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

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

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

### 2.7 Investment property

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Impairment of non-financial assets

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

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

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

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

### 2.9 Prepaid commission on loans and advances

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

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

### 2.10 Provisions

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

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

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



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Government grants

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

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

### 2.12 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.

#### (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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 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.

### 2.14 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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Income tax expense (Continued)

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).

### 2.15 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.

## 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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

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

#### ***Significant increase of credit risk***

As explained in Note 2, ECL is measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 and Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. SFRS(I) 9 does not define what constitutes a significant increase in credit risk, including considerations relating to Covid-19 impact.

In assessing whether the credit risk of an asset has significantly increased, the Group takes into account reasonable and supportable qualitative and quantitative forward looking information. In line with regulatory guidelines, customer's utilisation of relief measures due to Covid-19 economic impact does not automatically result in significant increase in credit risk and a transfer to Stage 2. The assessment of customer's risk of default continues to be performed holistically, taking into account the customer's ability to make payments based on the rescheduled payments and their creditworthiness in the long term. Refer to Notes 2 and 4(a)(i) for more details.

#### ***Models and assumptions used***

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

### (b) Key sources of estimation uncertainty

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

#### *Calculation of loss allowance*

The COVID-19 pandemic significantly impacted our determination of allowance for credit losses and required the application of heightened judgement. The following are key estimations that the management has used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/customer segment and determining the forward-looking information relevant to each scenario: When measuring ECL and considering the current COVID-19 economic impact, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 4(a)(i) for more details.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See Note 4(a)(i) for more details.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See Note 4(a)(i) for more details.

The economic uncertainties arising from the COVID-19 pandemic together with the related governmental support to mitigate this severe impact has imposed a greater degree of judgement in estimating the ECL. As there is uncertainty as to how containment and support measures will evolve, our allowances have a higher than usual degree of uncertainty and the inputs used are inherently subject to change, which may materially change our estimate of Stage 1 and Stage 2 allowance for credit losses in future periods.

To address the uncertainties inherent in the current and future environment and to reflect all relevant risk factors not captured in our modelled results, we applied expert credit judgement in determining significant increases in credit risk since origination and our probability weighted allowance for credit losses. We applied quantitative and qualitative adjustments for the impacts of the unprecedented macroeconomic scenarios arising from the COVID-19 pandemic.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

### (a) Categories of financial instruments

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Financial assets</b>				
At amortised cost:				
Cash and deposit with banks and Monetary Authority of Singapore ("MAS")	370,620	282,862	370,560	282,798
Statutory deposit with the MAS	59,836	69,623	59,836	69,623
Loans and advances	2,077,683	2,186,617	2,077,683	2,186,617
Other receivables, deposits and prepayments	3,681	4,101	3,681	4,101
At FVOCI:				
Singapore Government Securities and MAS bills	284,989	316,316	284,989	316,316
Investment in Equity Securities	4,292	4,621	4,003	4,231
<b>Financial liabilities</b>				
At amortised cost:				
Deposits and balances of customers	2,278,708	2,497,637	2,279,481	2,498,401
Other liabilities	23,855	30,421	23,375	29,941
Borrowings from MAS	147,168	–	147,168	–
Enterprise Singapore loans	4,670	10,007	4,670	10,007

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

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

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

#### ***Risk governance***

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk

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

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

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

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

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

#### *Internal credit risk grading*

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

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



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

##### *Internal credit risk grading (Continued)*

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

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

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

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

##### *Incorporation of forward-looking information*

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

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for analysis and planning. The Group uses a three-scenario model to calculate ECL. The baseline scenario, one adverse scenario (Downturn) and one favourable scenario (Growth) are derived, with the associated probability weightage. The weightage given to the three scenarios are determined by management and the risk management team.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

##### *Measurement of ECL*

The key inputs used for measuring ECL are:

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

##### *Maximum exposure to credit risk*

As at 31 December 2020, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the maximum amount the Group would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised as disclosed as Contingent Liabilities. The related loss allowance is disclosed in the respective notes to the financial statements.

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

	<b>Gross carrying amount \$'000</b>	<b>Loss allowance \$'000</b>	<b>Net carrying amount \$'000</b>
<b>Group</b>			
31 December 2020			
At amortised cost:			
Cash and deposit with banks and MAS	371,094	474	370,620
Other receivables, deposits and prepayments	3,681	–	3,681
Loans and advances	2,089,004	11,321	2,077,683
Statutory deposit with MAS	59,836	–	59,836
At FVOCI:			
Singapore government securities and MAS bills	284,989	–	284,989
Off Balance Sheet:			
Contingent Liabilities	1,844	–	1,844
Undrawn Commitment	674,025	–	674,025
31 December 2019			
At amortised cost:			
Cash and deposit with banks and MAS	283,273	411	282,862
Other receivables, deposits and prepayments	4,101	–	4,101
Loans and advances	2,192,575	5,958	2,186,617
Statutory deposit with MAS	69,623	–	69,623
At FVOCI:			
Singapore government securities and MAS bills	316,316	–	316,316
Off Balance Sheet:			
Contingent Liabilities	2,009	–	2,009
Undrawn Commitment	432,494	–	432,494

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

Maximum exposure to credit risk (Continued)

	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
<b>Company</b>			
31 December 2020			
At amortised cost:			
Cash and deposit with banks and MAS	371,034	474	370,560
Other receivables, deposits and prepayments	3,681	–	3,681
Loans and advances	2,089,004	11,321	2,077,683
Statutory deposit with MAS	59,836	–	59,836
At FVOCI:			
Singapore government securities and MAS bills	284,989	–	284,989
Off Balance Sheet:			
Contingent Liabilities	1,844	–	1,844
Undrawn Commitment	674,025	–	674,025
31 December 2019			
At amortised cost:			
Cash and deposit with banks and MAS	283,209	411	282,798
Other receivables, deposits and prepayments	4,101	–	4,101
Loans and advances	2,192,575	5,958	2,186,617
Statutory deposit with MAS	69,623	–	69,623
At FVOCI:			
Singapore government securities and MAS bills	316,316	–	316,316
Off Balance Sheet:			
Contingent Liabilities	2,009	–	2,009
Undrawn Commitment	432,494	–	432,494

Included in the gross carrying amount are the stage 3 credit-impaired assets amounting to \$58,405,000 (2019: \$64,285,000).

An estimate of the financial effect of collateral and other security enhancements held against loans and advances to customers on maximum credit risk exposure amounted to \$4,252,083,000 (2019: \$4,288,839,000). The Group's claim against collateral is limited to the obligations of the respective obligors.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

##### *Maximum exposure to credit risk (Continued)*

The maximum amount the Group 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 \$1,844,000 (2019: \$2,009,000). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

##### Collaterals

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

- for personal housing loans, mortgages over residential properties and HDB flats;
- for commercial property loans, charges over the properties being financed;
- for land and construction loans, charges over the developing properties being financed;
- for motor vehicles loans and block discounting loans, charges over the vehicles financed;
- for share loans, listed securities of Singapore; and
- for other loans, charges over business assets such as premises, barges and vessels, machineries, trade receivables or deposits.

All financial instruments in the Group subjected to the impairment requirements and recognition of loss allowance has been covered under the Group's expected credit loss model with no exception to the types of collateral held as at 31 December 2020 and 31 December 2019.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

##### *Possession of collateral held*

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

	Group and Company	
	2020	2019
	\$'000	\$'000
Properties	<b>31,738</b>	36,750

##### *Credit quality of assets*

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

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

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
<b>Cash and deposit with banks and MAS at amortised cost</b>				
<b>Group</b>				
<b>31 December 2020</b>				
Strong	371,094	–	–	371,094
Satisfactory	–	–	–	–
Higher Risk	–	–	–	–
Impaired	–	–	–	–
Total gross carrying amount	371,094	–	–	371,094
Loss allowance	(474)	–	–	(474)
Carrying amount	370,620	–	–	370,620
<b>31 December 2019</b>				
Strong	283,273	–	–	283,273
Satisfactory	–	–	–	–
Higher Risk	–	–	–	–
Impaired	–	–	–	–
Total gross carrying amount	283,273	–	–	283,273
Loss allowance	(411)	–	–	(411)
Carrying amount	282,862	–	–	282,862

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
<b>Cash and deposit with banks and MAS at amortised cost</b>				
<b>Company</b>				
<b>31 December 2020</b>				
Strong	371,034	–	–	371,034
Satisfactory	–	–	–	–
Higher Risk	–	–	–	–
Impaired	–	–	–	–
Total gross carrying amount	371,034	–	–	371,034
Loss allowance	(474)	–	–	(474)
Carrying amount	370,560	–	–	370,560
<b>31 December 2019</b>				
Strong	283,209	–	–	283,209
Satisfactory	–	–	–	–
Higher Risk	–	–	–	–
Impaired	–	–	–	–
Total gross carrying amount	283,209	–	–	283,209
Loss allowance	(411)	–	–	(411)
Carrying amount	282,798	–	–	282,798



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
<b>Singapore Government</b>				
<b>Securities ('SGS') and MAS bills</b>				
<b>31 December 2020</b>				
<b>Group &amp; Company</b>				
Strong	284,989	–	–	284,989
Satisfactory	–	–	–	–
Higher Risk	–	–	–	–
Impaired	–	–	–	–
Total gross carrying amount	284,989	–	–	284,989
Loss allowance	–	–	–	–
Carrying amount	284,989	–	–	284,989
<b>31 December 2019</b>				
<b>Group &amp; Company</b>				
Strong	316,316	–	–	316,316
Satisfactory	–	–	–	–
Higher Risk	–	–	–	–
Impaired	–	–	–	–
Total gross carrying amount	316,316	–	–	316,316
Loss allowance	–	–	–	–
Carrying amount	316,316	–	–	316,316

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
<b>Loans and advances at amortised cost</b>				
<b>31 December 2020</b>				
<b>Group &amp; Company</b>				
Strong	322,257	15,403	–	337,660
Satisfactory	1,194,211	359,588	–	1,553,799
Higher Risk	65,261	73,879	–	139,140
Impaired	–	–	58,405	58,405
Total gross carrying amount	1,581,729	448,870	58,405	2,089,004
Loss allowance	(3,203)	(2,583)	(5,535)	(11,321)
Carrying amount	1,578,526	446,287	52,870	2,077,683
<b>31 December 2019</b>				
<b>Group &amp; Company</b>				
Strong	323,457	10,806	–	334,263
Satisfactory	1,176,661	475,991	–	1,652,652
Higher Risk	69,812	71,563	–	141,375
Impaired	–	–	64,285	64,285
Total gross carrying amount	1,569,930	558,360	64,285	2,192,575
Loss allowance	(1,333)	(1,285)	(3,340)	(5,958)
Carrying amount	1,568,597	557,075	60,945	2,186,617

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

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

	12-months ECL Stage 1 \$'000	Lifetime ECL Stage 2 \$'000	Lifetime ECL Stage 3 \$'000	Total \$'000
<b>Loss allowance – Cash and deposit with banks and MAS at amortised cost</b>				
<b>Group &amp; Company</b>				
Loss allowance as at 1 January 2019	628	–	–	628
New financial assets originated	411	–	–	411
Financial assets that have been derecognised	(628)	–	–	(628)
Changes due to the exposure and risk parameters	–	–	–	–
Total net P&L charge	(217)	–	–	(217)
Loss allowance as at 31 December 2019	411	–	–	411
New financial assets originated	474	–	–	474
Financial assets that have been derecognised	(411)	–	–	(411)
Changes due to the exposure and risk parameters	–	–	–	–
Total net P&L charge	63	–	–	63
Loss allowance as at 31 December 2020	474	–	–	474

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

	12-month ECL Stage 1 \$'000	Lifetime ECL Stage 2 \$'000	Lifetime ECL Stage 3 \$'000	Total \$'000
<b>Loss allowance – Loans and advances</b>				
<b>Group &amp; Company</b>				
Loss allowance as at 1 January 2019	1,116	1,258	2,428	4,802
Movements with P&L impact				
Transfer:				
Transfer from Stage 1 to Stage 2	(37)	37	–	–
Transfer from Stage 1 to Stage 3	(12)	–	12	–
Transfer from Stage 2 to Stage 3	–	(107)	107	–
Transfer from Stage 2 to Stage 1	104	(104)	–	–
Net remeasurement from stage changes	(88)	296	(108)	100
New financial assets originated	527	374	–	901
Financial assets derecognised	(202)	(255)	(818)	(1,275)
Changes due to the exposure and risk parameters	(75)	(214)	2,473	2,184
Total net P&L change	217	27	1,666	1,910
Write-offs	–	–	(754)	(754)
Loss allowance as at 31 December 2019	1,333	1,285	3,340	5,958
Movements with P&L impact				
Transfer:				
Transfer from Stage 1 to Stage 2	(137)	137	–	–
Transfer from Stage 1 to Stage 3	(2)	–	2	–
Transfer from Stage 2 to Stage 3	–	(1)	1	–
Transfer from Stage 2 to Stage 1	565	(565)	–	–
Net remeasurement from stage changes	(482)	770	89	377
New financial assets originated	1,949	1,321	774	4,044
Financial assets derecognised	(438)	(413)	(450)	(1,301)
Changes due to the exposure and risk parameters	415	49	1,878	2,342
Total net P&L charge	1,870	1,298	2,294	5,462
Write-offs	–	–	(99)	(99)
Loss allowance as at 31 December 2020	<b>3,203</b>	<b>2,583</b>	<b>5,535</b>	<b>11,321</b>

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

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

	12-month ECL Stage 1 \$'000	Lifetime ECL Stage 2 \$'000	Lifetime ECL Stage 3 \$'000	Total \$'000
<b>Loans and advances at amortised cost</b>				
<b>Group &amp; Company</b>				
Gross carrying amount as at 1 January 2019	1,563,528	444,844	77,434	2,085,806
Changes in the gross carrying amount:				
Transfer from Stage 1 to Stage 2	(162,006)	162,006	–	–
Transfer from Stage 1 to Stage 3	(4,257)	–	4,257	–
Transfer from Stage 2 to Stage 3	–	(4,803)	4,803	–
Transfer from Stage 2 to Stage 1	78,672	(78,672)	–	–
Transfer from Stage 3 to Stage 2	–	2,174	(2,174)	–
Net change in exposures	(127,979)	(33,607)	(12,685)	(174,271)
New financial assets originated	520,914	148,439	105	669,458
Financial assets derecognised during the period	(298,942)	(82,021)	(6,701)	(387,664)
Write-offs	–	–	(754)	(754)
Gross carrying amount as at 31 December 2019	1,569,930	558,360	64,285	2,192,575
Transfer from Stage 1 to Stage 2	(210,433)	210,433	–	–
Transfer from Stage 1 to Stage 3	(2,411)	–	2,411	–
Transfer from Stage 2 to Stage 3	–	(925)	925	–
Transfer from Stage 2 to Stage 1	187,023	(187,023)	–	–
Transfer from Stage 3 to Stage 2	–	2,525	(2,525)	–
Net change in exposures	(157,036)	(55,284)	(3,643)	(215,963)
New financial assets originated	464,223	48,595	6,674	519,492
Financial assets derecognised during the period	(269,568)	(127,810)	(9,623)	(407,001)
Write-offs	–	–	(99)	(99)
Gross carrying amount as at 31 December 2020	<b>1,581,728</b>	<b>448,871</b>	<b>58,405</b>	<b>2,089,004</b>

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

	12-month ECL Stage 1 \$'000	Lifetime ECL Stage 2 \$'000	Lifetime ECL Stage 3 \$'000	Total \$'000
<b>Total net loss allowance charge to P&amp;L Group &amp; Company</b>				
Deposits, balances with and loans to bankers, agents and other financial institutions	(217)	–	–	(217)
Loans and advances	217	27	1,666	1,910
Total charged in 2019	–	27	1,666	1,693
Deposits, balances with and loans to bankers, agents and other financial institutions	63	–	–	63
Loans and advances	1,870	1,298	2,294	5,462
Total charged in 2020	1,933	1,298	2,294	5,525

#### *Loans with terms being renegotiated*

As of 31 December 2020, included in the stage 3 credit-impaired assets, the Group has loans and advances of \$15,563,000, which the terms have been renegotiated (2019: \$18,628,000). As at 31 December 2020, the loans were graded as individually impaired, for which impairment of \$2,785,000 was provided in respect of the loans (2019: \$1,001,000).

#### *Regulatory Grading*

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

##### (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.

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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (i) Credit risk (Continued)

##### 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	
	31 December 2020 \$'000	31 December 2019 \$'000
<b>Carrying amount</b>	<b>2,077,683</b>	2,186,617
<b>Concentration by sector</b>		
Hire purchase/block discounting	529,851	645,237
Housing loans secured by property under finance	65,358	76,343
Other loans and advances:		
Building and construction	405,841	387,422
Financial institutions, and investment and holding companies	501,196	547,012
Professional and individuals	182,434	200,379
General commerce	162,336	153,970
Transport, storage and communication	122,225	88,141
Manufacturing	22,636	25,583
Others	97,127	68,488
	<b>2,089,004</b>	2,192,575
Less: Loss allowance	(11,321)	(5,958)
Total	<b>2,077,683</b>	2,186,617

#### (ii) Liquidity risk

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (ii) Liquidity risk (Continued)

At 31 December 2020 and 2019, the Group has available funds from undrawn committed credit lines and will be able to raise funds from the public via Medium Term Note ("MTN") Programme which allow the Group to use the funds in the event of liquidity shortfall.

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
<b>Group</b>						
<b>31 December 2020</b>						
<b>Assets</b>						
Cash and deposit with banks and Monetary Authority of Singapore ("MAS")	370,620	197,840	11,985	160,795	–	–
Statutory deposit with the MAS	59,836	59,836	–	–	–	–
Singapore Government securities and MAS bills	284,989	29,994	44,786	15,025	87,097	108,087
Investment in equity securities	4,292	4,292	–	–	–	–
Loans and advances to customers	2,077,683	198,403	43,856	156,750	676,634	1,002,040
Other receivables, deposits and prepayments	3,681	821	169	1,077	601	1,013
<b>Total Assets</b>	<b>2,801,101</b>	<b>491,186</b>	<b>100,796</b>	<b>333,647</b>	<b>764,332</b>	<b>1,111,140</b>
<b>Liabilities</b>						
Deposits and balances of customers	2,278,708	474,175	424,700	1,154,234	225,599	–
Borrowings from MAS	147,168	–	–	–	147,168	–
Other liabilities	23,855	3,357	2,867	13,050	4,581	–
Enterprise Singapore loans	4,670	857	612	2,189	1,012	–
<b>Total Liabilities</b>	<b>2,454,401</b>	<b>478,389</b>	<b>428,179</b>	<b>1,169,473</b>	<b>378,360</b>	<b>–</b>
<b>Net Liquidity Surplus/(Gap)</b>	<b>346,700</b>	<b>12,797</b>	<b>(327,383)</b>	<b>(835,826)</b>	<b>385,972</b>	<b>1,111,140</b>
<b>Off-balance sheet</b>						
Undrawn loan commitments	674,025	674,025	–	–	–	–
Guarantees issued	1,844	1,844	–	–	–	–

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (ii) Liquidity risk (Continued)

	Total \$'000	Up to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000
<b>Group</b>						
<b>31 December 2019</b>						
<b>Assets</b>						
Cash and deposit with banks and Monetary Authority of Singapore ("MAS")	282,862	125,108	60,905	96,849	–	–
Statutory deposit with the MAS	69,623	69,623	–	–	–	–
Singapore Government securities and MAS bills	316,316	46,041	34,898	76,552	53,545	105,280
Investment in equity <sup>2</sup> securities	4,621	4,621	–	–	–	–
Loans and advances to customers	2,186,617	232,145	77,596	209,171	550,838	1,116,867
Other receivables, deposits and prepayments	4,101	799	2,622	680	–	–
<b>Total Assets</b>	<b>2,864,140</b>	<b>478,337</b>	<b>176,021</b>	<b>383,252</b>	<b>604,383</b>	<b>1,222,147</b>
<b>Liabilities</b>						
Deposits and balances of customers	2,497,637	289,480	465,888	1,697,335	44,934	–
Other liabilities	30,421	3,229	4,647	21,543	1,002	–
Enterprise Singapore loans	10,007	924	751	3,260	5,072	–
<b>Total Liabilities</b>	<b>2,538,065</b>	<b>293,633</b>	<b>471,286</b>	<b>1,722,138</b>	<b>51,008</b>	<b>–</b>
<b>Net Liquidity Surplus/(Gap)</b>	<b>326,075</b>	<b>184,704</b>	<b>(295,265)</b>	<b>(1,338,886)</b>	<b>553,375</b>	<b>1,222,147</b>
<b>Off-balance sheet</b>						
Undrawn loan commitments	432,494	432,494	–	–	–	–
Guarantees issued	2,009	2,009	–	–	–	–

<sup>2</sup> The comparative figures for 2019 have been represented to conform to current year's presentation, which is more representative of the Company's operations, where the current assets and current liabilities are consistent with the representation in Note 28, Current assets and current liabilities. Investment in equity securities, demand deposits in deposits and balances of customers and part of other liabilities pertaining to sundry creditors were previously presented in the non-specific maturity. The effect of this change is to reclassify both accounts from non-specific maturity into up to 1 month maturity. The balance for investment in equity securities will increase from \$0 to \$4,621,000 for up to 1 month maturity. Similarly, the deposits and balances of customer and other liabilities will increase from \$222,446,000 to \$289,480,000 and \$2,435,000 to \$3,229,000 respectively.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (ii) Liquidity risk (Continued)

	Total \$'000	Up to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000
<b>Company</b>						
<b>31 December 2020</b>						
<b>Assets</b>						
Cash and deposit with banks and Monetary Authority of Singapore ("MAS")	370,560	197,780	11,985	160,795	–	–
Statutory deposit with the MAS	59,836	59,836	–	–	–	–
Singapore government securities and MAS bills	284,989	29,994	44,786	15,025	87,097	108,087
Investment in equity securities	4,003	4,003	–	–	–	–
Loans and advances to customers	2,077,683	198,403	43,856	156,750	676,634	1,002,040
Other receivables, deposits and prepayments	3,681	821	169	1,077	601	1,013
<b>Total Assets</b>	<b>2,800,752</b>	<b>490,837</b>	<b>100,796</b>	<b>333,647</b>	<b>764,332</b>	<b>1,111,140</b>
<b>Liabilities</b>						
Deposits and balances of customers	2,279,481	474,694	424,700	1,154,488	225,599	–
Borrowings from MAS	147,168	–	–	–	147,168	–
Other liabilities	23,375	2,877	2,867	13,050	4,581	–
Enterprise Singapore loans	4,670	857	612	2,189	1,012	–
<b>Total Liabilities</b>	<b>2,454,694</b>	<b>478,428</b>	<b>428,179</b>	<b>1,169,727</b>	<b>378,360</b>	<b>–</b>
<b>Net Liquidity Surplus/(Gap)</b>	<b>346,058</b>	<b>12,409</b>	<b>(327,383)</b>	<b>(836,080)</b>	<b>385,972</b>	<b>1,111,140</b>
<b>Off-balance sheet</b>						
Undrawn loan commitments	674,025	674,025	–	–	–	–
Guarantees issued	1,844	1,844	–	–	–	–

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (ii) Liquidity risk (Continued)

	Total \$'000	Up to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000
<b>Company</b>						
<b>31 December 2019</b>						
<b>Assets<sup>3</sup></b>						
Cash and deposit with banks and Monetary Authority of Singapore ("MAS")	282,798	125,044	60,905	96,849	–	–
Statutory deposit with the MAS	69,623	69,623	–	–	–	–
Singapore government securities and MAS bills	316,316	46,041	34,898	76,552	53,545	105,280
Investment in equity securities	4,231	4,231	–	–	–	–
Loans and advances to customers	2,186,617	232,145	77,596	209,171	550,838	1,116,867
Other receivables, deposits and prepayments	4,101	799	2,622	680	–	–
<b>Total Assets</b>	<b>2,863,686</b>	<b>477,883</b>	<b>176,021</b>	<b>383,252</b>	<b>604,383</b>	<b>1,222,147</b>
<b>Liabilities</b>						
Deposits and balances of customers	2,498,401	289,992	465,888	1,697,587	44,934	–
Other liabilities	29,941	2,749	4,647	21,543	1,002	–
Enterprise Singapore loans	10,007	924	751	3,260	5,072	–
<b>Total Liabilities</b>	<b>2,538,349</b>	<b>293,665</b>	<b>471,286</b>	<b>1,722,390</b>	<b>51,008</b>	<b>–</b>
<b>Net Liquidity Surplus/(Gap)</b>	<b>325,337</b>	<b>184,218</b>	<b>(295,265)</b>	<b>(1,339,138)</b>	<b>553,375</b>	<b>1,222,147</b>
<b>Off-balance sheet</b>						
Undrawn loan commitments	432,494	432,494	–	–	–	–
Guarantees issued	2,009	2,009	–	–	–	–

<sup>3</sup> The comparative figures for 2019 have been represented to conform to current year's presentation, which is more representative of the Company's operations, where the current assets and current liabilities are consistent with the representation in Note 28, Current assets and current liabilities. Investment in equity securities, demand deposits in deposits and balances of customers and part of other liabilities pertaining to sundry creditors were previously presented in the non-specific maturity. The effect of this change is to reclassify both accounts from non-specific maturity into up to 1 month maturity. The balance for investment in equity securities will increase from \$0 to \$4,231,000 for up to 1 month maturity. Similarly, the deposits and balances of customer and other liabilities will increase from \$222,958,000 to \$289,992,000 and \$2,435,000 to \$2,749,000 respectively.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (ii) Liquidity risk (Continued)

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

	Carrying amount \$'000	Gross nominal outflow \$'000	Up to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 5 years \$'000
<b>Group</b>						
<b>31 December 2020</b>						
Deposits and balances of customers	2,278,708	(2,290,120)	(474,507)	(425,781)	(1,160,072)	(229,760)
Borrowings from MAS	147,168	(150,194)	–	–	–	(150,194)
Other liabilities	23,855	(23,855)	(3,357)	(2,867)	(13,050)	(4,581)
Enterprise Singapore loans	4,670	(4,818)	(868)	(630)	(2,257)	(1,063)
<b>Total liabilities</b>	<b>2,454,401</b>	<b>(2,468,987)</b>	<b>(478,732)</b>	<b>(429,278)</b>	<b>(1,175,379)</b>	<b>(385,598)</b>
<b>Undrawn loan commitments</b>	<b>674,025</b>	<b>(674,025)</b>	<b>(674,025)</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<b>3,128,426</b>	<b>(3,143,012)</b>	<b>(1,152,757)</b>	<b>(429,278)</b>	<b>(1,175,379)</b>	<b>(385,598)</b>
<b>31 December 2019</b>						
Deposits and balances of customers	2,497,637	(2,522,341)	(289,484)	(467,566)	(1,719,076)	(46,215)
Other liabilities	30,421	(30,421)	(3,229)	(4,647)	(21,543)	(1,002)
Enterprise Singapore loans	10,007	(10,503)	(947)	(793)	(3,429)	(5,334)
<b>Total liabilities</b>	<b>2,538,065</b>	<b>(2,563,265)</b>	<b>(293,660)</b>	<b>(473,006)</b>	<b>(1,744,048)</b>	<b>(52,551)</b>
<b>Undrawn loan commitments</b>	<b>432,494</b>	<b>(432,494)</b>	<b>(432,494)</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<b>2,970,559</b>	<b>(2,995,759)</b>	<b>(726,154)</b>	<b>(473,006)</b>	<b>(1,744,048)</b>	<b>(52,551)</b>
<b>Company</b>						
<b>31 December 2020</b>						
Deposits and balances of customers	2,279,481	(2,290,891)	(475,024)	(425,781)	(1,160,326)	(229,760)
Borrowings from MAS	147,168	(150,194)	–	–	–	(150,194)
Other liabilities	23,375	(23,375)	(2,877)	(2,867)	(13,050)	(4,581)
Enterprise Singapore loans	4,670	(4,818)	(868)	(630)	(2,257)	(1,063)
<b>Total liabilities</b>	<b>2,454,694</b>	<b>(2,469,278)</b>	<b>(478,769)</b>	<b>(429,278)</b>	<b>(1,175,633)</b>	<b>(385,598)</b>
<b>Undrawn loan commitments</b>	<b>674,024</b>	<b>(674,024)</b>	<b>(674,024)</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<b>3,128,718</b>	<b>(3,143,302)</b>	<b>(1,152,793)</b>	<b>(429,278)</b>	<b>(1,175,633)</b>	<b>(385,598)</b>
<b>31 December 2019</b>						
Deposits and balances of customers	2,498,401	(2,523,105)	(289,994)	(467,566)	(1,719,330)	(46,215)
Other liabilities	29,941	(29,941)	(2,749)	(4,647)	(21,543)	(1,002)
Enterprise Singapore loans	10,007	(10,503)	(947)	(793)	(3,429)	(5,334)
<b>Total liabilities</b>	<b>2,538,349</b>	<b>(2,563,549)</b>	<b>(293,690)</b>	<b>(473,006)</b>	<b>(1,744,302)</b>	<b>(52,551)</b>
<b>Undrawn loan commitments</b>	<b>432,494</b>	<b>(432,494)</b>	<b>(432,494)</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<b>2,970,843</b>	<b>(2,996,043)</b>	<b>(726,184)</b>	<b>(473,006)</b>	<b>(1,744,302)</b>	<b>(52,551)</b>

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (ii) *Liquidity risk* (Continued)

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

The negative net liquidity gap for the maturity band for up to 12 months as at 31 December 2020 (2019: 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 2020 (2019: up to 12 months), as compared to the tenures of loans and advances which constitute the Group's main asset. In addition, the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

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

#### (iii) *Market risk*

##### (1) *Interest rate risk*

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (iii) Market risk (Continued)

##### (1) Interest rate risk (Continued)

	Effective weighted average interest %	Non- interest bearing \$'000	0 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
<b>Group</b>							
<b>31 December 2020</b>							
<b>Financial Assets</b>							
Cash and deposit with banks and Monetary Authority of Singapore ("MAS")	0.97	22,530	187,463	160,627	–	–	370,620
Statutory deposit with the MAS	–	59,836	–	–	–	–	59,836
Singapore Government Securities and MAS bills	1.93	–	74,780	15,025	87,096	108,088	284,989
Investment in Equity Securities	–	4,292	–	–	–	–	4,292
Loans and advances to customers	3.00	–	704,008	616,231	529,345	228,100	2,077,684
Other receivables, deposits and prepayments	–	3,681	–	–	–	–	3,681
		<u>90,339</u>	<u>966,251</u>	<u>791,883</u>	<u>616,441</u>	<u>336,188</u>	<u>2,801,102</u>
<b>Financial Liabilities</b>							
Deposits and balances of customers	0.95	84,084	814,791	1,154,234	225,599	–	2,278,708
Other liabilities	–	23,855	–	–	–	–	23,855
Enterprise Singapore loans	2.88	–	1,469	2,189	1,012	–	4,670
Borrowings from MAS	0.74	–	–	–	147,168	–	147,168
		<u>107,939</u>	<u>816,260</u>	<u>1,156,423</u>	<u>373,779</u>	<u>–</u>	<u>2,454,401</u>

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (iii) Market risk (Continued)

##### (1) Interest rate risk (Continued)

	Effective weighted average interest %	Non-interest bearing \$'000	0 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
<b>Group</b>							
<b>31 December 2019</b>							
<b>Financial Assets</b>							
Cash and deposit with banks and Monetary Authority of Singapore ("MAS")	1.87	2,386	183,627	96,849	–	–	282,862
Statutory deposit with the MAS	–	69,623	–	–	–	–	69,623
Singapore Government Securities and MAS bills	2.08	–	80,939	76,552	53,545	105,280	316,316
Investment in Equity Securities	–	4,621	–	–	–	–	4,621
Loans and advances to customers	3.30	–	795,401	672,122	468,830	250,264	2,186,617
Other receivables, deposits and prepayments	–	4,101	–	–	–	–	4,101
		<u>80,731</u>	<u>1,059,967</u>	<u>845,523</u>	<u>522,375</u>	<u>355,544</u>	<u>2,864,140</u>
<b>Financial Liabilities</b>							
Deposits and balances of customers	1.61	43,113	712,255	1,697,335	44,934	–	2,497,637
Other liabilities	–	30,421	–	–	–	–	30,421
Enterprise Singapore loans	2.77	–	43	461	9,503	–	10,007
		<u>73,534</u>	<u>712,298</u>	<u>1,697,796</u>	<u>54,437</u>	<u>–</u>	<u>2,538,065</u>



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (iii) Market risk (Continued)

##### (1) Interest rate risk (Continued)

	Effective weighted average interest %	Non- interest bearing \$'000	0 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
<b>Company</b>							
<b>31 December 2020</b>							
<b>Financial Assets</b>							
Cash and deposit with banks and Monetary Authority of Singapore ("MAS")	0.97	22,470	187,463	160,627	–	–	370,560
Statutory deposit with the MAS	–	59,836	–	–	–	–	59,836
Singapore Government Securities and MAS bills	1.93	–	74,780	15,025	87,096	108,088	284,989
Investment in Equity Securities	–	4,003	–	–	–	–	4,003
Loans and advances to customers	3.00	–	704,008	616,231	529,345	228,100	2,077,684
Other receivables, deposits and prepayments	–	3,681	–	–	–	–	3,681
		<u>89,990</u>	<u>966,251</u>	<u>791,883</u>	<u>616,441</u>	<u>336,188</u>	<u>2,800,753</u>
<b>Financial Liabilities</b>							
Deposits and balances of customers	0.95	84,096	815,298	1,154,488	225,599	–	2,279,481
Other liabilities	–	23,375	–	–	–	–	23,375
Enterprise Singapore loans	2.88	–	1,469	2,189	1,012	–	4,670
Borrowings from MAS	0.74	–	–	–	147,168	–	147,168
		<u>107,471</u>	<u>816,767</u>	<u>1,156,677</u>	<u>373,779</u>	<u>–</u>	<u>2,454,694</u>

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (iii) Market risk (Continued)

##### (1) Interest rate risk (Continued)

	Effective weighted average interest %	Non-interest bearing \$'000	0 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
<b>Company</b>							
<b>31 December 2019</b>							
<b>Financial Assets</b>							
Cash and deposit with banks and Monetary Authority of Singapore ("MAS")	1.87	2,322	183,627	96,849	–	–	282,798
Statutory deposit with the MAS	–	69,623	–	–	–	–	69,623
Singapore Government Securities and MAS bills	2.08	–	80,939	76,552	53,545	105,280	316,316
Investment in Equity Securities	–	4,231	–	–	–	–	4,231
Loans and advances to customers	3.30	–	795,401	672,122	468,830	250,264	2,186,617
Other receivables, deposits and prepayments	–	4,101	–	–	–	–	4,101
		<u>80,277</u>	<u>1,059,967</u>	<u>845,523</u>	<u>522,375</u>	<u>355,544</u>	<u>2,863,686</u>
<b>Financial Liabilities</b>							
Deposits and savings accounts of customers	1.61	43,118	712,762	1,697,587	44,934	–	2,498,401
Other liabilities	–	29,941	–	–	–	–	29,941
Enterprise Singapore loans	2.77	–	43	461	9,503	–	10,007
		<u>73,059</u>	<u>712,805</u>	<u>1,698,048</u>	<u>54,437</u>	<u>–</u>	<u>2,538,349</u>

#### 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 2020, a 100 basis point increase/(decrease) in the interest rate at the end of the reporting period would increase/(decrease) profit by \$793,000 (2019: increase/(decrease) profit by \$26,000) and fair value reserves by \$2,850,000 (2019: increase/(decrease) fair value reserves by \$3,163,000) mainly a result of the changes in the fair value of FVOCI fixed rate instruments.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (iii) **Market risk** (Continued)

##### (2) *Equity price risk on investments*

Market risk is the risk that the value of a portfolio will decrease due to the change in value of the market risk factors. The market risk factors are credit spreads, interest rates, equity prices, foreign exchange rates, commodity prices and their associated volatility.

The objective of market risk management is to manage and control the Group's market risk exposures within acceptable parameters, while optimising the return on its investments. The Group adopts a prudent investment policy to generate a stable yearly return with minimal downside in capital loss. In addition, as these investments are held for a long term basis, the risk of price fluctuation is mitigated

The Group's investment portfolio comprises mainly Singapore Government securities and securities listed on the Singapore Exchange Securities Trading Limited (SGX).

#### Singapore Government Securities ("SGS") & MAS bills

The Group purchases SGS and MAS bills as part of its liquid assets for purpose of maintaining the minimum liquid assets required under the Finance Companies Act.

#### Securities listed on the SGX

Acceptable securities include stocks and shares, bonds and such other financial derivative instruments of any companies which are listed on the SGX.

The Board of Directors is responsible for formulating investment policy, strategies and guidelines and periodically reviews the investment portfolio. The Group adopts a prudent investment policy and invests in reputable companies with substantial market capitalisation, acceptable valuation, good operating track record and consistent dividend payout. These investments are held generally for dividend income and capital appreciation.

The Group is exposed to equity risks arising from equity investments classified as FVOCI. Equity investments are not held for trading purposes. The Group does not actively trade FVOCI investments.

As at 31 December 2020, a 10% increase/(decrease) in the equity prices at the end of the reporting period would increase/(decrease) fair value reserves by \$429,000 (2019: increase/(decrease) by \$462,000). The Group's net profit for the year ended 31 December 2020 would have been unaffected as the quoted equity securities are classified as FVOCI and any gain on disposal would not be recycled to profit or loss.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (iv) Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Potential loss may be in the form of financial loss or other damages, for example, loss of reputation and public confidence that will impact the Group's credibility and ability to transact, maintain liquidity and develop new businesses.

The Operational Risk Framework uses several tools, including operational risk event management and key risk indicator monitoring to manage and control operational risk. To pro-actively manage operational risk, the Group uses risk control self-assessment and process risk mapping to identify and resolve material weaknesses in existing operations. In addition, all policy changes, new products, and outsourcing arrangements are subjected to approval by the RMC to ensure checks and controls are adequate and risks are adequately mitigated.

The RMC reviews all material outsourcing arrangements before the appointment of the vendors to ensure due diligence is carried out to determine the vendor's viability, capability, reliability, track record and financial position. Periodical reviews of existing material outsourcing arrangements are also subject to the RMC's approval.

The RMC reviews and approves all Business Continuity Plans ("BCPs") to ensure that they cover reasonably estimated and probable events that could significantly impact the normal operations of the Group. RMD makes recommendations to the RMC to enhance the Business Continuity Management ("BCM") policies and procedures and carries out periodical BCP tests and ensures Disaster Recovery ("DR") arrangements and tests are adequate.

All units and operations of the Group are subjected to compliance testing by the Compliance Department and inspection by the Internal Auditors who prioritise their audit tasks by developing a risk-based audit plan. The compliance testing and internal audit plans for the year are approved by the RMC and the Group's Audit Committee respectively.

The objectives of such periodic reviews undertaken by the Internal Auditor and the Compliance Department are to assist the management in assessing and evaluating the internal controls of the Group. The findings of the Internal Audit and the Compliance teams are discussed with the Heads of the business and operation units and submitted to the Group's management for information and action. The Internal Auditor's independent summary reports are tabled for the deliberation of the Group's Audit Committee before any recommendation of follow up action is made to the Board of Directors.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (v) Fair value of financial assets and financial liabilities

In assessing the fair value of financial instruments, the Group uses a variety of methods and make assumptions that are based on market conditions existing at the end of each reporting period.

Although the management has employed its best judgement in the estimation of fair values, there is inevitably a significant element of subjectivity involved in the calculations. Therefore, the fair value estimates presented below are not necessarily indicative of the amounts the Group could have realised in a transaction as at 31 December 2020.

#### *Methodologies*

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

#### (1) Liquid assets

The carrying values of certain on-balance sheet financial instruments approximate fair values. These include statutory deposit with the Monetary Authority of Singapore, cash on deposit, at banks and in hand, and other receivables, deposits and prepayments. These financial instruments are short-term in nature or are receivable on demand and the related amounts approximate fair value.

#### (2) Investments

The fair values of quoted debt and equity securities are determined based on bid prices at the end of the reporting period without any deduction for transaction costs.

#### (3) Loans and advances

The fair value of loans and advances that reprice within six months from the end of the reporting period approximates the carrying value. The fair value of all other loans and advances were calculated using discounted cash flow techniques based on the maturity of the loans. The discount rates are based on market related rates for similar types of loans at the end of the reporting period.

#### (4) Deposits and other borrowings

The fair value of non-interest bearing deposits, saving accounts, Enterprise Singapore loans and fixed deposits which mature within six months is estimated to be the carrying value at the end of the reporting period. The fair value of the remaining interest bearing deposits and Enterprise Singapore loans were calculated using discounted cash flow techniques, based on its related maturity. The discount rates are based on market related rates of Enterprise Singapore loans at the end of the reporting period.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (v) Fair value of financial assets and financial liabilities (Continued)

##### *Methodologies* (Continued)

#### (5) Guarantees and commitments to extend credit

These financial instruments are generally not sold nor traded. Fair value of these items is considered insignificant for the following reasons:

- commitments extending beyond six months that would commit the Company to a predetermined rate of interest are insignificant;
- the fees attached to these commitments are the same as those currently charged to enter into similar arrangements; and
- the quantum of fees collected under these agreements, upon which a fair value would be based, is insignificant.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (v) Fair value of financial assets and financial liabilities (Continued)

##### Summary

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 2020 \$'000	Fair value 2020 \$'000	Carrying amount 2019 \$'000	Fair value 2019 \$'000
<b>Group</b>				
<b>Financial Assets</b>				
Amortised costs:				
Cash and deposit with banks and Monetary Authority of Singapore ("MAS")	370,620	370,620	282,862	282,862
Statutory deposit with the MAS	59,836	59,836	69,623	69,623
Loans and advances	2,077,683	2,116,796	2,186,617	2,208,600
Other receivables, deposits and prepayments	3,681	3,681	4,101	4,101
At FVOCI:				
Singapore Government Securities and MAS bills	284,989	284,989	316,316	316,316
Investments in Equity Securities	4,292	4,292	4,621	4,621
	<b>2,801,101</b>	<b>2,840,214</b>	<b>2,864,140</b>	<b>2,886,123</b>
<b>Financial Liabilities</b>				
Amortised costs:				
Deposits and balances of customers	2,278,708	2,284,543	2,497,637	2,512,844
Other liabilities	23,855	23,855	30,421	30,421
Borrowings from MAS	147,168	147,168	–	–
Enterprise Singapore loans	4,670	4,670	10,007	10,007
	<b>2,454,401</b>	<b>2,460,236</b>	<b>2,538,065</b>	<b>2,553,272</b>

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (v) Fair value of financial assets and financial liabilities (Continued)

Summary (Continued)

	Carrying amount 2020 \$'000	Fair value 2020 \$'000	Carrying amount 2019 \$'000	Fair value 2019 \$'000
<b>Company</b>				
<b>Financial Assets</b>				
Amortised costs:				
Cash and deposit with banks and Monetary Authority of Singapore ("MAS")	370,560	370,560	282,798	282,798
Statutory deposit with the MAS	59,836	59,836	69,623	69,623
Loans and advances	2,077,683	2,116,796	2,186,617	2,208,600
Other receivables, deposits and prepayments	3,681	3,681	4,101	4,101
At FVOCI:				
Singapore Government Securities and MAS bills	284,989	284,989	316,316	316,316
Investments in Equity Securities	4,003	4,003	4,231	4,231
	<b>2,800,752</b>	<b>2,839,865</b>	<b>2,863,686</b>	<b>2,885,669</b>
<b>Financial Liabilities</b>				
Amortised costs:				
Deposits and balances of customers	2,279,481	2,285,317	2,498,401	2,513,610
Other liabilities	23,375	23,375	29,941	29,941
Borrowings from MAS	147,168	147,168	–	–
Enterprise Singapore loans	4,670	4,670	10,007	10,007
	<b>2,454,694</b>	<b>2,460,530</b>	<b>2,538,349</b>	<b>2,553,558</b>



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (v) Fair value of financial assets and financial liabilities (Continued)

##### Summary (Continued)

The table below provides an analysis of categorisation of fair value measurements into the different levels of the fair value hierarchy:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Group</b>				
<b>2020</b>				
Financial instruments measured at FVOCI				
<b>Financial Assets</b>				
Quoted equity securities	4,292	–	–	4,292
Singapore government securities and MAS bills	284,989	–	–	284,989
Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis				
<b>Financial Assets</b>				
Loans and advances	–	2,116,796	–	2,116,796
<b>Financial Liabilities</b>				
Deposits and savings accounts of customers	–	2,284,543	–	2,284,543
<b>2019</b>				
Financial instruments measured at fair value through other comprehensive income				
<b>Financial Assets</b>				
Quoted equity securities	4,621	–	–	4,621
Singapore government securities and MAS bills	316,316	–	–	316,316
Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis				
<b>Financial Assets</b>				
Loans and advances	–	2,208,600	–	2,208,600
<b>Financial Liabilities</b>				
Deposits and savings accounts of customers	–	2,512,844	–	2,512,844

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

#### (v) Fair value of financial assets and financial liabilities (Continued)

Summary (Continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Company</b>				
<b>2020</b>				
Financial instruments measured at FVOCI				
<b>Financial Assets</b>				
Investments at FVOCI:				
Quoted equity securities	4,003	–	–	4,003
Singapore government securities and MAS bills	284,989	–	–	284,989
Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis				
<b>Financial Assets</b>				
Loans and advances	–	2,116,796	–	2,116,796
<b>Financial Liabilities</b>				
Deposits and savings accounts of customers	–	2,285,317	–	2,285,317
<b>2019</b>				
Financial instruments measured at FVOCI				
<b>Financial Assets</b>				
Investments at FVOCI:				
Quoted equity securities	4,231	–	–	4,231
Singapore government securities and MAS bills	316,316	–	–	316,316
Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis				
<b>Financial Assets</b>				
Loans and advances	–	2,208,600	–	2,208,600
<b>Financial Liabilities</b>				
Deposits and savings accounts of customers	–	2,513,610	–	2,513,610

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

### (c) Capital risk management policies and objectives

The Group maintains a capital adequacy ratio ("CAR") in excess of the prescribed minimum regulatory ratio. CAR is the percentage of adjusted core capital to total risk-weighted assets.

- (i) The Group's adjusted core capital includes share capital, statutory reserves, fair value reserve relating to unrealised losses on equity securities classified as FVOCI and retained earnings.
- (ii) Risk-weighted assets are determined according to specified requirements by MAS that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business as well as to generate an optimal return on its assets.

The Group has complied with all externally imposed capital requirements throughout the year and there have been no material changes in the management of capital during the year.

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

	Group	
	2020 \$'000	2019 \$'000
<u>Capital element</u>		
Core capital		
Share capital	180,008	180,008
Disclosed reserves	183,619	173,493
	<u>363,627</u>	<u>353,501</u>
Risk weighted assets	<u>2,233,672</u>	<u>2,449,799</u>
Capital adequacy ratio:		
Core capital/risk weighted assets (%)	<u>16.28</u>	<u>14.43</u>

### (iii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each activity is based primarily on the regulatory capital. The Group sets the internal guidelines for monitoring the mix of assets and liabilities. The RMC reviews the assets portfolio and the compliance to the guidelines on a quarterly basis.

The Board of Directors monitors the Group's performance and recommends the level of dividends to shareholders.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 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, management services, incidental expenses and/or other transactions relating to the business of the Group and the Company.

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	
	2020	2019
	\$'000	\$'000
<b>At 31 December</b>		
(a) Deposits	<b>8,360</b>	9,114
<b>For the year ended 31 December</b>		
(b) Profit or loss transactions		
– Interest expenses on deposits	153	933
– Professional Fee	6	8
– Rental income	187	221

## 6 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group and Company	
	2020	2019
	\$'000	\$'000
Accrued interest receivables	3,421	4,101
Prepaid commission	1,393	3,032
Prepayments, deposits and other receivables	1,339	578
Right-of-use ("ROU") assets	74	104
	<b>6,227</b>	7,815

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 6 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

### Right-of-use assets

	Group and Company	
	2020 \$'000	2019 \$'000
<b>Cost:</b>		
At 1 January	132	119
Additions	–	13
At 31 December	132	132
<b>Accumulated depreciation:</b>		
At 1 January	28	–
Depreciation	30	28
At 31 December	58	28
<b>Carrying amount:</b>		
At 31 December	74	104

## 7 FINANCIAL ASSETS AT FVOCI

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Debt Instruments at FVOCI</b>				
Singapore government securities and MAS bills	284,989	316,316	284,989	316,316

The Singapore government securities and MAS bills are not held for trading. Instead, they are held for medium to long-term. Accordingly, the management has elected to designate these instruments as at FVOCI as they believe that recognising short-term fluctuations in these instruments' fair value in profit or loss would not be consistent with the Group's strategy of holding these instruments for liquidity purposes.

### Equity Securities at FVOCI:

Quoted equity securities	4,292	4,621	4,003	4,231
Unquoted equity investments	121	121	121	121
Net change in fair value of unquoted investments at FVOCI	(121)	(121)	(121)	(121)
	4,292	4,621	4,003	4,231

These investments in equity securities are not held for trading. Instead, they are held for medium to long-term, with unquoted equity securities being held only for long term. Accordingly, the management has elected to designate these investments as at FVOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 8 LOANS AND ADVANCES

	Group and Company	
	2020	2019
	\$'000	\$'000
Housing, factoring receivables and other loans	1,568,993	1,554,782
Hire purchase receivables	575,278	699,933
Unearned interests and charges	(55,267)	(62,140)
Allowances for impairment on loans and advances	(11,321)	(5,958)
	<b>2,077,683</b>	<b>2,186,617</b>
Due within 12 months	399,009	518,912
Due after 12 months	1,678,674	1,667,705
	<b>2,077,683</b>	<b>2,186,617</b>

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

	Group and Company	
	2020	2019
	\$'000	\$'000
<b>Stage 3 loss allowance</b>		
At 1 January	3,340	2,428
Allowances for impairment losses during the year	2,294	1,666
Receivables written off against allowances	(99)	(754)
At 31 December	<b>5,535</b>	<b>3,340</b>
<b>Stage 1 and 2 loss allowance</b>		
At 1 January	2,618	2,374
Allowances for impairment losses during the year	3,168	244
At 31 December	<b>5,786</b>	<b>2,618</b>
<b>Total allowances for impairment on loans and advances</b>		
At 1 January	5,958	4,802
At 31 December	<b>11,321</b>	<b>5,958</b>

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 8 LOANS AND ADVANCES (CONTINUED)

The hire purchase receivables are as follows:

	Group and Company		
	Gross \$'000	Interest \$'000	Principal \$'000
<b>31 December 2020</b>			
Within 1 year	30,680	671	30,009
After 1 year but within 5 years	383,703	23,828	359,875
After 5 years	160,895	20,013	140,882
	<b>575,278</b>	<b>44,512</b>	<b>530,766</b>
<b>31 December 2019</b>			
Within 1 year	37,513	425	37,088
After 1 year but within 5 years	479,651	29,206	450,445
After 5 years	182,769	24,069	158,700
	<b>699,933</b>	<b>53,700</b>	<b>646,233</b>

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

## 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
<b>Group and Company</b>							
<b>Cost:</b>							
At 1 January 2019	15,321	8,530	482	973	2,959	4,945	33,210
Additions	–	–	30	26	45	4,981	5,082
Disposal/Write off	–	–	(7)	–	(258)	(2,274)	(2,539)
At 31 December 2019	15,321	8,530	505	999	2,746	7,652	35,753
Additions	–	–	25	–	–	1,031	1,056
Disposal/Write off	–	–	–	–	–	(37)	(37)
At 31 December 2020	<b>15,321</b>	<b>8,530</b>	<b>530</b>	<b>999</b>	<b>2,746</b>	<b>8,646</b>	<b>36,772</b>
<b>Accumulated depreciation:</b>							
At 1 January 2019	2,481	1,843	361	537	2,473	4,079	11,774
Depreciation for the year	140	218	39	185	118	410	1,110
Disposal/Write off	–	–	(7)	–	(258)	(2,244)	(2,509)
At 31 December 2019	2,621	2,061	393	722	2,333	2,245	10,375
Depreciation for the year	140	218	42	179	117	1,119	1,815
Disposal/Write off	–	–	–	–	–	(35)	(35)
At 31 December 2020	<b>2,761</b>	<b>2,279</b>	<b>435</b>	<b>901</b>	<b>2,450</b>	<b>3,329</b>	<b>12,155</b>
<b>Carrying amount:</b>							
At 31 December 2020	<b>12,560</b>	<b>6,251</b>	<b>95</b>	<b>98</b>	<b>296</b>	<b>5,317</b>	<b>24,617</b>
At 31 December 2019	12,700	6,469	112	277	413	5,407	25,378

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 10 INVESTMENT PROPERTIES

	Group and Company	
	2020	2019
	\$'000	\$'000
<b>At cost:</b>		
At 1 January and 31 December	<b>28,794</b>	28,794
<b>Accumulated depreciation:</b>		
At 1 January	<b>6,229</b>	5,852
Depreciation charge for the year	<b>378</b>	377
At 31 December	<b>6,607</b>	6,229
<b>Carrying amount:</b>		
At 31 December	<b>22,186</b>	22,564

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 a related party and 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 2020 and 31 December 2019 were performed by Colliers International and Jones Lang LaSalle respectively. Both firm are independent valuers not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the properties in the relevant locations.

The fair value of the leasehold land and building of 17-storey office building at 96 Robinson Road, Singapore 068899, were determined based on the investment method of valuation, which takes into account the existing committed rentals and the estimated current market rentals achievable by the leasehold land and building. The fair value of the leasehold land and building of 17-storey office building at 96 Robinson Road, Singapore 068899, were cross-checked using the comparison method of valuation, which is based on the direct comparison with recent transactions of comparable properties within the vicinity.

The fair value of the leasehold land and building of Block 202, Bedok North Street 1, #01-479 to 485, Singapore 460202, were determined based on the direct comparison with recent transactions of comparable properties within the vicinity.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Management considers that certain inputs used in the fair value measurement of the Group's leasehold land and buildings are sensitive to the fair value measurement. A change in these inputs will have a corresponding increase/decrease in the fair valuation.



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 10 INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's leasehold land and buildings and information about the fair value hierarchy as at 31 December 2020 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair value as at 31 December 2020 \$'000	Fair value as at 31 December 2019 \$'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% (2019: 38.23%) of the lettable space is used as the head office of the Company and the remaining area is for rental. Tenure of lease is 99 years commencing 1 October 1996.	–	89,567	–	<b>89,567</b>	89,567
A shop at Block 202, Bedok North Street 1, #01-479 to 485, Singapore 460202, with a floor area of approximately 267 square metres on leasehold land. Approximately 50% (2019: 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	–	<b>2,200</b>	2,200
	–	91,767	–	<b>91,767</b>	91,767

The fair value of the entire 17-storey office building at 96 Robinson Road, Singapore 068899, is \$145,000,000 (2019: \$145,000,000). The fair value of the shop at Block 202, Bedok North Street 1, #01-479 to 485, Singapore 460202, is \$4,400,000 (2019: \$4,400,000).

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 11 SUBSIDIARY

	Company	
	2020 \$'000	2019 \$'000
Unquoted equity investments, at cost	25	25

Details of the subsidiary are as follows:

Name of subsidiary	Sing Investments & Finance Nominees (Pte.) Ltd.
Principal activity	Nominee services
Country of incorporation/business	Singapore
Proportion of ownership interest	100 % (2019: 100%)

The subsidiary is audited by Deloitte & Touche LLP, Singapore.

## 12 DEFERRED TAX LIABILITIES

Movements in deferred tax assets and liabilities during the year are as follows:

	At 1 January 2019 \$'000	Recognised in profit or loss for the year \$'000	Recognised in other comprehensive income \$'000	At 31 December 2019 \$'000	Recognised in profit or loss for the year \$'000	Recognised in other comprehensive income \$'000	At 31 December 2020 \$'000
<b>Group</b>							
<b>Deferred tax assets (liabilities)</b>							
Employee benefits	45	56	–	101	(34)	–	67
Property, plant and equipment	(157)	(768)	–	(925)	10	–	(915)
Investments	(1,735)	–	(200)	(1,935)	–	(886)	(2,821)
	<u>(1,847)</u>	<u>(712)</u>	<u>(200)</u>	<u>(2,759)</u>	<u>(24)</u>	<u>(886)</u>	<u>(3,669)</u>
<b>Company</b>							
<b>Deferred tax assets (liabilities)</b>							
Employee benefits	45	56	–	101	(34)	–	67
Property, plant and equipment	(157)	(768)	–	(925)	10	–	(915)
Investments	(1,688)	–	(191)	(1,879)	–	(903)	(2,782)
	<u>(1,800)</u>	<u>(712)</u>	<u>(191)</u>	<u>(2,703)</u>	<u>(24)</u>	<u>(903)</u>	<u>(3,630)</u>

## 13 DEPOSITS AND BALANCES OF CUSTOMERS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Fixed deposits	2,055,418	2,430,604	2,055,418	2,430,604
Fixed deposits and current accounts from subsidiary	–	–	761	764
Savings accounts and other balances with customers	218,396	64,655	218,408	64,655
Project accounts	4,894	2,378	4,894	2,378
	<u>2,278,708</u>	<u>2,497,637</u>	<u>2,279,481</u>	<u>2,498,401</u>

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 14 OTHER LIABILITIES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Accrued interest payable	13,777	23,971	13,777	23,971
Accrued operating expenses	4,936	4,576	4,934	4,570
Amount due to subsidiary	–	–	36	39
Deposits for safe deposit boxes and rental deposits	796	818	796	818
Unclaimed dividends	624	620	110	107
Lease liabilities	78	106	78	106
Deferred income from rental	267	274	267	274
Deferred income from Government grant – Job Support Scheme	423	–	423	–
Deferred income resulting from Borrowings from MAS	2,726	–	2,726	–
Others	228	56	228	56
	<b>23,855</b>	<b>30,421</b>	<b>23,375</b>	<b>29,941</b>

Maturity analysis for lease liability:

	Group and Company	
	2020	2019
Year 1	32	33
Year 2	31	32
Year 3	19	31
Year 4	1	19
Year 5	–	1
	<b>83</b>	<b>116</b>
Less: Unearned interest	(5)	(10)
	<b>78</b>	<b>106</b>
Due within 12 months	29	28
Due after 12 months	49	78
	<b>78</b>	<b>106</b>

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on 31 December 2019 and 2020 is 5%.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 15 BORROWINGS FROM MAS

	Group and Company 2020 \$'000
Due within 12 months	–
Due after 12 months	<b>147,168</b>
	<b>147,168</b>

Borrowings from MAS represents amounts advanced by MAS to the Group in order to partially finance the Enterprise Singapore (“ESG”) loan schemes for Small and Medium Enterprises (“SMEs”), administered by Enterprise Singapore. The ESG Loan Schemes comprise the Enhanced Enterprise Financing Scheme – SME Working Capital Loan (“EFS-WCL”) and the Temporary Bridging Loan Programme (“TBLP”).

## 16 ENTERPRISE SINGAPORE LOANS

	Group and Company	
	2020 \$'000	2019 \$'000
Due within 12 months	<b>3,658</b>	4,935
Due after 12 months	<b>1,012</b>	5,072
	<b>4,670</b>	10,007

Enterprise Singapore loans represent amounts advanced by Enterprise Singapore 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.

## 17 PROVISION FOR EMPLOYEE BENEFITS

	Group and Company	
	2020 \$'000	2019 \$'000
Provision for unutilised leave	<b>396</b>	598

## 18 SHARE CAPITAL

	Group and Company			
	2020 No. of shares (‘000)	2019 No. of shares (‘000)	2020 \$'000	2019 \$'000
Issued and fully paid:				
At 1 January and 31 December	<b>157,626</b>	157,626	<b>180,008</b>	180,008

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 19 RESERVES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Statutory reserve	120,864	115,965	120,864	115,965
Fair value reserve	13,771	9,446	13,580	9,172
Accumulated profits	62,881	57,622	62,494	57,239
Regulatory loss allowance reserve	9,940	9,940	9,940	9,940
	<b>207,456</b>	<b>192,973</b>	<b>206,878</b>	<b>192,316</b>

The statutory reserve is maintained in compliance with the provision of Section 18 of the Finance Companies Act, Chapter 108.

The fair value reserve comprises the cumulative net change in the fair value of FVOCI investments until such investments are disposed.

The regulatory loss allowance reserve is maintained in compliance with the MAS Notice to Finance Companies No. 811 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

## 20 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.

## 21 DIRECTORS' AND KEY MANAGEMENT PERSONNEL'S REMUNERATION

	Group	
	2020 \$'000	2019 \$'000
Salaries and other benefits	2,047	2,025
Contribution to defined contribution plan	22	23
Directors' fees	480	415
Others	48	53
	<b>2,597</b>	<b>2,516</b>

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 22 PROFIT BEFORE INCOME TAX

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

	Group	
	2020	2019
	\$'000	\$'000
<b>Interest income and hiring charges</b>		
Loans and advances and others measured at amortised cost	72,594	73,221
Cash and bank deposits at amortised cost	4,960	5,452
Singapore Government Securities and MAS bills measured at FVOCI	5,759	7,246
	<b>83,313</b>	<b>85,919</b>
<b>Interest expense</b>		
Deposits and others	36,273	40,593
<b>Dividends</b>		
Equity investments	189	195
	Group	
	2020	2019
	\$'000	\$'000
<b>Other income</b>		
Government grant	2,512	141
Bad debts recovered	57	151
Net loss on property, plant and equipment written off/disposed	(2)	(30)
Net gain on sale of Singapore government securities and MAS bills	276	206
Rental income from safe boxes	85	117
Others	4	7
	<b>2,932</b>	<b>592</b>
<b>Staff costs</b>		
Salaries and other benefits	14,567	14,119
Contributions to defined contribution plan	1,610	1,628
Provision for unutilised leave	(202)	330
	<b>15,975</b>	<b>16,077</b>
<b>Other operating expenses</b>		
Audit fees	108	108
Non-audit fees	31	45
Operating expenses on investment properties	674	677
Maintenance, utilities and property tax	1,419	1,292
Legal and professional fees	175	215
Commission expense	3,476	4,172
Others	2,205	2,551
	<b>8,088</b>	<b>9,060</b>

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 22 PROFIT BEFORE INCOME TAX (CONTINUED)

During the year, the Group received wage support for local employees under the Jobs Support Scheme (“JSS”) from the Singapore Government as part of the Government’s measures to support businesses during the period of economic uncertainty impacted by COVID-19. The Group assessed that there is reasonable assurance that it will comply with the conditions attached to the grants and the grants will be received. Grant income is recognised in profit or loss on a systematic basis over the period of uncertainty in which the related salary costs for which the grant is intended to compensate is recognised as expenses. Management has determined the period of uncertainty to be 13 months commencing from April 2020. Government grant income of \$2,512,000 was recognised during the year.

## 23 INCOME TAX EXPENSE

	Group	
	2020	2019
	\$'000	\$'000
<b>Current tax expense</b>		
Current year	3,546	2,848
Adjustments with respect to prior years	70	(1,459)
	<u>3,616</u>	<u>1,389</u>
<b>Deferred tax credit</b>		
Reversal of temporary differences (Note 12)	24	712
Total income tax expense	<u>3,640</u>	<u>2,101</u>
<b>Reconciliation of effective tax rate</b>		
Profit before income tax	<u>23,242</u>	<u>22,119</u>
Income tax using Singapore tax rate of 17% (2019: 17%)	3,951	3,760
Expenses not deductible for tax purposes	367	193
Effects of tax benefits	(35)	(34)
Income not subject to tax	(399)	(8)
Tax effect of income subject to concessionary tax rate of 10% (2019: 10%)	(139)	(135)
Section 14I tax deductions	–	(263)
Others	(175)	47
	<u>3,570</u>	<u>3,560</u>
Adjustments with respect to prior years	70	(1,459)
Total income tax expense	<u>3,640</u>	<u>2,101</u>

## 24 EARNINGS PER SHARE

	Group	
	2020	2019
	\$'000	\$'000
Basic and diluted earnings per share are based on:		
Net profit attributable to ordinary shareholders	<u>19,602</u>	<u>20,018</u>
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 2020 and 2019.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 25 DIVIDENDS

On 3 June 2020, a dividend of 6 cents per share, one-tier tax exempt (total dividend \$9,458,000) was paid to shareholders. In 9 May 2019, a dividend of 7 cents per share, one-tier tax exempt (total dividend \$11,034,000) was paid.

In respect of the current year, the directors propose that a dividend of 3.6 cents per share. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Annual dividend proposed of:

2020: 3.6 cents per share, one-tier tax exempt	<u>\$5,675,000</u>
--	--------------------

## 26 COMMITMENTS

	Group	
	2020 \$'000	2019 \$'000
<b>Capital commitments</b>		
Commitments for capital expenditure contracted but not provided for in the financial statements	<u>757</u>	<u>749</u>

### 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	
	2020 \$'000	2019 \$'000
Receivable:		
Within 1 year	2,065	2,713
After 1 year but within 5 years	599	1,930
	<u>2,664</u>	<u>4,643</u>
<b>Other commitment</b>		
Undrawn loan commitments	<u>674,025</u>	<u>432,494</u>

## 27 CONTINGENT LIABILITIES

Commitments entered into by the Group and the Company on behalf of customers for which customers have corresponding obligations to the Group and the Company and for the Group and the Company's operational requirements are as follows:

	Group and Company	
	2020 \$'000	2019 \$'000
Guarantees issued and financing of goods imported	<u>1,844</u>	<u>2,009</u>

As at 31 December 2020, guarantees issued for the Group and the Company's operational requirements amounted to \$14,185 (2019: \$51,485). These contingent liabilities are not secured on any of the Group's assets and not included on the statements of financial position of the Group and Company in accordance with the Group's accounting policy.



# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 28 CURRENT ASSETS AND CURRENT LIABILITIES

The current assets and current liabilities of the Group and Company are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Current assets<sup>5</sup></b>				
Cash and deposit with banks and Monetary Authority of Singapore ("MAS")	370,620	282,862	370,560	282,798
Statutory deposit with the MAS	59,836	69,623	59,836	69,623
Singapore government securities and MAS bills	89,805	157,491	89,805	157,491
Investment in equity securities	4,292	4,621	4,003	4,231
Loans and advances due within twelve months	399,009	518,912	399,009	518,912
Other receivables, deposits and prepayments	6,227	7,815	6,227	7,815
Total current assets	929,789	1,041,324	929,440	1,040,870
<b>Current liabilities<sup>5</sup></b>				
Deposits and balances of customers	2,053,109	2,452,703	2,053,882	2,453,467
Other liabilities	19,274	29,419	19,274	28,939
Enterprise Singapore loans due within twelve months	3,658	4,935	3,658	4,935
Provision for employee benefits	396	598	396	598
Current tax payable	4,520	1,393	4,520	1,393
Total current liabilities	2,080,066	2,489,048	2,080,839	2,489,332

<sup>5</sup> The comparative figures for 2019 have been represented to conform to current year's presentation, which is more representative of the Company's operations, where the current assets and current liabilities are consistent with the representation in Note 4, Liquidity risk. Singapore government securities and MAS bills, deposits and balances of customers and part of other liabilities pertaining to sundry creditors with maturity more than 1 year were previously shown as current assets and current liabilities. The effect of this change is to restate the Singapore government securities and MAS bills from \$316 million to \$157 million, the deposits and balances of customers from \$2,497 million for Group and \$2,498 million for Company to \$2,385 million and \$2,386 million and other liabilities from \$28 million for Group and \$28 million for Company to \$29 million for Group and \$28 million for Company.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 29 NEW STANDARDS ISSUED BUT NOT YET ADOPTED

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but effective for financial periods beginning on or after 1 January 2021:

### Effective for annual periods beginning on or after 1 January 2021

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: Interest Rate Benchmark Reform – Phase 2

### Annual periods beginning on or after 1 January 2022

- Amendments to SFRS(I) 3: Reference to the Conceptual Framework
- Amendments to SFRS(I) 1-16: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to various SFRS (I)s 2018 – 2020

### Effective for annual periods beginning on or after 1 January 2023

- Amendments to SFRS(I) 4: Extension of the Temporary Exemption from Applying SFRS (I) 9
- Amendments to SFRS(I) 17: Insurance Contracts
- Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-Current

### Effective date is deferred indefinitely

- Amendments to SFRS(I) 10, SFRS(I) 1-28: Sale or Contribution of Asset between an investor and its Associate or Joint Venture

Management has performed a detailed analysis of the accounting requirements relating to the amendments and determined that there will be no material adjustments expected from the initial application for Amendments to SFRS(I) 3, 1-16 and 1-1. SFRS(I) 17 and 1-28 are not applicable to the Group.

## ADDITIONAL INFORMATION

### DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2020

Name of Director	Total Remuneration (nearest thousand)	Basic Salary/ Employer's CPF/AWS	Variable Bonuses	Directors' Fee <sup>(1)</sup>	Other Benefits	Total
	S\$'000	%	%	%	%	%
<b>Executive Director</b>						
Lee Sze Leong	1,310	63.8	29.1	5	2.1	100
(Managing Director/ Chief Executive Officer)						
Lee Sze Siong	932	63	28.4	6.4	2.2	100
(Deputy Managing Director)						
<b>Non-executive Directors</b>						
Ng Tat Pun	155	–	–	100	–	100
Chee Jin Kiong	65	–	–	100	–	100
Michael Lau Hwai Keong	70	–	–	100	–	100
Joseph Toh Kian Leong	65	–	–	100	–	100

Note (1): The Directors' fees are subjected to approval by shareholders at the forthcoming Annual General Meeting.

# STATISTICS OF SHAREHOLDINGS

AS AT 03 MARCH 2021

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	69	3.28	1,334	0.00
100 – 1,000	180	8.56	98,945	0.06
1,001 – 10,000	1,044	49.62	5,717,122	3.63
10,001 – 1,000,000	792	37.64	54,766,559	34.74
1,000,001 AND ABOVE	19	0.90	97,041,804	61.57
<b>TOTAL</b>	<b>2,104</b>	<b>100.00</b>	<b>157,625,764</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	F H LEE HOLDINGS PTE LTD	44,469,968	28.21
2	RAFFLES NOMINEES (PTE.) LIMITED	8,658,720	5.49
3	PHILLIP SECURITIES PTE LTD	8,144,900	5.17
4	DBS NOMINEES (PRIVATE) LIMITED	4,873,290	3.09
5	AMELIA	4,061,311	2.58
6	CITIBANK NOMINEES SINGAPORE PTE LTD	3,320,805	2.11
7	LEE HENG WAH @ LEE HENG GUAN	3,000,000	1.90
8	SING HOLDINGS LIMITED	2,844,900	1.80
9	KOH BOON HONG	2,708,600	1.72
10	MORPH INVESTMENTS LTD	1,956,000	1.24
11	COSMOS INVESTMENT PTE LTD	1,785,150	1.13
12	KIMANIS MARINE PTE LTD	1,780,200	1.13
13	ANG HAO YAO (HONG HAoyao)	1,708,800	1.08
14	ANG CHIAN POH	1,546,350	0.98
15	AW SEOH BEE	1,382,000	0.88
16	TAI MAH SAWMILL CO (PTE) LTD	1,276,000	0.81
17	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,192,810	0.76
18	LIM HWEE SIN	1,182,000	0.75
19	NG CHIT TONG PETER OR YE CHUNXIU	1,150,000	0.73
20	UOB KAY HIAN PRIVATE LIMITED	927,510	0.59
	<b>TOTAL</b>	<b>97,969,314</b>	<b>62.15</b>

# STATISTICS OF SHAREHOLDINGS

AS AT 03 MARCH 2021

## SUBSTANTIAL SHAREHOLDERS AS AT 3 MARCH 2021

Name	Shareholdings registered in the name of Substantial Shareholders or their nominees	Number of shares		
		%	Shareholdings in which Substantial Shareholders are deemed to have an interest	%
Lee Sze Leong <sup>(1)</sup>	619,631	0.39	47,314,868	30.02
Lee Sze Siong <sup>(2)</sup>	651,142	0.41	47,314,868	30.02
Lee Sze Hao <sup>(3)</sup>	644,763	0.41	47,314,868	30.02
F.H. Lee Holdings (Pte) Limited <sup>(4)</sup>	44,469,968	28.21	2,844,900	1.80

### Notes:-

- (1) Lee Sze Leong is deemed to be interested in 44,469,968 shares held by F.H. Lee Holdings (Pte) Limited and 2,844,900 shares held by Sing Holdings Limited.
- (2) Lee Sze Siong is deemed to be interested in 44,469,968 shares held by F.H. Lee Holdings (Pte) Limited and 2,844,900 shares held by Sing Holdings Limited.
- (3) Lee Sze Hao is deemed to be interested in 44,469,968 shares held by F.H. Lee Holdings (Pte) Limited and 2,844,900 shares held by Sing Holdings Limited.
- (4) F.H. Lee Holdings (Pte) Limited is deemed to be interested in 2,844,900 shares held by Sing Holdings Limited.

### Shareholdings held in hands of public

As at 3 March 2021, approximately 68.53% 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 3 March 2021.

### Subsidiary Holdings

The Company does not hold any subsidiary holdings as at 3 March 2021.

### Directors' shareholdings as at 21 January 2021

As shown in the Directors' Statement in the Company's Annual Report for the financial year ended 31 December 2020, the shares held by the Directors as at 31 December 2020 remain unchanged as at 21 January 2021.

# 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 by way of electronic means on Monday, 26 April 2021 at 10.00 a.m. to transact the following businesses as set out below.

This Notice has been made available on SGXNet and the Company's website and may be accessed at the URL <https://www.sif.com.sg/annual-general-meeting>. A printed copy of this Notice will NOT be despatched to members.

## AS ORDINARY BUSINESS

1. To receive and, if approved, to adopt the Directors' statement and audited financial statements for the year ended 31 December 2020 together with the auditors' report thereon. **(Resolution 1)**
2. To approve the payment of \$480,000 as Directors' fees for the year ended 31 December 2020 (2019: \$415,000). **(Resolution 2)**
3. To declare a first and final one-tier tax exempt dividend of 3.6 cents per ordinary share for the financial year ended 31 December 2020. **(Resolution 3)**
4. To re-elect Mr Lee Sze Leong as Director, who retires pursuant to Regulation 109 of the Constitution of the Company.  
*[See Explanatory Note 7]* **(Resolution 4)**
5. To note the retirement of Mr Ng Tat Pun as Director, who is retiring pursuant to Regulation 109 of the Constitution of the Company.
6. 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 5)**
7. To transact any other business of an Annual General Meeting.

## AS SPECIAL BUSINESS

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

### 8. General mandate to authorise the Directors to issue shares or convertible instruments

"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 (the "SGX-ST"), authority be and is hereby given to the Directors of the Company to: **(Resolution 6)**

- (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 of the Company may in their absolute discretion consider fit; and

- (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 of the Company while this Resolution was in force,

# NOTICE OF ANNUAL GENERAL MEETING

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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) 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 Constitution 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."  
*[See Explanatory Note 8]*

## 9. Authority to issue shares under Sing Investments & Finance Limited Performance Share Plan 2020

"That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to grant awards in accordance with the provisions of the Sing Investments & Finance Limited Performance Share Plan 2020 (the "PSP") and to allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be allotted and/or issued pursuant to the vesting of the awards provided that the aggregate number of shares available under the PSP and any other share-based schemes which the Company may implement from time to time, and the PSP, shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company on the day preceding the date of the awards".  
*[See Explanatory Note 9]*

**(Resolution 7)**

BY ORDER OF THE BOARD

**Ong Beng Hong**  
**Lee Yuan**  
Company Secretaries

Singapore, 26 March 2021

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (1) Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the Annual General Meeting (“AGM”) are set out in the Company’s announcement dated 26 March 2021 entitled “Important Notice to Shareholders Regarding the Company’s Annual General Meeting on 26 April 2021” which has been uploaded together with this Notice of AGM on SGXNet on the same day. This announcement may also be accessed at the URL <https://www.sif.com.sg/annual-general-meeting>.

In particular, the AGM will be held by way of electronic means and a member will be able to watch the proceedings of the AGM through a “live” webcast via his/her/its mobile phones, tablets or computers or listen to these proceedings through a “live” audio feed via telephone. In order to do so, a member who wishes to watch the “live” webcast or listen to the “live” audio feed must pre-register by 10:00 a.m. on 23 April 2021, at the URL <https://streaming.sg/register/sif/>. Following authentication of his/her/its status as members, authenticated members will receive email instructions on how to access the webcast and audio feed of the proceedings of the AGM by 25 April 2021.

A member who pre-registers to watch the “live” webcast or listen to the “live” audio feed may also submit questions related to the resolutions to be tabled for approval at the AGM. To do so, all questions must be submitted by 10:00 a.m. on 23 April 2021:

- (a) via the pre-registration website at the URL <https://streaming.sg/register/sif/>;
  - (b) in hard copy by sending personally or by post and lodging the same at the Registered Office of the Company at 96 Robinson Road #01-01 SIF Building, Singapore 068899; or
  - (c) by email to [sif-agm2021@sif.com.sg](mailto:sif-agm2021@sif.com.sg).
- (2) **A member will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.** In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid. The accompanying proxy form for the AGM may be accessed at the Company’s website at the URL <https://www.sif.com.sg/annual-general-meeting> and has also been made available on SGXNet.
- (3) The Chairman of the AGM, as proxy, need not be a member of the Company. The instrument appointing the Chairman of the AGM as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must:
- (a) if sent personally or by post, be deposited at the Registered Office of the Company at 96 Robinson Road #01-01 SIF Building, Singapore 068899; or
  - (b) if submitted by email, be received by the Company at [sif-agm2021@sif.com.sg](mailto:sif-agm2021@sif.com.sg),

in either case, not less than 72 hours before the time for holding the AGM, and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**

- (4) The instrument appointing the Chairman of the AGM as proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a Company, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney.
- (5) In the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by the The Central Depository (Pte) Limited to the Company.



# NOTICE OF ANNUAL GENERAL MEETING

- (6) Persons who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore), including CPF and SRS investors, and who wish to participate in the AGM ("**Relevant Intermediary Participants**") by (a) observing and/or listening to the AGM proceedings via the "**live**" webcast or the "**live**" audio feed in the manner provided in Explanatory Note 1 above; (b) submitting questions in advance of the AGM in the manner provided in Explanatory Note 1 above; and/or (c) appointing the Chairman of the AGM as proxy to attend, speak and vote on their behalf at the AGM, should contact the relevant intermediary (which would include, in the case of CPF and SRS investors, their respective CPF Agent Banks and SRS Operators) through which they hold such shares as soon as possible in order to facilitate the necessary arrangements for them to participate in the AGM. CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 10:00 a.m. on 14 April 2021.
- (7) Mr Lee Sze Leong, the Managing Director and Chief Executive Officer of the Company, will upon re-election under Resolution 4 above proposed in item 4, continue to serve as Member of the Nominating Committee and Risk Management Committee, and Chairman of the Loan Committee.
- (8) The Ordinary Resolution 6 proposed in item 8 above, if passed, will empower the Directors of the Company from the date of the AGM until the next AGM, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, 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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) 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.

- (9) The Ordinary Resolution 7 proposed in item 9 above, if passed, will authorise the Directors of the Company from the date of the AGM until the next AGM, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards in accordance with the provisions of the Sing Investments & Finance Limited Performance Share Plan 2020 (the "**PSP**") and to allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be issued pursuant to the vesting of the awards provided that the aggregate number of shares available under the PSP and any other share-based schemes which the Company may implement from time to time, and the PSP, not exceeding 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company. The PSP was first approved by the shareholders of the company at the AGM held on 20 May 2020. Please refer to the Company's Letter to Shareholder dated 28 April 2020 for future reference.
- (10) The Annual Report for the financial year ended 31 December 2020 may be accessed at the Company's website at the URL <https://www.sif.com.sg/annual-reports> under "Annual Report 2020". The Annual Report has also been made available on SGXNet.

## PERSONAL DATA PRIVACY:

By attending the AGM and/or any adjournment thereof, submitting an instrument appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof or submitting any details of Relevant Intermediary Participants in connection with the AGM, 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, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy and the participation of Relevant Intermediary Participants for the AGM (including any adjournment thereof) and the preparation, compilation and publication 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 or service providers) 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 Relevant Intermediary Participants to the Company (or its agents), the member has obtained the prior consent of such Relevant Intermediary Participants for the collection, use and disclosure by the Company (or its agents) of the personal data of such Relevant Intermediary Participants for the Purposes.

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## DIRECTOR STANDING FOR RE-ELECTION AT THE ANNUAL GENERAL MEETING

The following information relating to Mr Lee Sze Leong who is standing for re-election as a Director (the "Retiring Director") at the Annual General Meeting of the Company on 26 April 2021, is provided pursuant to Rule 720 (6) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the information as set out in Appendix 7.4.1.

	<b>Mr Lee Sze Leong</b>
Date of Appointment	20 February 1989
Date of last re-appointment	24 April 2019
Age	62
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having considered the recommendation of the Nominating Committee, is of the view that Mr Lee is able to provide confident and decisive leadership to the Company. Mr Lee is able to balance risks and opportunities well and he has the relevant knowledge and experiences.
Whether appointment is executive, and if so, the area of responsibility	Managing Director/Chief Executive Officer. Mr Lee is responsible for managing the business and operations of the Company, in particular, driving the financial performance and spearheading the strategic development of the Company and execution of the strategic plans set out by the Board.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	<ul style="list-style-type: none"> <li>Managing Director/Chief Executive Officer</li> <li>Loan Committee (Chairman)</li> <li>Nominating Committee (Member)</li> <li>Risk Management Committee (Member)</li> </ul>
Professional qualifications	Bachelor of Business Administration, University of Hawaii
Working experience and occupation(s) during the past 10 years	Managing Director/Chief Executive Officer of the Company
Shareholding interest in the listed issuer and its subsidiaries	<ul style="list-style-type: none"> <li><u>Direct interest:</u> 619,631 shares*</li> <li><u>Deemed interest:</u> 44,469,968 shares held by F.H. Lee Holdings (Pte) Limited*</li> <li>2,844,900 shares held by Sing Holdings Limited*</li> </ul> <p>*As of 3 March 2021</p>
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	<p>Sibling of Mr Lee Sze Siong, Deputy Managing Director</p> <p>Sibling of Mr Lee Sze Hao, a substantial shareholder of the Company</p>

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Lee Sze Leong
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments (including directorships) – Present	<ul style="list-style-type: none"> <li>• Sing Investments &amp; Finance Nominees (Pte.) Ltd. (Director)</li> <li>• Sing Holdings Limited (Non-Executive Chairman)</li> <li>• F.H. Lee Holdings (Pte) Limited (Director)</li> <li>• Hire Purchase, Finance and Leasing Association of Singapore (Chairman)</li> <li>• Finance Houses Association of Singapore (Honorary Secretary)</li> <li>• 60th Singapore Chinese Chamber of Commerce &amp; Industry (SCCCI) (Council Member)</li> <li>• 60th SCCCI Finance Committee (Member)</li> <li>• 60th SCCCI General Affairs Committee (Member)</li> <li>• 60th SCCCI Property Management Committee (Member)</li> <li>• Chinese Development Assistance Council (CDAC) Board of Trustees (Member)</li> <li>• CDAC Investment Committee (Member)</li> <li>• Tanjong Pagar-Tiong Bahru Citizens' Consultative Committee (Honorary Chairman)</li> </ul>
Other principal commitments (including directorships) – Past, for the last 5 years	Nil
a. Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
b. Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Lee Sze Leong
c. Whether there is any unsatisfied judgment against him?	No
d. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
e. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
f. Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
g. Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
h. Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
i. Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Lee Sze Leong
<p>j. Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:</p> <p>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No
<p>k. Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	No
<p>Any prior experience as a director of a listed company?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	Not applicable as Mr Lee is a Retiring Director seeking re-election

This page has been intentionally left blank

## SING INVESTMENTS & FINANCE LIMITED

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

### PROXY FORM

This form of proxy has been made available on SGXNet and the Company's website and may be accessed at the URL <https://www.sif.com.sg/annual-general-meeting>.

A printed copy of this form of proxy will NOT be despatched to members.

#### IMPORTANT

1. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the Annual General Meeting ("AGM") are set out in the Company's announcement dated 26 March 2021 entitled "Important Notice to Shareholders Regarding the Company's Annual General Meeting on 26 April 2021" which has been uploaded together with the Notice of AGM dated 26 March 2021 on SGXNet on the same day. This announcement may also be accessed at the URL <https://www.sif.com.sg/annual-general-meeting>.
2. A member will not be able to attend the AGM in person. If a member (individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
3. This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold ordinary shares through their CPF/SRS funds. CPF/SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 10:00 a.m. on 14 April 2021.

I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/PP/UEN No.)

of \_\_\_\_\_ (Address)

being a member/members of Sing Investments & Finance Limited (the "Company") hereby appoint the Chairman of the Annual General Meeting ("AGM"), as my/our proxy to attend, speak and vote for me/us on my/our behalf, at the AGM of the Company to be held by way of electronic means on 26 April 2021 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy to vote for, against and/or to abstain from voting on the Resolutions to be proposed at the AGM as indicated hereunder.

No.	Resolutions relating to:	No. of Votes For*	No. of Votes Against*	No. of Votes Abstaining*
<b>Ordinary Business</b>				
1	Adoption of Directors' statement and audited financial statements			
2	Approval of Directors' fees			
3	Declaration of final dividend			
4	Re-election of Mr Lee Sze Leong as a Director			
5	Re-appointment of Messrs Deloitte & Touche LLP as Auditors and to authorise Directors to fix their remuneration			
<b>Special Business</b>				
6	General mandate to authorise the Directors to issue new shares or convertible instruments			
7	Authority to issue shares under Sing Investments & Finance Limited Performance Share Plan 2020			

\* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution or to abstain from voting on the resolution in respect of all your votes, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise some and not all of your votes "For" and/or "Against" the relevant resolution and/or to abstain from voting in respect of the resolution, please indicate the number of shares in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

**Total Number of Shares Held**

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

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



**NOTES:**

1. A member will not be able to attend the AGM in person. If a member (individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
2. The Chairman of the AGM, as proxy, need not be a member of the Company.
3. 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 81SF of the Securities and Futures Act, Chapter 289 of Singapore), 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.
4. The instrument appointing the Chairman of the AGM as proxy must
  - (a) if sent personally or by post, be deposited at the Company's Registered Office at 96 Robinson Road #01-01 SIF Building, Singapore 068899; or
  - (b) if submitted by email, be received by the Company at [sif-agm2021@sif.com.sg](mailto:sif-agm2021@sif.com.sg),in either case, not less than 72 hours before the time set for the AGM, and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**
5. If sent personally or by post, the instrument appointing the Chairman of the AGM as proxy of an individual must be under the hand of the appointor or of his attorney duly authorised in writing and the instrument appointing the Chairman of the AGM as proxy of a corporation must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

Where an instrument appointing the Chairman of the AGM as proxy is submitted by email, it must be authorised in the following manner:

  - (a) by way of the affixation of an electronic signature by the appointor or his/her duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or
  - (b) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.
6. Where an instrument appointing the Chairman of the AGM as proxy is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. The Company shall be entitled to reject any instrument appointing the Chairman of the AGM as proxy if it 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 (including any related attachment) (such as in the case where the appointor submits more than one instrument appointing the Chairman of the AGM as proxy). In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy if the member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

**PERSONAL DATA PRIVACY:**

By attending the AGM and/or any adjournment thereof or submitting an instrument appointing a proxy, the member accepts and agrees to the personal data privacy terms as set out in the Notice of AGM dated 26 March 2021.

Please fold inwards along dotted line

**PROXY FORM FOR  
ANNUAL GENERAL MEETING**

Affix  
Postage  
Stamp

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







**SING INVESTMENTS  
& FINANCE LIMITED**

96 ROBINSON ROAD #01-01, SIF BUILDING SINGAPORE 068899

CO. REG. NO. 196400348D

[WWW.SIF.COM.SG](http://WWW.SIF.COM.SG)

TEL 6305 0300