

2018

ANNUAL REPORT

—
forward looking



SING INVESTMENTS
& FINANCE LIMITED



ADVANCING FORWARD WITH STRATEGIC PARTNERSHIPS

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ABOUT US

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

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

OUR OBJECTIVE

Over the years, SIF has built trust among its customers and SIF has many loyal customers who continue to support the company. SIF will continue to develop its business with integrity and high 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.

WHAT WE DO

SIF is a licensed finance company under the Finance Companies Act, and its principal activities cover 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 Enterprises (SMEs) in Singapore. SIF offers a full range of products and services to its customers which includes:

- Savings and Fixed Deposits
- Current Account
- Conveyancing Account
- Car Loans
- Residential and Commercial Property Loans
- Land and Construction Loans
- Machinery Loans
- Financing Schemes under the Enterprise Singapore
- Block Discounting Facility
- Share Financing
- Shipping Loans
- Invoice Factoring/Account Receivables
- Unsecured Loans

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

AWARDS AND RECOGNITION

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.

2018

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

2017

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

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 the uncertainties and challenges expected in 2019, the Group will continue to focus on seeking new business opportunities to achieve sustainable growth and profitability, and create value for all stakeholders.

On behalf of the Board of Directors, it gives me great pleasure to present the annual report of the Group and the Company for the financial year ended 31 December 2018.

ACHIEVEMENTS AND GROWTH IN 2018

In 2018, the Group performed well and achieved a number of milestones. We delivered strong loan growth and profitability, as well as provided new products and services to our customers.

These milestones were achieved against the backdrop of a supportive domestic economic environment especially during the first half of 2018, where GDP growth exceeded 4% in the first two quarters. With sluggish global trade due to trade tensions between China and USA coupled with a slowdown in the manufacturing sector, Singapore's GDP growth moderated to below 2% in the last quarter of 2018. As a consequence, full year growth of the Singapore economy came in at 3.2%, lower than the 3.9% in 2017. Despite the slower pace of economic growth in the latter part of 2018 and the dampening effect of the cooling property measures introduced in July 2018, the Group continued to focus on seeking new business opportunities and sustaining our profitability.

The Group was able to offer more holistic financing services to our customers after the amendments to the Finance Companies Act in late 2017 which permitted finance companies to widen our product range. In February 2018, we rolled out unsecured working capital loan products which were much welcomed by our small and medium enterprise ("SME") customers. Such products catered to their short term cash flow financing needs. In June 2018, we further expanded our product range to include current account with chequing facility to our corporate customers. All these new products and services have enabled our Company to further strengthen our relationship with our customers by enhancing the financing solutions we provide, especially to those in the SME sector.

We continue to be humbled and honoured by the recognition given to us by the industry for our best practices in corporate governance from 2015 to 2018. Last year, we were awarded the Singapore Corporate Governance Award (Small Cap) by the Securities Investors Association (Singapore) for the second time. The Company was also selected by SGX to be under the SGX Fast Track programme which accords companies in the programme with prioritised clearance for selected corporate action submissions to



SGX Regco. These recognitions are a great encouragement to us and an excellent testimony of the trust and confidence placed on us by our investors and customers. We will continue to cherish the goodwill and strive to do even better in the future.

FORWARD LOOKING INTO THE FUTURE

Going forward, we will build on the progress we have made and focus our efforts on remaining relevant to our customers by growing our business in the midst of digital disruption.

One of the current key disrupters and at the same time an enabler is the digital revolution. The Group embraces this change and views it as an opportunity to improve our capabilities to better serve our customers.

In 2019, we plan to replace our traditional core banking system with a digital enabled platform which will benefit our customers by providing them with faster and more convenient access to our services. We also intend to make further investments to enhance our technology infrastructure in order to support future growth and development.

CHAIRMAN'S STATEMENT

Digital mobile apps and portals provide greater convenience for customers to perform their banking transactions without the need for an extensive branch network. We believe that our current four physical branches are sufficient and play an important role in helping to serve the needs of our more senior customers, most of whom prefer personal interaction and services provided by our friendly staff at the branches. Hence, we will continue to ensure that our branches are located strategically. For that purpose, in 2018 we relocated one of our branches to Jurong Gateway.

The Group will continue to invest in technology to improve our products and services to better meet the changing needs of our client base.

FINANCIAL PERFORMANCE

Sing Investments & Finance Limited performed well in 2018. The Group registered a profit after tax of \$24.0 million, a growth of 5.9% compared to \$22.7 million a year ago. This was despite the absence of a \$2.4 million gain from the sale of Singapore Government Securities ("SGS") which was recorded in 2017. The better performance was supported by higher net interest income and write-back of loan allowances.

Total income reached a new peak of \$51.8 million in 2018. This was underpinned by higher net interest income of \$46.9 million, in line with the strong growth in our loan portfolio which reached an all-time high of \$2.08 billion as at 31 December 2018.

Operating expenses edged up 6.6% largely to support new business activities. Depreciation charge rose as a result of greater investment in technology infrastructure. However, we managed to maintain cost to income ratio at a healthy level of 47.2%.

The Group wrote back \$1.4 million of loan allowances in 2018 compared to a charge of \$2.4 million a year ago. In compliance with the revised regulatory requirement for loan allowance, the Group also maintained a Regulatory Loan Allowance Reserve of \$8.4 million as at 31 December 2018.

Total shareholders' fund grew by 7.5% to reach \$363 million at the end of 2018, supported by higher retained earnings. Total assets also reached a new high of \$2.81 billion as at 31 December 2018.

DIVIDENDS

Subject to approval by shareholders at the forthcoming Annual General Meeting, the Board is pleased to recommend a first and final one-tier tax exempt dividend of 7 cents per share. The dividend pay-out is in line with our good performance in 2018.

SUSTAINABILITY

In 2018, the Group advanced our sustainability efforts by achieving our targets set in last year's inaugural Sustainability Report. For our corporate social responsibility events, we were heartened to witness greater participation among our staff members, where they engaged the elderly and other vulnerable groups in the local community. This culture of giving and volunteerism among staff members is one that the Group will continue to encourage and build on.

Other green initiatives include discontinuing the mailing of printed hardcopies of the annual reports to our shareholders unless specifically requested by them. We encourage our shareholders to support this initiative and access the softcopy of the report via our corporate website.

2019 OUTLOOK

The Ministry of Trade and Industry forecasted Singapore's economic growth for 2019 to be in the range of 1.5% to 3.5%. The Ministry expects growth to be "slightly below the mid-point" of the forecasted range. The uncertainties and downside risks include a slowdown in the Chinese economy, the on-going trade tensions between China and USA and the possibility of a "no-deal Brexit" in Britain.

Notwithstanding the uncertainties and challenges expected in 2019, the Group will continue to focus on seeking new business opportunities to achieve sustainable growth and profitability, and create value for all stakeholders.

BOARD CHANGES AND ACKNOWLEDGEMENTS

We have continued to refresh our Board with new talents, skills and capabilities. On 2nd January 2019, we welcomed two new Board members, Mr Michael Lau Hwai Keong and Mr Joseph Toh Kian Leong. Mr Lau brings with him both private sector and regulatory experiences while Mr Toh possesses a strong audit and accounting background. Their addition to the Board will further strengthen our overall Board composition and support succession planning.

Three Board members will not be seeking re-election at the forthcoming Annual General Meeting. They are Dr Joseph Yeong Wee Yong, Mr Lim Poh Suan and Mr Kim Seah Teck Kim. The Board and I would like to record our deepest appreciation to them for their invaluable contributions and insights during their tenure as valued members of the Board. We wish all of them well and every success in their future endeavours.

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

In addition, I would like to thank my fellow directors for their insights and guidance and the Senior Management team and staff members for their hard work and commitment which have enabled the Group to deliver another strong performance in 2018.

Ng Tat Pun

Chairman

19 February 2019

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

Dr Joseph Yeong Wee Yong
Non-Executive & Non-Independent Director

Mr Lim Poh Suan
Non-Executive & Independent Director

Mr Kim Seah Teck Kim
Non-Executive & Independent 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 Lim Poh Suan *Chairman*

Mr Kim Seah Teck Kim

Mr Chee Jin Kiong

Mr Michael Lau Hwai Keong

Mr Joseph Toh Kian Leong

RISK MANAGEMENT COMMITTEE

Dr Joseph Yeong Wee Yong *Chairman*

Mr Ng Tat Pun

Mr Michael Lau Hwai Keong

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 Kim Seah Teck Kim *Chairman*

Mr Ng Tat Pun

Mr Lee Sze Leong

REMUNERATION COMMITTEE

Mr Chee Jin Kiong *Chairman*

Dr Joseph Yeong Wee Yong

Mr Lim Poh Suan

Mr Joseph Toh Kian Leong

LOAN COMMITTEE

Mr Lee Sze Leong *Chairman*

Mr Lee Sze Siong

Dr Joseph Yeong Wee Yong

Ms Lim Lee Mei

Ms Rena Hioe Siew Peng

REGISTERED & HEAD OFFICE

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#01-01 SIF Building

Singapore 068899

Tel: (65) 6305 0300

Fax: (65) 6305 0328

Website: www.sif.com.sg

BRANCH OFFICES

Ang Mo Kio Branch

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#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

Mr Chan Kum Kit

Mr Tan Mui Sang

AUDITORS

Deloitte & Touche LLP

6 Shenton Way

QUE Downtown 2

#33-00

Singapore 068809

Partner-in-charge: Ms Giam Ei Leen

Date of appointment: 24 April 2018

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

INVESTOR RELATIONS

96 Robinson Road

#08-01 SIF Building

Singapore 068899

Tel: (65) 6438 7060

Fax: (65) 6305 0281

Email: investor_relations@sif.com.sg

BOARD OF DIRECTORS

AS AT 19 FEBRUARY 2019



STANDING FROM THE LEFT:

MR JOSEPH TOH KIAN LEONG, MR KIM SEAH TECK KIM,
MR LEE SZE SIONG, MR CHEE JIN KIONG,
MR MICHAEL LAU HWAI KEONG, DR. JOSEPH YEONG WEE YONG, MR LIM POH SUAN

SITTING FROM THE LEFT:

MR NG TAT PUN, MR LEE SZE LEONG

BOARD OF DIRECTORS

AS AT 19 FEBRUARY 2019

MR NG TAT PUN, 74

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:

21 April 2016

Length of service as a director:

6 years 11 months

Board/Working Committee(s) served on:

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

Academic & Professional Qualification(s):

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

Present Directorships in other listed companies:

- Thai Beverage Public Company Limited

Other Appointments:

- SP Chemicals Pte Ltd (Chairman & Independent Director)

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

- Engro Corporation Limited

MR LEE SZE LEONG, 60

Role:

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

Date of first appointment as a director:

20 February 1989

Date of last re-election as a director:

21 April 2016

Length of service as a director:

30 years

Board/Working Committee(s) served on:

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

Academic & Professional Qualification(s):

- Bachelor of Business Administration, University of Hawaii

Present Directorships in other listed companies:

- Sing Holdings Limited (Non-Executive Chairman)

Other Appointments:

- F.H. Lee Holdings (Pte) Limited (Director)
- Sing Investments & Finance Nominees (Pte.) Ltd. (Director)
- Hire Purchase, Finance and Leasing Association of Singapore (Chairman)
- Finance Houses Association of Singapore (Chairman)
- 59th Singapore Chinese Chamber of Commerce & Industry (SCCCI) (Council Member)
- 59th SCCCI Finance Committee (Chairman)
- 59th 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, 57

Role:

- Deputy Managing Director
- Executive and Non-Independent Director

Date of first appointment as a director:

19 March 1997

Date of last re-election as a director:

24 April 2017

Length of service as a director:

21 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

BOARD OF DIRECTORS

AS AT 19 FEBRUARY 2019

DR JOSEPH YEONG WEE YONG, 67**Role:**

- Non-Executive and Non-Independent Director

Date of first appointment as a director:
19 March 1997

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

Length of service as a director:
21 years 11 months

Board/Working Committee(s) served on:

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

Academic & Professional Qualification(s):

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

Present Directorships in other listed companies:

- Nil

Other Appointments:

- Singapore Clinical Research Institute (Director)
- Lee Kuan Yew School of Public Policy, National University of Singapore (Adjunct Professor)

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

- Nil

MR LIM POH SUAN, 67**Role:**

- Non-Executive and Independent Director

Date of first appointment as a director:
1 July 2010

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

Length of service as a director:
8 years 7 months

Board/Working Committee(s) served on:

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

Academic & Professional Qualification(s):

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

Present Directorships in other listed companies:

- Nil

Other Appointments:

- Nil

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

- Nil

MR KIM SEAH TECK KIM, 64**Role:**

- Non-Executive and Independent Director

Date of first appointment as a director:
1 July 2010

Date of last re-election as a director:
21 April 2016

Length of service as a director:
8 years 7 months

Board/Working Committee(s) served on:

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

Academic & Professional Qualification(s):

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

Present Directorships in other listed companies:

- Nil

Other Appointments:

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

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

- Texchem-Pack Holdings (S) Ltd.

BOARD OF DIRECTORS

AS AT 19 FEBRUARY 2019

MR CHEE JIN KIONG, 72

Role:

- Non-Executive and Independent Director

Date of first appointment as a director:

1 September 2014

Date of last re-election as a director:

24 April 2018

Length of service as a director:

4 years 5 months

Board/Working Committee(s) served on:

- Remuneration Committee (Chairman)
- Audit 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, 58

Role:

- Non-Executive and Independent Director

Date of first appointment as a director:

2 January 2019

Date of last re-election as a director:

Nil

Length of service as a director:

1 month

Board/Working Committee(s) served on:

- Risk Management Committee (Member)
- 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:

- Thai Beverage Public Company Limited (Independent Director)

Other Appointments:

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

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

- Nil

MR JOSEPH TOH KIAN LEONG, 63

Role:

- Non-Executive and Independent Director

Date of first appointment as a director:

2 January 2019

Date of last re-election as a director:

Nil

Length of service as a director:

1 month

Board/Working Committee(s) served on:

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

Academic & Professional Qualification(s):

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

Present Directorships in other listed companies:

- Nil

Other Appointments:

- Nil

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

- Nil

**GROWING OUR
INSPIRATION &
INNOVATION**



CORPORATE GOVERNANCE STATEMENT



Sing Investments & Finance Limited (“SIF”), believes that a strong and effective corporate governance is vital to protect the interests of all stakeholders of the Company and to meet regulatory requirements. Our corporate governance policies and practices are reviewed regularly as corporate governance environment evolves.

For financial year 2018, SIF has complied with and adhered to the spirit of the Code of Corporate Governance 2012 (“the Code”) when discharging its duties. In this report, our corporate governance practices describe the Board’s application of good governance which is underpinned by sound risk management and robust internal controls with reference to the Code. Where there is any material deviation from the Code, appropriate explanation has been provided within this report.

SIF Corporate Governance – 3 Key Pillars

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

1. The Board of Directors
2. The Board Committees – consisting of the following:
 - Audit Committee (“AC”)
 - Risk Management Committee (“RMC”)
 - Nominating Committee (“NC”)
 - Remuneration Committee (“RC”)
3. 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 a whistle-blowing or feedback channel; and
- To establish a policy and strategy to promote board renewal and succession planning.

Accountability and Audit

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

CORPORATE GOVERNANCE STATEMENT

Communication with Stakeholders

- To ensure that the Company engages in regular, effective and fair communication with shareholders, 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.

BOARD MATTERS**PRINCIPLE 1****THE BOARD'S CONDUCT OF AFFAIRS****Board Responsibility**

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

- Providing entrepreneurial leadership, overseeing and formulating long-term business strategies and policies and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- Identifying the principal risks of the Company's business and establishing a framework of prudential controls to assess and manage these risks;

- Monitoring and reviewing management performance, succession and development plans;
- Identifying the key stakeholder groups and recognizing that their perceptions affect the Company's reputation;
- Setting the Company's values and standards (including ethical standards) and ensuring that obligations to shareholders and stakeholders are understood and met;
- Maintaining a culture of integrity by reviewing and monitoring internal controls and procedures for financial reporting and compliance; and
- Considering sustainability issues as part of its strategic formulation.

Delegation by the Board

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

Meetings of the Board and Board Committees

The Board met 5 times during the financial year. The Chairman would brief the Board on the issues to be discussed during the Board meetings. The documents pertaining to important and complex issues would be circulated for the Board's review before the members meet to discuss them.

The Constitution of the Company also provides for telephonic and video-conference meeting.

The Board's attendance at the Board and Board Committees' meetings during FY 2018 are set out as follows:

Attendance of the Board and Board Committee Meetings

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

CORPORATE GOVERNANCE STATEMENT

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.

Board Induction

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

A comprehensive and tailored induction programme is provided to new directors joining the Board to provide them an overview of various aspects of the Company in order to facilitate them in discharging their responsibilities as directors. An induction programme was conducted for the two new directors appointed in 2019 (Mr Michael Lau and Mr Joseph Toh) before their attendance of the first board meeting. Accounting matters, risk related issues, regulatory compliance updates, legal and other industry-specific topics were included in the induction programme. Department Heads of various departments conduct presentations on key functions and responsibilities of the respective departments to enable the two new directors to gain a better understanding of the businesses and operations of the Company.

In addition to the above, Mr Joseph Toh who is a first-time director of a listed company is attending the Listed Entity Director Programme conducted by Singapore Institute of Directors, so as to equip him with the relevant skills and knowledge to discharge his responsibilities effectively.

Continuous Development Programme

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

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



As part of the continuing Board members' development programme for the year and in addition to the various courses/seminars attended by the directors, in-house training on "Anti-Money Laundering (AML)/Countering Financing of Terrorism (CFT)", "Accountability & Conduct Regime", "Directors' training on IT related matters" and "Digital Transformation" were conducted in 2018. Executive Directors also attended seminars during Singapore Fintech Festivals 2018 to keep abreast with the latest trends, technologies and inventions that are relevant to the banking and finance industry.

In addition to the above, the Company also arranged for directors to attend external courses in 2018, including "ACRA-SGX-SID Audit Committee Seminar", "Rebooting Globalization & Governance in an era of Disruption" and "Launch of Singapore Directorship Report 2018 & Corporate Governance Guides for Boards in Singapore Edition".

The purpose of the Continuous Development Programme 2018 is to keep the directors abreast of the latest developments in risk management, regulatory compliance and industry-specific issues. The courses attended are important to equip directors with appropriate skills to discharge their responsibilities as members of the Board and Board Committees.

The NC has assessed and is satisfied that the training attended by the directors in 2018 have adequately fulfilled their purposes.

CORPORATE GOVERNANCE STATEMENT



PRINCIPLE 2 BOARD COMPOSITION AND GUIDANCE

Board of Directors ("Board")

There are in total 9 Board Members, of which 6 directors are independent. The current Board comprises the following members:

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

Notes:

(1) Non-executive and Independent Director

(2) Non-executive and Non-independent Director

Board Independence

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

The NC conducts the annual evaluation of director independence 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 to review the factors considered to arrive at the conclusions as to the independent status of the directors and to consider any particular cases of potential material relationships;
- A checklist is drawn up based on the guidelines provided in the Code to facilitate the evaluation by the NC; and
- Report to the Board on the independent status of the directors.

In assessing the independence of the directors in 2018, 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 in the Board beyond nine years from the date of his first appointment shall be deemed as non-independent. No director with the existence of relationships or circumstances as mentioned in the Code has been deemed as independent for the year 2018.

The Board, after taking into account the view of the NC, determined that the majority of the Board which include Mr Ng Tat Pun, Mr Lim Poh Suan, Mr Kim Seah Teck Kim, Mr Chee Jin Kiong, Mr Michael Lau Hwai Keong and Mr Joseph Toh Kian Leong are independent. Mr Lee Sze Leong – Managing Director/CEO, Mr Lee Sze Siong – Deputy Managing Director and Dr Joseph Yeong Wee Yong are the only non-independent directors on the Board.

Board Composition

On an annual basis, NC reviews the size and composition of the Board and Board Committees. 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.

NC seeks to ensure that the size of the Board is conducive for effective discussion and decision making, and that the Board has an appropriate number of independent directors. The size and composition of the Board are reviewed periodically. Taking into account the scope and nature of SIF's operations and the number of Board Committees, the Board in concurrence with NC, is of the view that a Board size of at least six directors is appropriate. The Board currently consists of nine (9) directors – six (6) non-executive and independent directors, one (1) non-executive and non-independent director and two (2) executive directors.

CORPORATE GOVERNANCE STATEMENT

Diversity Policy

The Board understands and embraces the benefits of having diversity in the board and views diversity at the board 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. No quota to be set for a specific criterion and the Board believes that all board appointments should be made on the basis of merit, with due regard to diversity.

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

Board Committees

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

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

Meeting of Directors without Management

Led by the Chairman of the Board, Non-Executive Directors conduct at least one meeting annually without the presence of the Executive Directors and Management.

PRINCIPLE 3

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

In compliance with the Code of Corporate Governance on clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's

business, Mr Ng Tat Pun was appointed as the non-executive Chairman since 1 May 2015. Mr Lee Sze Leong remains as an executive director and continues to be the Managing Director/CEO of the Company.

With this appointment, 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 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 set its agenda;
- ensure that the directors receive accurate, timely and clear information;
- ensure effective communication with shareholders;
- encourage constructive relations between the Board and Management;
- facilitate the effective contribution of non-executive directors;
- encourage constructive relations between executive directors and non-executive directors;
- promote high standards of corporate governance; and
- promote 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.

PRINCIPLE 4

BOARD MEMBERSHIP

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

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

CORPORATE GOVERNANCE STATEMENT

The key roles of the NC include:

- To assess and recommend candidates for appointment and re-appointment on the Board and Board Committees;
- To determine annually whether a director is independent. Where a director 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 review the training and professional development programmes for the Board; and
- To review and initiate succession planning to ensure the continuity of leadership for key Board members, in particular, the Chairman and the Managing Director/CEO.

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

The NC establishes and reviews the key criteria for the selection of Board Members and make 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, formalized 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, NC and each individual director will source for suitable candidates based on their extensive networks and contacts. External consultants may also be engaged to identify potential candidates.

In the selection process, the NC determines the skills and experience appropriate for the appointee having regard to those of the existing directors and any other likely changes to the Board. Diversity of experience and appropriate skills are considered along with the needs of the different committees. 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 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 in 2018, the NC recommended and the Board concurred to look for candidates with specific skill sets in view of the changing financial landscape as well as for succession planning. The NC and the Board were of the view to seek candidates with accounting, internal controls, banking and risk management background. The NC identified Mr Michael Lau Hwai Keong and Mr Joseph Toh Kian Leong based on their skills and diversity of their experiences. Mr Michael Lau is Managing Director, Advisory Services of Octagon Advisors, a business and risk management consultancy company. Mr Joseph Toh retired as a partner from Baker Tilly TFW LLP and is a fellow member of the Institute of Singapore Chartered Accountants and Association of Chartered Certified Accountants. Following the rigorous selection process, the Board with the recommendation of the NC sought approval from the Monetary Authority of Singapore ("MAS") to appoint Mr Michael Lau and Mr Joseph Toh as Directors. MAS approved the new appointments and Mr. Lau and Mr. Toh were appointed in January 2019 to the Board. Both new directors will be retiring and the Board will be recommending Mr Michael Lau and Mr Joseph Toh for re-election as a Director at the upcoming Annual General Meeting ("AGM").

Formal letters setting out the director's duties and obligations were given to the two new directors upon their appointments.

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

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

CORPORATE GOVERNANCE STATEMENT

In 2018, the NC evaluated and recommended to the Board that Mr Ng Tat Pun (Independent Director) and Mr Lee Sze Leong (Non-Independent Director) be re-elected as directors at the forthcoming AGM by virtue of their skills, experience and their contributions to the Board's deliberations.

Annual Review of Director's Independence

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

Directors' Time Commitment

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

(a) *Number of Board Membership*

Carrying out the duties and fulfilling the responsibilities of a director requires a significant commitment of an individual's time and attention. The Board does not believe, however, that explicit limits on the number of other Boards on which the directors may serve, or on other activities the directors may pursue, are appropriate. The Board, however, recognizes that excessive time commitments 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 boards of directors of public listed companies in addition to the Company's Board. This guideline is established following the careful assessment by the NC and the Board after taking into consideration the scope and complexity of the Company's business. Currently, the maximum number of directorships in listed companies that is held by an individual director is two directorships.

(b) *Attendance at Meetings*

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

All directors have met the above requirements on the time commitment as required by the Board for the year 2018.

Succession Planning for the Board and Senior Management

The NC conducts annual review of succession planning to ensure the continuity of leadership for key Board members and Senior Management. During the review, 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. NC also reviews the Board, Board committees and individual director evaluation results for identification of candidates for appointment and retirement. Through careful consideration, 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 reviews the performance of the Board as a whole, its Board Committees and the performance of each director on an annual basis based on the criteria developed by the NC and reviewed by the Board.

Evaluation of Board and Board Committees

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

The results of the assessment of the Board and the Board Committees are presented and reported to the Board. The Board and the Board Committees have met the performance objectives in 2018.

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, 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 Committee as part of its periodic reviews of the composition of the Board and the various Board Committees. In the process, areas for improvement are identified to enhance the effectiveness of the Board and its various committees. The performance of the individual directors is taken into consideration for re-election.

The Board is satisfied with the performance of all the individual directors in the recent evaluation exercise for 2018 performed by the NC.

**PRINCIPLE 6
ACCESS TO INFORMATION**

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

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

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



CORPORATE GOVERNANCE STATEMENT

Company Secretary

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

REMUNERATION MATTERS

PRINCIPLE 7 PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Remuneration Committee

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

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

- To minimize the risk of any potential conflict of interest by putting in place formal and transparent procedures for developing policy on executive remuneration and for determining the remuneration packages of individual directors; and
- To review the adequacy 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.

RC will seek remuneration consultants' advice or to perform a market survey of benchmarking directors' compensation every 3 to 5 years depending on market conditions. The results of the survey will be presented to the Board.

PRINCIPLE 8 LEVEL AND MIX OF REMUNERATION

Director Remuneration Policy

The overall director remuneration package of each director SIF comprises both fixed and variable components. 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 run the Company successfully, but at the same time to avoid paying more than what is necessary;

- To link a significant proportion of executive director's remuneration to corporate and individual performance, so as to align the interests of executive directors with those of shareholders;
- To link the remuneration of non-executive directors to the amount of responsibilities, effort and time spent by the directors; and
- To align director compensation with prudent risk-taking and effective supervisory oversight.

For executive directors, the fixed component of the compensation package includes base salary (inclusive of employer's CPF) and other allowance and benefits such as medical, car programme allowance and club membership allowance.

The variable component of the compensation package consists of cash incentives, such as variable bonus and directors' fees. There is no long-term incentive scheme. The remuneration package takes into account amongst other factors, the performance of the Company and the executive directors, guidance from the National Wages Council, competitive market practices and information gathered from market surveys conducted by the Company's Human Resources Department. In addition, 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.

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 chairman of the respective committees.

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

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

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 9 DISCLOSURE OF REMUNERATION

Directors' Remuneration

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

Other than the Managing Director/CEO, Mr Lee Sze Leong and the Deputy Managing Director, Mr Lee Sze Siong, the remaining 7 Board members are non-executive directors. The aggregate Directors' fees are subject to the approval of shareholders at the Company's AGM.

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

Key Management Personnel's Remuneration

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

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

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

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

Employee Share Scheme

The Company does not have an employee share scheme.

Performance Conditions of Executive Directors and Key Management Personnel

RC reviews the performance of Executive Directors and Key Management Personnel using the pre-defined financial targets of the Company, 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, profitability of the Company, loan growth, return on equity and quality of loans. Other non-financial performance indicators include time commitment, contribution towards Company's strategic directions, internal controls and risk management skills, integrity and accountability.

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.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 10 ACCOUNTABILITY

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

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

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

PRINCIPLE 11 RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Governance

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

CORPORATE GOVERNANCE STATEMENT

Risk Management Committee

The RMC is a board risk committee and is chaired by Non-Executive and Non-Independent Director, Dr Joseph Yeong Wee Yong and comprises Non-Executive and Independent Chairman, Mr Ng Tat Pun, Non-Executive and Independent Director, Mr Michael Lau Hwai Keong, 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.

The RMC assists the Board in identifying the principal risks of the Company's business and to institute a framework of prudential controls to assess and manage these risks. These risks include credit risk, liquidity risk, market risk, operational risk, reputational risk and risks related to asset and liability management, new products, information technology, regulatory compliance, outsourcing and business continuity. 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 framework, structure, policies and procedures remain aligned to the Company's risk appetite, and business and regulatory requirements through the development of risk models for measuring, identifying, assessing, mitigating and reporting risks. The Risk Management Department also manages risks and breaches, as well as assessing the impact of key risks to the business.

The Risk Management Department also assists the RMC in 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, breaches, highlighting exceptions and deviations, providing risk assessments, risk strategies and recommendations for deliberations and decision making. The Risk Management Department reports independently to the RMC.

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

Compliance Department

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

Senior Management, Business and Support Units

Senior Management is accountable to the Board for ensuring the effective implementation of risk management and adherence to the risk appetite, risk tolerance limits and internal control limits



CORPORATE GOVERNANCE STATEMENT

established by the Board. Business and Support units are primarily responsible for managing risk arising from their respective operations while the various independent monitoring and control units provide timely oversight, assessment and reporting of key risk exposures and breaches to Senior Management.

In the year 2018, the Board has received assurance from the Managing Director/CEO and Head of Finance Department:

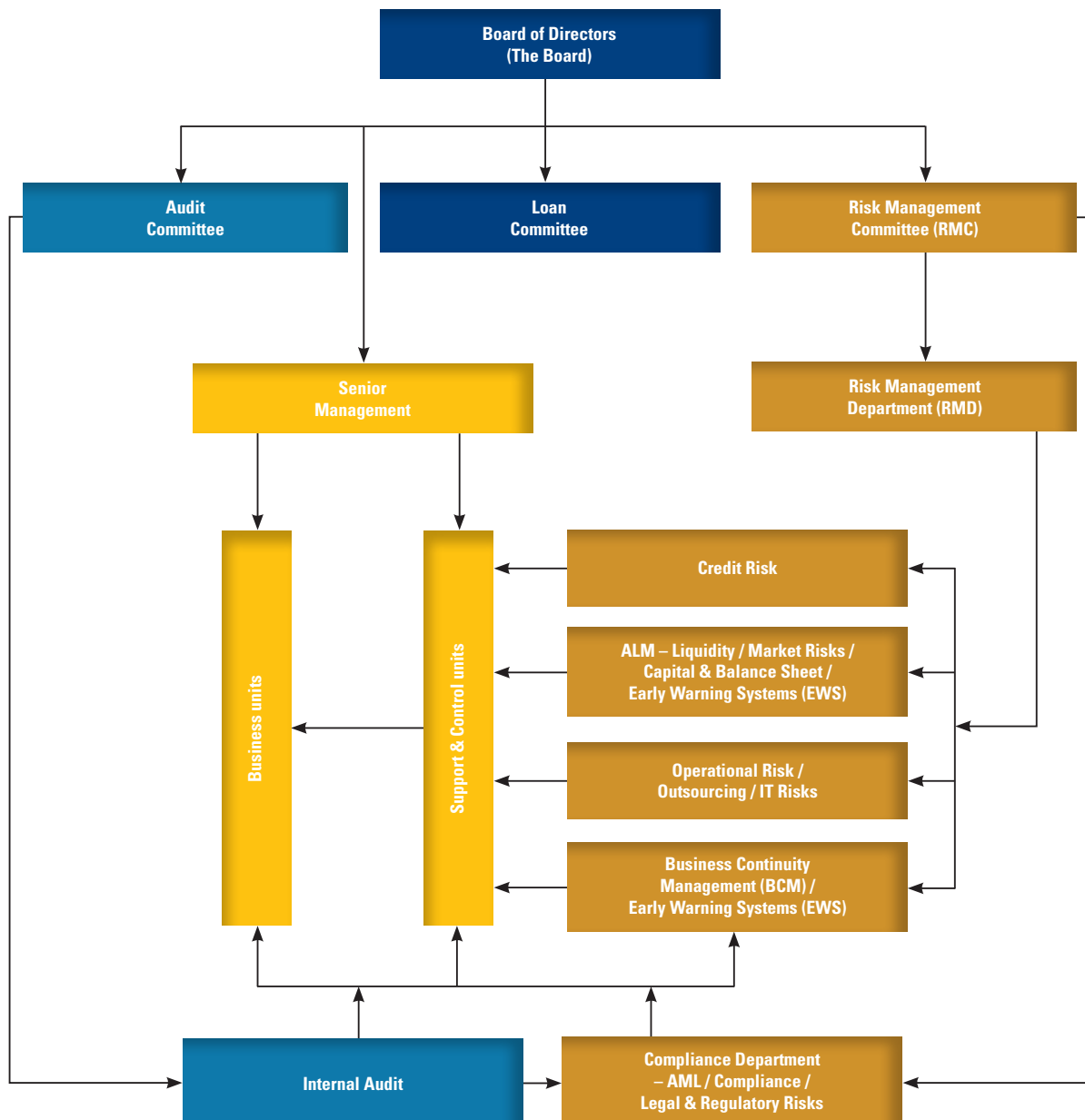
- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) that the Company's risk management and internal control systems are effective.

Enterprise Wide Risk Management (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.

ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK



CORPORATE GOVERNANCE STATEMENT



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

In ensuring that risks are managed at the early stage of the risk taking process, introduction of new products, outsourcing arrangements, new/revision of policies are subjected to approval by the RMC. New and revision of policies are reviewed by the Risk Management and Compliance Departments. They are to ensure issues relating to risk, regulatory compliance and internal controls are addressed before submission to the RMC for approval. Credit Control Department provides independent inputs 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 the year 2018, the Board has reviewed the various risk reports, processes, together with the external and internal auditors' reports and is satisfied with the adequacy and effectiveness of the risk management framework, policies and internal control processes that are currently in place.

Financial Reporting, Internal Controls & Compliance with Policies and Regulations

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

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

Based on the Group's EWRM framework established, the reviews performed by both the internal and external auditors, as well as the assurance from the Managing Director/CEO and Head of Finance Department, 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 system are adequate and effective. No material weaknesses were identified by the Board, the AC or the RMC in the review for FY 2018.

PRINCIPLE 12 AUDIT COMMITTEE

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

The Chairman of the AC, Mr Lim Poh Suan and another AC member, Mr Joseph Toh Kian Leong are certified fellow members of both Institute of Singapore Chartered Accountants

CORPORATE GOVERNANCE STATEMENT

and Association of Chartered Certified Accountants. Mr Chee Jin Kiong is a certified fellow member of Institute of Singapore Chartered Accountants. Mr Lim, Mr Toh and Mr Chee have strong accounting qualifications. Mr Kim Seah Teck Kim is a lawyer with many years of experience in business management and legal services. Mr Michael Lau 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 is responsible for assisting the Board in its oversight of the reliability and integrity of the accounting policies and financial reporting as well as to scrutinize the adequacy and effectiveness of the internal controls. In discharging its oversight role, the Committee is authorized and empowered to investigate any matter within its terms of reference and has full access to and cooperation of the Management.

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

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

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

In the year 2018, the AC's activities included:

- Reviewing the integrity of the Group's quarterly, half year and full year financial results;
- Recommending the unaudited results and related SGX announcements for Board's approval;
- Reviewing the annual audit plan;
- Reviewing the scope and results of the external audit;

- Reviewing the independence and objectivity of external auditors;
- Reviewing the quarterly findings and reports of Internal Audit work;
- Reviewing and reporting to the Board on the adequacy and effectiveness of SIF's internal controls and internal audit function annually;
- Considering and recommending re-appointment of external auditor to the Board; and
- Reviewing related party transactions.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements by attending relevant training and 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:



CORPORATE GOVERNANCE STATEMENT

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

Following the review and discussions, the AC recommended to the Board to approve the 2018 financial statements.

External Audit

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 auditor. After the evaluation, 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 & 715 of the SGX-ST Listing Manual in relation to the appointment of its auditing firm. The AC has reviewed the non-audit services provided during the financial year and the fees paid for such services. The total fees paid to the external auditor, Deloitte & Touche LLP, are disclosed in Note 21 to the Financial Statements. 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, financial reporting or any other fraudulent activities.

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

CORPORATE GOVERNANCE STATEMENT

Complaint Handling Procedures

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

**PRINCIPLE 13
INTERNAL AUDIT****Internal Audit Department**

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

The Internal Audit Department reports independently to the AC.

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES**PRINCIPLE 14
SHAREHOLDER RIGHTS**

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



CORPORATE GOVERNANCE STATEMENT

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

PRINCIPLE 15 COMMUNICATION TO SHAREHOLDERS

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

The Company's financial results are released via SGXNET. These include the quarterly, half-year and full-year results which are also freely and publicly available at the Company's webpage at www.sif.com.sg. 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 engages in regular and effective communication with its shareholders. Feedback mechanisms are in place to solicit the views of shareholders and to address requests and concerns raised by shareholders outside of the AGM. Communication with shareholders is done by the executive directors. In addition, all shareholders will receive the annual report of the Company

upon request and the notice of the AGM which is also published via SGXNET. Meetings with institutional and retail investors are arranged upon request. Shareholders are also welcomed to express their views via the email at investor_relations@sif.com.sg.

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:-

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

Annual dividend proposed for the year is shown on page 138.

PRINCIPLE 16 CONDUCT OF SHAREHOLDER MEETINGS

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



CORPORATE GOVERNANCE STATEMENT

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

All the Directors and Senior Management are in attendance to address queries and concerns about the Company. The Company's external auditors are also invited to attend to assist the directors to address shareholders' queries that are related to the conduct of the audit and the preparation and content of the auditors' reports. All directors, including the Chairman of the Board and CEO/Managing Director attended the last AGM in 2018.

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

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

For greater transparency, the Company conducts the voting of all the resolutions put to Annual General Meeting 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 Annual General Meeting. 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.

ADDITIONAL INFORMATION RELATED PARTY TRANSACTIONS

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

The Board has established the procedure 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 procedure, directors having disclosed their interests in the 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 Audit Committee is responsible for reviewing and recommending all Related Party Transactions and any material amendments to the Board of Directors for approval. Approval by a special majority of three-fourths of the Board is required.

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

Disclosure of related party transactions during the year is shown on page 128.

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 2018, there was no interested person transaction.

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

Except for the 3-year tenancy agreement entered into with Sing Holdings Limited in Year 2016, there were no material contracts entered into by the Company or its subsidiary involving the interests of the CEO, each director or controlling shareholder during the financial year 2018.

DEALING IN COMPANY'S SHARES

The Company continues to adopt the best practices advocated by the Stock Exchange Securities Trading Limited for the trading of the Company's shares by its staff and directors.

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

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

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

CORPORATE GOVERNANCE STATEMENT

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.

19 February 2019

CORPORATE GOVERNANCE STATEMENT

SUMMARY OF DISCLOSURES – CORPORATE GOVERNANCE

Principles and Guidelines	Disclosure Requirements	Page Reference in Annual Report 2018
Guideline 1.3	Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	11
Guideline 1.4	The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	11
Guideline 1.5	The type of material transactions that require board approval under guidelines	12
Guideline 1.6	The induction, orientation and training provided to new and existing directors	12
Guideline 2.3	The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	13
Guideline 2.4	Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed	Not applicable
Guideline 3.1	Relationship between the Chairman and the CEO where they are immediate family members	Not applicable
Guideline 4.1	Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	14-15
Guideline 4.4	The maximum number of listed company board representations which directors may hold should be disclosed	16
Guideline 4.6	Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	15
Guideline 4.7	Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	6-8, 13
Guideline 5.1	The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report	16-17
Guideline 7.1	Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	18
Guideline 7.3	Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company	Not applicable

CORPORATE GOVERNANCE STATEMENT

Principles and Guidelines	Disclosure Requirements	Page Reference in Annual Report 2018
Principle 9	Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	18
Guideline 9.1	Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	19
Guideline 9.2	Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	142
Guideline 9.3	Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	19
Guideline 9.4	Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000	19
Guideline 9.5	Details and important terms of employee share schemes	Not applicable
Guideline 9.6	For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	19

CORPORATE GOVERNANCE STATEMENT

Principles and Guidelines	Disclosure Requirements	Page Reference in Annual Report 2018
Guideline 11.3	<p>The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems</p> <p>The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems</p> <p>The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems</p>	19-22
Guideline 12.1	Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board	22-23
Guideline 12.6	Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	24 and 137
Guideline 12.7	The existence of a whistle-blowing policy should be disclosed in the company's Annual Report	24
Guideline 12.8	Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	23
Guideline 15.4	The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings	26
Guideline 15.5	Where dividends are not paid, companies should disclose their reasons.	Not applicable

SUSTAINABILITY REPORT

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

The Board is pleased to present its Sustainability Report for 2018. This is the second year where the Group seeks to communicate our approach towards and consideration of sustainability issues in relation to environmental, social and governance ("ESG") matters in this report. We will publish our report annually to share our initiatives and the progress we have made every year in this continuous journey.

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

In formulating our Group's strategy, the Board has always been mindful of the sustainability issues and impact to our business and key stakeholders.

Below are the key highlights and progress the Group has achieved in ESG matters during 2018:

- On the Group's social role in providing financing needs to our customers, especially the local small and medium enterprises ("SME"), we have rolled out additional products and services, namely Unsecured Working Capital Loans as well as Current Accounts Facilities to our corporate customers.
- On the governance aspect, the Board is pleased to announce that the Company is awarded two years in succession the Singapore Corporate Governance Award (Small Cap) by the Singapore Securities Investors Association. This is truly a testament of the trust and confidence our investors and customers have in us and it will spur us further in our commitment to the highest Corporate Governance standards.
- On our compliance with the Regulations, we are pleased to announce that we are on the SGX FAST track programme where listed companies with good corporate governance standing will have prioritised clearance for selected corporate action submissions. Since 2014, we have also been awarded Premium status under the GST-Assisted Compliance Assurance Programme ("ACAP"), a compliance initiative by IRAS for business which set up robust GST Control Framework as part of good corporate governance. The Company is currently in the midst of seeking renewal of the ACAP status from IRAS.
- On our environmental and green initiatives, we have also implemented initiatives to cease the mailing of printed hardcopy annual reports unless specifically requested by our shareholders. All stakeholders can refer to our company website for our annual report in softcopy. For 2018, we had reduced our electricity consumption per staff by 7% as compared to 2017 consumption, exceeding our target of 5%.

The Board is committed to advance our sustainability efforts to generate sustainable growth and create value to all our key stakeholders.

Sustainability Governance

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

The Board has assigned responsibility for monitoring and overseeing our sustainability efforts to the Sustainability Steering Committee. The Committee reports to the Risk Management Committee who reports to the Board.



SUSTAINABILITY REPORT

Materiality Assessment

The Sustainability Steering Committee, which comprises senior management and key managerial staff, had in 2018 formally identified and evaluated the material ESG factors, documented the policies and formulated the appropriate targets in our sustainability agenda.

We had achieved all our targets in 2018 and will strive to do better in the future.

ABOUT THIS REPORT

Reporting Period

This Sustainability Report covers the reporting period from 1st January 2018 to 31 December 2018 and is reported together with our Annual Report.

Scope

This Sustainability Report covers the operations of Sing Investments & Finance Limited ("SIF") and its fully owned subsidiary Sing Investments & Finance Nominees (Pte.) Ltd in Singapore. There had been no significant changes to our business model and operations. We continue to operate at four locations, Main Branch at Robinson Road and at three other strategic locations across the island. During the year, we have relocated our Clementi Branch to Jurong Gateway Road to better serve our customers in the West.

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 (ESG) issues.

Framework

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and also in conformity with the Singapore Exchange Limited (SGX) Sustainability Guidelines. The GRI Content Index can be found on page 43 to 45.





STAKEHOLDER ENGAGEMENT

SIF believes that stakeholder engagement will help us to better understand the needs of our customers, to groom and build good career paths for our staff and to make a difference in the communities in which we operate.

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

Stakeholders	Their expectations	How we meet their expectations	How we engage them in 2018
Customers 	<ul style="list-style-type: none"> – Fair lending – Competitive products and services – Data privacy – Prompt service and resolution of complaints 	<ul style="list-style-type: none"> – SIF and its staff maintain highest professional and ethical standards towards all our customers – Providing new products and services, where suitable – Listening to customers' needs and providing the best financial advice – Providing clear and transparent information to assist customers to make informed financial decisions – Managing customers' feedback and complaints promptly and effectively 	<ul style="list-style-type: none"> – Interactions at branches – Face to face meetings – Customer service hotline – Marketing campaigns







SUSTAINABILITY REPORT

Stakeholders	Their expectations	How we meet their expectations	How we engage them in 2018
Regulators 	<ul style="list-style-type: none"> – Adhere to the laws and regulations set by regulators and to support them to foster a sound and progressive financial industry in Singapore. 	<ul style="list-style-type: none"> – Prevention of fraud, money laundering and countering the financing of terrorism – Regulations, accounting, taxes and financial reporting 	<ul style="list-style-type: none"> – Consultation with regulators and survey updates – Clearance of financial results – Submission of regulatory and tax returns/surveys – Participate in Compliance Program, where applicable – Submission of Audit reports
Employees 	<ul style="list-style-type: none"> – Trust and respect from employer – Career development – Fair employment – Work-life balance – Safe and conducive work environment 	<ul style="list-style-type: none"> – Provide training opportunities – Career development – Promote teamwork – Fair Human Resource policy – Fair and transparent performance appraisal process – Maintain a healthy and safe workplace 	<ul style="list-style-type: none"> – One on one sessions – HR policies and procedures – Trainings – Appraisals – Recreational activities
Investors 	<ul style="list-style-type: none"> – Stable growth and profitable – Returns to shareholders – Strong corporate governance and transparency – Timely disclosures 	<ul style="list-style-type: none"> – Competent Board of Directors and Management staff – Ensure strong corporate and risk governance – Ensure timely disclosure and reporting 	<ul style="list-style-type: none"> – Annual general meetings – Annual reports – Quarterly financial reports – SGXNet Announcements
Community 	<ul style="list-style-type: none"> – Good corporate citizen 	<ul style="list-style-type: none"> – Giving back to the society through our corporate social responsibility activities 	<ul style="list-style-type: none"> – Volunteers at aged homes – Donations

SUSTAINABILITY REPORT

MATERIALITY ANALYSIS

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

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

There is increased expectation for businesses to contribute to the society and at the same time ensure sustainability of our planet. We seek to explore business opportunities which will at the same time allow us to contribute more to the communities we operate in.

SUSTAINABILITY REPORT

ECONOMIC

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

Similarly, SIF seeks to provide sustainable dividend returns over a long term horizon to our shareholders. This is achieved by balancing shareholders' returns with preservation of retained earnings to support business growth and strong capital position.

Table 1 Information on direct economic value generated and distributed

\$'000	2017	2018
Total Income	51,780	51,824
Staff Cost	14,570	15,111
Operating costs (exclude depreciation)	7,301	7,927
Income Tax expenses	3,706	4,699
Profit After Tax	22,695	24,028
Dividend*	11,034	11,034
Retained in the business	11,661	12,994

*Dividend for 2018 subjected to shareholders' approval

Economic Targets for FY 2019

Sustainable Value Creation for stakeholders

To continue to achieve sustainable growth and creating long term value for all stakeholders

SOCIAL ECONOMIC IMPACTS

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

Product and services innovation is important to meet the changing needs of our customers. Therefore, SIF will continue to innovate and create products and services that are relevant to our customers' changing lifestyle and business needs.

In 2018, we had launched Unsecured Loans and Current Accounts to our corporate customers to meet their growing needs in their businesses.

We are committed to:

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

SUSTAINABILITY REPORT

Socio-Economic Targets for FY 2019**Effective Risk Management****Observance of all relevant regulatory requirements for Singapore Financial Institution****Continuing to comply to regulatory initiatives and process that support good governance practices****Stakeholder engagement****Continuing our ongoing stakeholders' engagement efforts and introduction of new services to customers.****GOVERNANCE**

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

In 2018, SIF was selected by SGX to be under the SGX Fast Track program. SGX recognized that SIF has a good corporate governance standing and compliance track record with good quality submission of reports. For two years in succession (2017 and 2018), the Company was awarded the Singapore Corporate Governance Award (Small Cap) by the Singapore Securities Investors Association.

Since 2014, SIF had attained the Premium status under the GST-Assisted Compliance Assurance Programme (ACAP), a compliance initiative by IRAS for business which set up robust GST Control Framework as part of good corporate governance. And the Company is currently in the midst of seeking renewal of the ACAP status from IRAS.

Our Code of Conduct and Ethics Policy

The Company has in place 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 2018 include the following:

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

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

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

SUSTAINABILITY REPORT

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 2019

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

SIF recognizes that our ability to remain commercially viable and competitive is influenced by our continued success in attracting and retaining talent. As our employees are essential for our continued success, we aim to attract, retain and develop the best talent.

Hiring employee

Total headcount remains stable. All our employees are employed in Singapore.

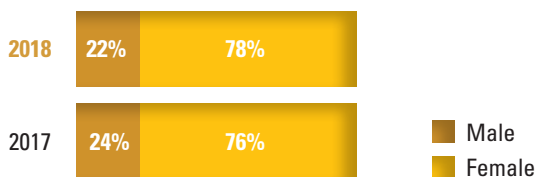
We view diversity of people as a source of strength. Our workforce mix by age and gender remains stable as well.

Table 2: Information on employees by gender and age groups

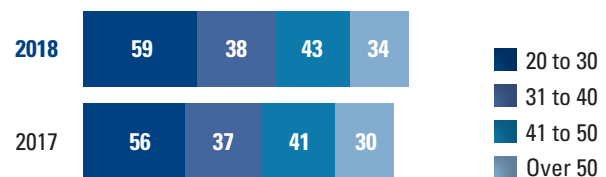
Employee (All full time)	Male	Female	Total
2017	39	125	164
2018	39	135	174

Year	Age (20-30)	Age (31-40)	Age (41-50)	Age (>50)	Total
2017	56	37	41	30	164
2018	59	38	43	34	174

Gender Diversity



Age Diversity



None of our staff are eligible for collective bargaining under the Memorandum of Understanding.

SUSTAINABILITY REPORT

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

Year	Age (20-30)			Age (30-40)			Age (40-50)			Age (more than 50)		
	Gender (M)	Gender (F)	Gender (F)	Gender (M)	Gender (F)	Gender (F)	Gender (M)	Gender (F)	Gender (M)	Gender (F)	Gender (F)	
2017- New employee	29	7	22	12	4	8	15	5	10	3	1	2
2018- New employee	28	4	24	19	7	12	11	1	10	5	1	4

Year	Age (20-30)			Age (30-40)			Age (40-50)			Age (more than 50)		
	Gender (M)	Gender (F)	Gender (F)	Gender (M)	Gender (F)	Gender (F)	Gender (M)	Gender (F)	Gender (M)	Gender (F)	Gender (F)	
2017- Resigned employee	26	7	19	12	4	8	11	4	7	5	3	2
2018- Resigned employee	21	5	16	19	5	14	9	2	7	6	1	5

We will continue to strive to improve our headcount strength for employees across gender and age groups.

Learning and talent development

We enable our people to take on more responsibilities for bigger roles as they grow with us. Staff are given opportunities to expand their horizons through networking and mentoring. They are also sent for training courses to enable them to enhance their job performance. We have met our target in 2018 for the average hours of training per staff of 12 hours.

Management staff are also required to attend meetings with the Board of Directors to gain exposure and insight in decision making at the leadership level.

Table 4: Average hours of training that the organization's employees have undertaken

	Average Hours of training in 2017	Average Hours of training in 2018
Male (AM and Below)	10.57	14.44
Male (AVP to Senior Vice President)	11.12	14.24
Male (Assistant General Manager to Managing Director)	22.5	15.75
Female (AM and Below)	11.16	19.49
Female (AVP to Senior Vice President)	9.9	24.43
Female (Assistant General Manager to Managing Director)	NA	NA
People Targets for FY 2019		
To increase the average hours of training per staff to 15 hours.		

SUSTAINABILITY REPORT

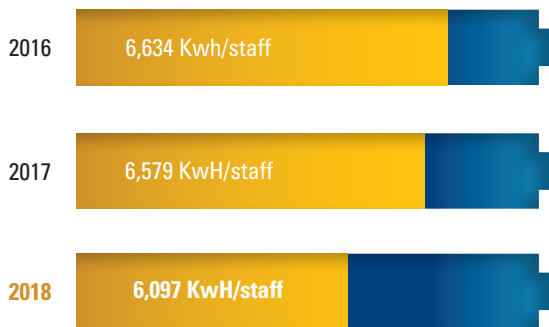
ENVIRONMENT

Environmental Footprint

In line with the global efforts to save the environment, the Company is committed to reduce energy usage, water usage and power consumption. We have exceeded our 2018 target to reduce electricity consumption per staff by 5%. Most direct environmental impact from SIF stems from carbon emissions from our office building through the consumption of electricity. We have incorporated sustainable practices in managing our office premises.

Table 5: Environmental Data
Electricity consumption per staff

Energy Consumption



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

We do our part in “saving the Earth” by observing the “Earth Hour”. We instructed staff to reduce power consumption by shutting down their desktop computers and laptops and switching off the office lights before leaving the office premises and when the same are not in use for example during their lunch break. Lights in buildings are also dimmed after office hours.

We will continue to raise the level of awareness and commitment amongst all staff towards energy saving.

The Singapore Government has stepped up its efforts to lower the nation’s environmental impact through the introduction of increased water prices this year and a planned carbon tax in 2019. We will align our business activities to support the Government’s initiatives and efforts.

Sustainable Sourcing and Paper Consumption

We did our part in influencing our supply chain towards sustainable practices when we procure all our paper supplies from Green Label certified suppliers.

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.

We have also implemented initiatives to inspire sustainable practices on paper use by ceasing the mailing of printed hard copy annual reports. Stakeholders can refer to our company’s website for the annual report in softcopy.

Environment Targets for FY 2019

To continue our efforts to reduce energy consumption per staff

SUSTAINABILITY REPORT

LOCAL COMMUNITY

We believe in continuous commitment in contributing towards a good cause to the society. In 2018, we implemented a number of Corporate Social Responsibility ("CSR") initiatives to engage the local communities and encourage a corporate culture of giving and volunteerism among the staff towards meaningful causes of the community.

Purchase of Chinese New Year cookies from Metta Café

SIF started our first CSR event in 2018 by helping the needy under the Metta Welfare Association. The needy include youths with mild intellectual disability and/or autism.

During the Chinese New Year season, we provided a platform at our premises for staff to savour and purchase the Chinese New Year cookies baked by the youths with special needs from Metta Café under Metta Welfare Association. All the proceeds for these purchases went towards helping the needy at the Metta's various centres.

With our Management and staff's efforts and support towards these community initiatives, our first 2018 CSR event was a success.

Co-hosting elderly folks for Chinese New Year lunch at Red Star Restaurant

During times of celebration, SIF believes in spreading joy to the local community.

On 23 Feb 2018 (which was the 8th day of Lunar New Year), SIF joined our long time charity partner, Red Star Restaurant Pte Ltd in hosting about 200 elderly folks to a sumptuous CNY lunch. These seniors were mostly from various Old Folk's Homes while some of them are elderly persons living alone.

Entertainment was provided by famous local and foreign Getai Singers, belting out oldies, as well as auspicious songs befitting the occasion. The elderly crowd enjoyed themselves thoroughly, singing along to the popular tunes. The New Year spirit was clearly in the air. After the meal, we distributed Red Packets to the elders, wishing them good health.

At the end of the lunch event, the seniors thanked us for spending the festive season with them. For the last 10 years, we have been partnering with Red Star Restaurant for this meaningful event.

Get-together outing with Seniors @ Limbang

SIF believes in continuous commitment in contributing towards a good cause to society.

For this year, we continue to partner with the People's Association to organize a Get-together Outing with Seniors to the Flower Dome & Cloud Forest @ Gardens By The Bay on Saturday, 14 July 2018.

Around 36 staff reached out to 40 beneficiaries comprising the elderly mainly from the low income families and seniors residing at the Limbang Constituency. The targeted elderly's age profile ranges from 60 to 90 years comprising different races and wheelchair-bound elderly residents.

SUSTAINABILITY REPORT

As part of this befriending engagement session, our staff accompanied the elderly folks and strolled through the Flower Dome and the Cloud Forests at Gardens By The Bay and marveled at the colorful flowers and the tall indoor waterfall in the comfortable air-conditioned greenhouse. The garden tour was followed by a 8-Course Sit-Down lunch at a restaurant. The engagement was well received by the beneficiaries and their huge smiles at the end of the day were very heart warming.

Through our annual CSR event, our employees had a good experience in cohesive bonding and strengthening their relationships internally and their sense of responsibility to care for others and learn to contribute meaningfully to our society.



Local Community Targets for FY 2019

To achieve Higher Staff Participation in 2019

GRI CONTENT INDEX

GRI Standards Content Index for 'In accordance' – Core

The GRI Content Index references Sing Investments & Finance Limited Sustainability Report 2018 and the Annual Report 2018.

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 "Hiring Employee".
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"> – Hire Purchase, Finance and Leasing Association of Singapore (Chairman) – Finance Houses Association of Singapore (Honorary Treasurer) – Singapore Chinese Chamber of Commerce & Industry (SCCCI) – Singapore Business Federation
102-14	Statement from senior decision-maker	Please refer to "Chairman's statement".
102-16	Values, principles, standards, and norms of behavior	Please refer to "Business and ethical conduct".
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 "Hiring Employee".
102-42	Identifying and selecting stakeholders	Please refer to "Stakeholders engagement".
102-43	Approach to stakeholder engagement	Please refer to "Stakeholders engagement".
102-44	Key topics and concerns raised	Refer to "Materiality Analysis".
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	We impact environmental, social and economic directly or indirectly through our business conduct and stakeholders.
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.

GRI CONTENT INDEX

GRI Reference	Disclosure title	Where have we disclosed this?
102-50	Reporting period	This report covers the period 1 January to 31 December 2018.
102-51	Date of most recent report	31 December 2018
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	investor_relations@sif.com.sg
102-54	Claims of reporting in accordance with the GRI Standards	SIF had chosen the “in accordance- core” option to focus on the matters most material to our stakeholders.
102-55	GRI content index	This appendix is the GRI content index.
102-56	External assurance	This report has not been externally assured.

Topic-Specific Disclosures

GRI Reference	Disclosure title	Where have we disclosed this?
103-1	Explanation of the material topic and its Boundary	Please refer to “Economic”
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
201-1	Direct economic value generated and distributed	Please refer to “Social Economic”.
103-1	Explanation of the material topic and its Boundary	
103-2	The management approach and its components	
103-3	Evaluation of the management approach	Please refer to “Governance”.
203-2	Significant indirect economic impacts	
103-1	Explanation of the material topic and its Boundary	
103-2	The management approach and its components	Please refer to “Governance”.
103-3	Evaluation of the management approach	
205-2	Communication and training about anti-corruption policies and procedures	
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	
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 “Hiring Employee”.
404-1	Average hours of training per year per employee	Please refer to “Learning and talent development”.
404-3	Percentage of employees receiving regular performance and career development reviews	100% of eligible employees received regular performance and career development reviews in 2018
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	

GRI CONTENT INDEX

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

PERFORMANCE REVIEW

1. PERFORMANCE REVIEW

	2018 \$'000	2017 \$'000	Variance +/(-) (%)
Selected Income Statement Items			
Net interest income	46,888	44,594	5.1
Non-interest income	4,936	7,186	(31.3)
Total income	51,824	51,780	0.1
Operating expenses	(24,472)	(22,957)	6.6
Profit from operations before allowances	27,352	28,823	(5.1)
Write-back of/(Allowances for) credit losses on loans and other assets	1,375	(2,421)	NM
Profit before income tax	28,727	26,402	8.8
Profit after tax attributable to equity holders of the Company	24,028	22,695	5.9
Selected Balance Sheet Items			
Total equity	363,005	337,723	7.5
Total assets	2,814,039	2,521,674	11.6
Loans and advances	2,081,004	1,909,261	9.0
Deposits and balances of customers	2,402,886	2,141,763	12.2
Key Financial Ratios (%)			
Net interest margin	1.8	1.8	
Non-interest income-to-total income	9.5	13.9	
Cost-to-income ratio	47.2	44.3	
Loans-to-deposits ratio	86.6	89.1	
Non-performing loans ratio	3.7	2.4	
Return on equity ⁽¹⁾	6.6	6.7	
Return on total assets ⁽²⁾	0.9	0.9	
Capital adequacy ratio	14.5	15.1	
Per Ordinary Share Data			
Basic earnings per share (cents)	15.24	14.40	
Net asset value per share (\$)	2.30	2.14	

(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.

The Group delivered another strong performance in 2018. We recorded a net profit after tax of \$24.0 million, an improvement of \$1.3 million or 5.9% from \$22.7 million in 2017. The loan books achieved an all-time high of \$2.08 billion, which propelled total income to a new peak of \$51.8 million. The improved performance was mainly the result of higher net interest income and write-back of loan allowances.

Net interest income and hiring charges rose by \$2.3 million or 5.1% to \$46.9 million compared to \$44.6 million in the previous year. Interest income and hiring charges grew by \$4.6 million driven by higher loan volume, which more than offset the \$2.3 million increase in interest expenses arising from additional customer deposits to support the larger loan base. With proactive management, the Group managed to maintain the net interest margin at a healthy level of 1.8%

PERFORMANCE REVIEW

Non-interest income decreased by \$2.3 million primarily due to the absence of \$2.4 million gain from sale of Singapore Government Securities (“SGS”) bonds in 2017. Operating expenses increased by \$1.5 million (6.6%) mainly from higher other operating expenses (\$0.6 million) and staff costs (\$0.5 million) to support added business activities. Depreciation also increased as a result of greater investments in technology infrastructure as part of our digital transformation journey.

The Group wrote back \$1.4 million for loan allowances for 2018 compared to a charge of \$2.4 million allowances a year ago. The Group continues to maintain adequate loss allowances in respect of its loan portfolio and other assets.

In compliance with the revised regulatory requirement for loan allowance, there was a transfer of \$6.8 million from retained earnings at the initial application of the revised MAS Notice 811 at the start of the year as well as an additional transfer of \$1.6 million to the Regulatory Loan Allowance Reserve (“RLAR”) for the full year 2018. The total balance of the RLAR stood at \$8.4 million as at 31 December 2018. The transfers are reflected in the Statement of Changes in the Equity.

Total loans and advances for the first time exceeded the \$2 billion mark to reach \$2.08 billion as at 31 December 2018, a growth of \$171.7 million or 9.0% from \$1.91 billion as at 31 December 2017. In tandem with the higher loan balance, deposits and balances of customers also increased by \$261.1 million (12.2%) from \$2.14 billion as at 31 December 2017 to \$2.40 billion as of 31 December 2018. The loans-to-deposits ratio stood at a comfortable level of 86.6% (2017: 89.1%).

Total shareholders’ funds grew 7.5% to \$363.0 million, as a result of higher retained earnings. Total assets increased by 11.6% or \$292.4 million in line with the higher loans balance to \$2.81 billion as at the end of 2018.

Subject to approval by the shareholders at the forthcoming Annual General Meeting, the Board is recommending a first and final one-tier tax exempt dividend of 7 cents per share for the year under review. This is consistent with the strong performance for the last two years.

2. NET INTEREST INCOME

INTEREST-EARNING ASSETS & INTEREST-BEARING LIABILITIES

	2018			2017		
	Average Balance \$'000	Interest \$'000	Average Rate %	Average Balance \$'000	Interest \$'000	Average Rate %
Interest-Earning Assets						
Loans and advances	1,987,624	65,441	3.3	1,879,505	61,636	3.3
Singapore Government Securities	268,377	6,651	2.5	250,134	6,266	2.5
Other interest-earning assets	289,641	4,423	1.5	295,429	4,027	1.4
Total	2,545,642	76,515	3.0	2,425,068	71,929	3.0
Interest-Bearing Liabilities						
Deposits and balances of customers	2,262,624	29,442	1.3	2,151,726	27,235	1.3
Enterprise Singapore loans (unsecured)	6,897	184	2.7	3,619	94	2.6
Other liabilities	38	1	2.6	464	6	1.3
Total	2,269,559	29,627	1.3	2,155,810	27,335	1.3
Net interest income/margin as a percentage of interest-earning assets		46,888	1.8		44,594	1.8

Net interest income grew by 5.1% or \$2.3 million from a year ago to \$46.9 million mainly driven by higher loan volume. The average loan base grew by 5.8 per cent whilst the average deposit base increased by 5.2 per cent. With proactive management, the Group managed to ensure our net interest margin remaining healthy and stable at 1.8 per cent.

The table below analyses the changes in net interest income in 2018 over 2017 due to changes in volume and changes in rates. The key driver in 2018 has been the boost in volume as we actively managed the rate against the prevailing fierce market competitions.

PERFORMANCE REVIEW

3. VOLUME AND RATE ANALYSIS

Increase/(Decrease) for 2018 over 2017	2018		Total \$'000
	Volume \$'000	Rate \$'000	
Interest Income			
Loans and advances	3,568	237	3,805
Singapore Government Securities	456	(72)	384
Other assets	(81)	478	397
Total	3,943	643	4,586
Interest Expense			
Deposits and balances of customers	1,442	765	2,207
Enterprise Singapore loans (unsecured)	85	5	90
Other liabilities	(6)	1	(5)
Total	1,521	771	2,292
Net interest income	2,422	(128)	2,294

4. NON-INTEREST INCOME

	2018 \$'000	2017 \$'000	Variance +/(-) %
Fees and commissions	1,060	854	24.2
Dividends	173	149	16.1
Rental income from investment properties	3,275	3,329	(1.6)
Profit on Sale of SGS Portfolio	–	2,426	(100.0)
Others	428	428	–
Total non-interest income	4,936	7,186	(31.3)

Non-interest income decreased by \$2.3 million primarily due to the absence of the \$2.4 million gain from sale of SGS bonds in 2017. However, in line with the larger loan base, fees and commissions registered an improvement of 24.2% compared to last year. Similarly, dividend income also outperformed last year's quantum by 16.1%.

5. OPERATING EXPENSES

	2018 \$'000	2017 \$'000	Variance +/(-) %
Staff costs	15,111	14,570	3.7
Depreciation of property, plant and equipment	1,057	708	49.3
Depreciation of investment properties	377	377	–
Other expenses	7,927	7,302	8.6
Total operating expenses	24,472	22,957	6.6

Operating expenses increased by \$1.5 million (6.6%) broadly from higher other operating expenses (\$0.6 million) and staff costs (\$0.5 million). These increases were mainly to support added business activities during the year. Depreciation also increased as a result of greater investments in technology infrastructure as part of our digital transformation journey. With the added business activities and capabilities building projects, the total staff strength increased from 164 to 174 as at the end of 2018.

PERFORMANCE REVIEW

6. ALLOWANCES FOR CREDIT LOSSES ON LOANS AND OTHER ASSETS

	2018 \$'000	2017 \$'000	Variance + / (-) %
Write-back of/(Allowances for) impaired loans	1,375	(2,391)	NM
(Allowances for) non-impaired assets	—	(30)	NM
Total Write-back of/(Allowances for) credit losses on loans and other assets	1,375	(2,421)	NM

NM: Not meaningful

The Group wrote back \$1.4 million for loan allowances for 2018 compared to a charge of \$2.4 million allowances for impaired loans a year ago.

In line with Expected Credit Loss ("ECL") Model under the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 9 on Financial Instruments, an assessment was made at the initial application of this SFRS(I) and a balance of \$3.0 million was set aside for the non-impaired assets at the start of the year. No additional allowance was made during the year.

5 YEARS FINANCIAL SUMMARY

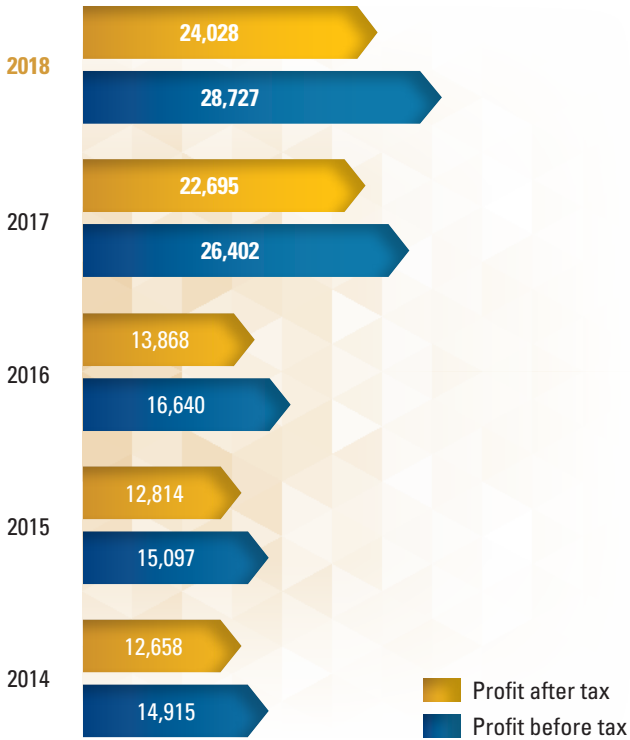
	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Total Income	51,824	51,780	43,826	40,249	37,120
Profit					
Profit before tax	28,727	26,402	16,640	15,097	14,915
Profit after tax	24,028	22,695	13,868	12,814	12,658
Share Capital					
Issued and Fully Paid	180,008	180,008	180,008	180,008	180,008
Capital Employed					
Total Assets	2,814,039	2,521,674	2,682,976	2,660,148	2,263,979
Net Assets	363,005	337,723	319,914	312,544	313,359
Volume of Business					
Loans	2,081,004	1,909,261	1,905,456	1,969,414	1,690,170
Deposits	2,402,886	2,141,763	2,319,272	2,313,861	1,921,428
Dividend And Earnings Per Share					
Dividend (net)	11,034	11,034	7,881	7,881	9,458
Dividend per share (cents)*	7.00	7.00	5.00	5.00	6.00
Earnings per share (cents)**	15.24	14.40	8.80	8.13	8.03
Return After Tax On Total Assets (%)	0.85	0.90	0.52	0.48	0.56
Return After Tax On Net Assets (%)	6.62	6.72	4.33	4.10	4.04
Net Tangible Asset Per Share (\$)	2.30	2.14	2.03	1.98	1.99
Number of Employees	174	164	160	157	153

* One-tier tax exempt dividend.

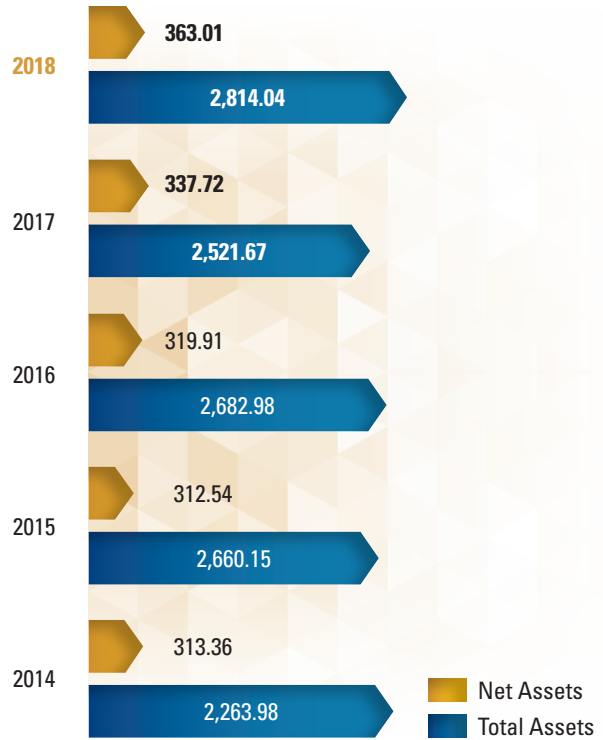
** Earnings per share is calculated based on the weighted average number of ordinary shares in issue during the year (FY 2014 to FY 2018: 157,625,764 shares)

5 YEARS FINANCIAL SUMMARY

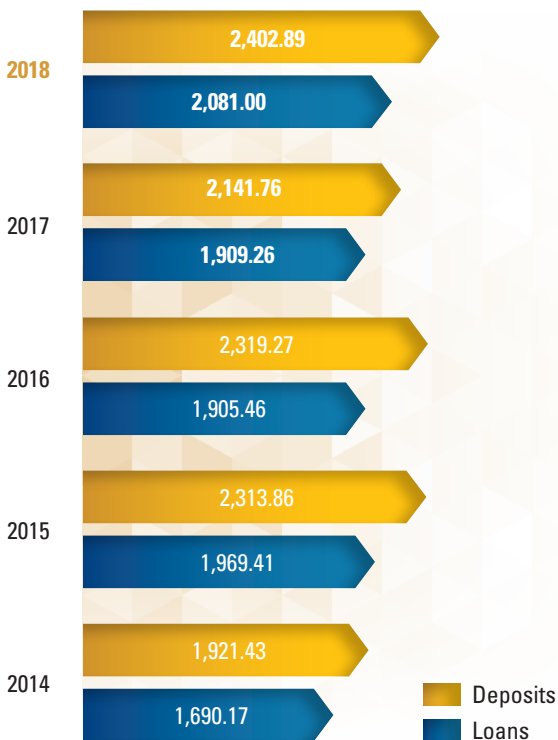
PROFIT (\$'000)



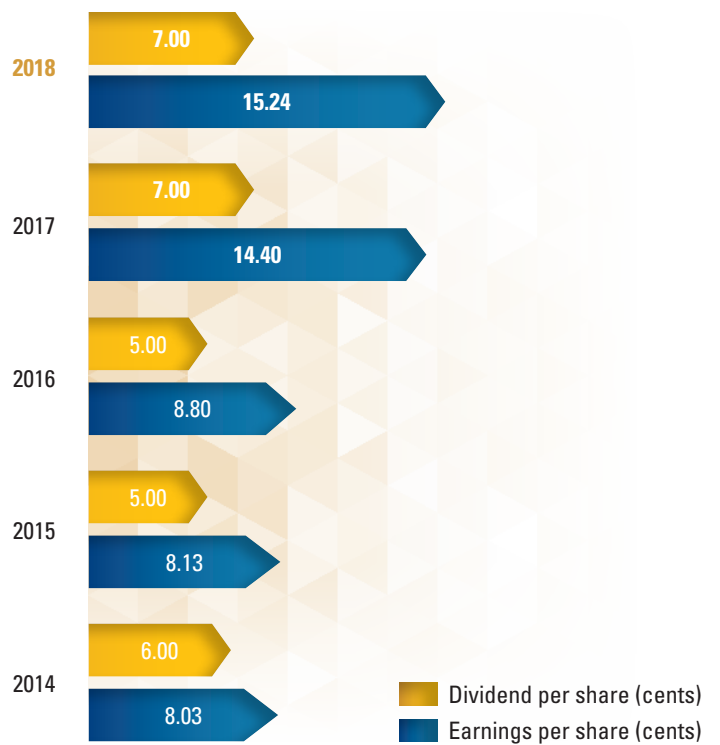
CAPITAL EMPLOYED (\$ Million)



VOLUME OF BUSINESS (\$ Million)



DIVIDEND AND EARNINGS PER SHARE (CENTS)



EXPERT GUIDANCE AT EVERY STEP

FINANCIAL REPORTS

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63	Consolidated Statement of Profit Or Loss And Other Comprehensive Income
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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 2018.

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 61 to 141 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Ng Tat Pun
Lee Sze Leong
Lee Sze Siong
Dr Joseph Yeong Wee Yong
Lim Poh Suan
Kim Seah Teck Kim
Chee Jin Kiong
Toh Kian Leong Joseph (*appointed on 2 January 2019*)
Lau Hwai Keong Michael (*appointed on 2 January 2019*)

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of directors	Holdings in the name of the director or nominee		Other holdings in which the director is deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
Sing Investments & Finance Limited (Ordinary shares)				
Lee Sze Leong	584,631	584,631	45,129,450	46,629,450
Lee Sze Siong	651,142	651,142	45,129,450	46,629,450

By virtue of Section 7 of the Act, Messrs Lee Sze Leong and Lee Sze Siong are deemed to have an interest in the 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 2019.

DIRECTORS' STATEMENT

4 SHARE OPTIONS

(a) Options to take up unissued shares

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

(b) Options exercised

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

(c) Unissued shares under option

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

5 AUDIT COMMITTEE

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

Lim Poh Suan (Chairman)
Kim Seah Teck Kim
Chee Jin Kiong
Toh Kian Leong Joseph (*appointed on 2 January 2019*)
Lau Hwai Keong Michael (*appointed on 2 January 2019*)

All members are non-executive independent directors.

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

The Audit Committee has held 3 meetings since the last Annual General Meeting. In performing its functions, the Audit Committee met with the Company's executive directors, external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

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

DIRECTORS' STATEMENT

5 AUDIT COMMITTEE (CONTINUED)

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

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

6 AUDITORS

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

ON BEHALF OF THE BOARD OF DIRECTORS

Ng Tat Pun
Chairman

Lee Sze Leong
Director

19 February 2019

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 accompanying financial statements of Sing Investments & Finance Limited (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, 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 61 to 141.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 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.

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>Allowance for impairment on loans and advances</p> <p>The allowance for impairment on loans and advances to customers is considered to be a matter of most significance as it requires the application of judgment by management. The Group records allowances of loans and advances to customers, in accordance with requirements set out by SFRS(I) 9.</p> <p>Loans and advances constitute approximately 74.0% of the Group's total assets. The Group's gross loan and advances' portfolio is mainly concentrated in land and construction, commercial properties, private residential, and hire purchase receivables. The customers comprise of both corporates and individuals.</p>	<p>Our audit procedures include understanding and testing of the design and implementation and operating effectiveness of the key controls over the following:</p> <ul style="list-style-type: none"> • Timeliness of loan reviews • Identification and timeliness of identifying significant increase in credit risk • Validity and valuation of collaterals • Expected credit loss model <p>Our audit procedures to assess management's provision for allowances included the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of the Group Credit Policy and Expected Credit Loss Model and evaluated the processes for identifying significant increase in credit risk and consequently, the grading of loans for compliance on the classification according to MAS Notice 811.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

Key Audit Matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> • We selected and tested loan samples according to its total credit exposure (by customer) to the Group and assessed the Group's credit review process. The sample selection covers loans classified as Stage 1, Stage 2 and Stage 3. • We challenged and evaluated management's conclusions on the credit worthiness and classification of the selected loans. We assessed the reasonableness of management's conclusion through our understanding of the prevailing industry trends relevant to the customers, macroeconomic factors, customer repayment conduct, customer financial health and forecasts, collateral valuation and validity, etc. • For the selected loans classified as Stage 3, we also evaluated management's forecasts on the recoverable cash flows, valuation of collaterals used and other sources of repayment. <p>With respect to the Group's loans and advances classified as Stage 1, Stage 2 and Stage 3, we assessed the:</p> <ul style="list-style-type: none"> • Group's expected credit loss model, in particular focusing on the following areas: <ul style="list-style-type: none"> – alignment of the expected credit model and its underlying methodology with the requirements of SFRS(I) 9; and – approach to the incorporation of forward looking macroeconomic factors. • effectiveness of relevant controls relating to the data used to determine the provision for credit impairment, including transactional data captured at loan origination, ongoing internal credit quality assessments and inputs to the expected credit loss model. • computation of expected credit loss <p>We involved our specialists in the performance of these procedures where their specific expertise was required.</p> <p>We have also assessed the adequacy of the Group's disclosure on the allowance for impairment of loans and the related credit risk in the notes to the financial statements.</p>

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

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

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

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

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

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

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

19 February 2019

STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2018

	Note	31 December 2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	Company 31 December 2017 \$'000	1 January 2017 \$'000
ASSETS							
Current assets							
Cash on deposit, at banks and in hand		317,119	250,568	405,753	317,040	250,499	405,705
Other assets	6	8,408	6,650	7,725	8,408	6,650	7,725
Investments	7	300,550	259,775	265,653	300,213	259,448	265,297
Loans and advances due within twelve months	8	434,426	420,155	450,149	434,426	420,155	450,149
Statutory deposit with the Monetary Authority of Singapore ("MAS")		62,580	55,057	58,281	62,580	55,057	58,281
Total current assets		1,123,083	992,205	1,187,561	1,122,667	991,809	1,187,157
Non-current assets							
Property, plant and equipment	9	21,436	17,044	16,412	21,436	17,044	16,412
Investment properties	10	22,942	23,319	23,696	22,942	23,319	23,696
Subsidiary	11	–	–	–	25	25	25
Loans and advances due after twelve months	8	1,646,578	1,489,106	1,455,307	1,646,578	1,489,106	1,455,307
Total non-current assets		1,690,956	1,529,469	1,495,415	1,690,981	1,529,494	1,495,440
Total assets		2,814,039	2,521,674	2,682,976	2,813,648	2,521,303	2,682,597
LIABILITIES AND EQUITY							
Current liabilities							
Deposits and balances of customers	13	2,402,886	2,141,763	2,319,272	2,403,642	2,142,512	2,320,016
Other liabilities	14	28,670	31,452	36,776	28,170	30,958	36,295
Enterprise Singapore loans due within twelve months (unsecured)	15	3,837	1,660	1,203	3,837	1,660	1,203
Provision for employee benefits	16	268	254	260	268	254	260
Current tax payable		7,657	3,690	2,917	7,657	3,690	2,917
Total current liabilities		2,443,318	2,178,819	2,360,428	2,443,574	2,179,074	2,360,691
Non-current liabilities							
Enterprise Singapore loans due after twelve months (unsecured)	15	5,869	2,963	1,260	5,869	2,963	1,260
Deferred tax liabilities	12	1,847	2,169	1,374	1,800	2,122	1,323
Total non-current liabilities		7,716	5,132	2,634	7,669	5,085	2,583
Total liabilities		2,451,034	2,183,951	2,363,062	2,451,243	2,184,159	2,363,274
Equity attributable to equity holders of the Company							
Share capital	17	180,008	180,008	180,008	180,008	180,008	180,008
Reserves	18	182,997	157,715	139,906	182,397	157,136	139,315
Total equity		363,005	337,723	319,914	362,405	337,144	319,323
Total liabilities and equity		2,814,039	2,521,674	2,682,976	2,813,648	2,521,303	2,682,597
Off-balance sheet items							
Undrawn loan commitments	25	520,994	407,424	419,645	520,994	407,424	419,645
Guarantees issued	26	2,293	3,481	4,320	2,293	3,481	4,320
Total off-balance sheet items		523,287	410,905	423,965	523,287	410,905	423,965

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2018

		Group	
	Note	2018 \$'000	2017 \$'000
Revenue			
Interest income and hiring charges	21	76,515	71,929
Interest expense	21	(29,627)	(27,335)
Net interest income and hiring charges		46,888	44,594
Fees and commissions		1,060	854
Dividends	21	173	149
Rental income from investment properties		3,275	3,329
Other income	21	428	2,854
Income before operating expenses		51,824	51,780
Staff costs	21	(15,111)	(14,570)
Depreciation of property, plant and equipment	9	(1,057)	(708)
Depreciation of investment properties	10	(377)	(377)
Other operating expenses	21	(7,927)	(7,302)
Profit from operations before allowances		27,352	28,823
Write-back of/(Allowances for) credit losses on loans and other assets	4(b)	1,375	(2,421)
Profit before income tax		28,727	26,402
Income tax expense	22	(4,699)	(3,707)
Profit for the year attributable to equity holders of the Company		24,028	22,695
Earnings per share (cents)			
– Basic	23	15.24	14.40
– Diluted	23	15.24	14.40

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Group	
	2018 \$'000	2017 \$'000
Profit for the year	24,028	22,695
<u>Other comprehensive income</u>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net change in fair value of Equity Investments at FVOCI	(121)	1,081
Income tax relating to items that will not be reclassified subsequently to profit or loss	21	(184)
	(100)	897
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change in fair value of Debt Investments at FVOCI	(1,395)	2,528
Income tax relating to items that may be reclassified subsequently to profit or loss	237	(430)
	(1,158)	2,098
Other comprehensive income for the year, net of tax	(1,258)	2,995
Total comprehensive income for the year	22,770	25,690

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	Note	Share capital \$'000	Statutory reserve \$'000	Regulatory Loss Allowance Reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Total \$'000
Group							
Balance at 1 January 2017		180,008	99,289	–	6,736	33,881	319,914
Total comprehensive income for the year							
Profit for the year		–	–	–	–	22,695	22,695
Other comprehensive income for the year – net		–	–	–	2,995	–	2,995
Total		–	–	–	2,995	22,695	25,690
Transfer from accumulated profits to statutory reserve		–	5,671	–	–	(5,671)	–
Transactions with owners, recognised directly in equity							
Final one tier tax exempt dividend paid for financial year 2016 of 5 cents per share	24	–	–	–	–	(7,881)	(7,881)
Balance at 31 December 2017		180,008	104,960	–	9,731	43,024	337,723
Adjustment on initial application of SFRS(I) 9	4(a)(i)	–	–	–	–	13,546	13,546
Adjustment on initial application of revised MAS Notice 811	4(a)(i)	–	–	6,761	–	(6,761)	–
Balance at 1 January 2018		180,008	104,960	6,761	9,731	49,809	351,269
Total comprehensive income for the year							
Profit for the year		–	–	–	–	24,028	24,028
Other comprehensive income for the year – net		–	–	–	(1,258)	–	(1,258)
Total		–	–	–	(1,258)	24,028	22,770
Transfer to regulatory loss allowance reserve		–	–	1,630	–	(1,630)	–
Transfer from accumulated profits to statutory reserve		–	6,004	–	–	(6,004)	–
Transactions with owners, recognised directly in equity							
Final one-tier tax exempt dividend paid for financial year 2017 of 7 cents per share		–	–	–	–	(11,034)	(11,034)
Balance at 31 December 2018		180,008	110,964	8,391	8,473	55,169	363,005

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

	Note	Share capital \$'000	Statutory reserve \$'000	Regulatory Loss Allowance Reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Total \$'000
Company							
Balance at 1 January 2017		180,008	99,289	–	6,490	33,536	319,323
Total comprehensive income for the year							
Profit for the year		–	–	–	–	22,682	22,682
Other comprehensive income for the year – net		–	–	–	3,020	–	3,020
Total		–	–	–	3,020	22,682	25,702
Transfer from accumulated profits to statutory reserve		–	5,671	–	–	(5,671)	–
Transactions with owners, recognised directly in equity							
Final one tier tax exempt dividend paid for financial year 2016 of 5 cents per share	24	–	–	–	–	(7,881)	(7,881)
Balance at 31 December 2017		180,008	104,960	–	9,510	42,666	337,144
Adjustment on initial application of SFRS(I) 9	4(a)(i)	–	–	–	–	13,546	13,546
Adjustment on initial application of revised MAS Notice 811	4(a)(i)	–	–	6,761	–	(6,761)	–
Balance at 1 January 2018		180,008	104,960	6,761	9,510	49,451	350,690
Total comprehensive income for the year							
Profit for the year		–	–	–	–	24,016	24,016
Other comprehensive income for the year – net		–	–	–	(1,267)	–	(1,267)
Total		–	–	–	(1,267)	24,016	22,749
Transfer to regulatory loss allowance reserve		–	–	1,630	–	(1,630)	–
Transfer from accumulated profits to statutory reserve		–	6,004	–	–	(6,004)	–
Transactions with owners, recognised directly in equity							
Final one-tier tax exempt dividend paid for financial year 2017 of 7 cents per share	24	–	–	–	–	(11,034)	(11,034)
Balance at 31 December 2018		180,008	110,964	8,391	8,243	54,799	362,405

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Group	
	2018 \$'000	2017 \$'000
Operating activities		
Profit before income tax	28,727	26,402
Adjustments for:		
Impact of accrual of interest income	(400)	3,905
Impact of accrual of interest expense	(402)	(6,916)
Depreciation of property, plant and equipment	1,057	708
Depreciation of investment properties	377	377
(Write-back of)/Allowances for impairment losses on loans and advances	(1,375)	2,421
Gains on disposal of investments and property, plant and equipment	–	(2,426)
Loss on write-off of property, plant and equipment	13	–
Dividends	(173)	(149)
Operating cash flows before movements in working capital	27,824	24,322
Changes in working capital		
Other assets	(1,027)	(248)
Loans and advances	(154,048)	(6,226)
Statutory deposit with the MAS	(7,523)	3,224
Deposits and balances of customers	261,123	(177,509)
Other liabilities	(2,380)	1,592
Enterprise Singapore loans	5,083	2,160
Provision for employee benefits	14	(6)
Cash generated from (used in) operations	129,066	(152,691)
Income taxes paid	(3,570)	(2,753)
Net cash from (used in) operating activities	125,496	(155,444)
Investing activities		
Purchase of investments	(354,732)	(295,085)
Purchase of property, plant and equipment	(5,462)	(1,340)
Proceeds from disposal and maturity of investments	312,180	304,426
Dividends received	103	139
Net cash (used in) from investing activities	(47,911)	8,140
Financing activity		
Dividends paid	(11,034)	(7,881)
Net cash used in financing activity	(11,034)	(7,881)
Net increase/(decrease) in cash and cash equivalents	66,551	(155,185)
Cash and cash equivalents at beginning of the year	250,568	405,753
Cash and cash equivalents at end of the year	317,119	250,568

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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 2018 were authorised for issue by the Board of Directors on 19 February 2019.

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) 1-17 Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in *SFRS(I) 1-36 Impairment of Assets*.

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 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.

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.2 BASIS OF CONSOLIDATION (CONTINUED)**

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

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

2.3 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, and are initially measured at fair value plus transaction costs.

Classification from 1 January 2018

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.

Specifically:

- (a) 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 FINANCIAL INSTRUMENTS (CONTINUED)

Classification from 1 January 2018 (Continued)

- (b) 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.
- (c) 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.

Debt instruments classified as at amortised cost or at FVOCI

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.3 FINANCIAL INSTRUMENTS (CONTINUED)****Debt instruments classified as at amortised cost or at FVOCI** (Continued)

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

The Group has more than one business model for managing its financial instruments which reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Group takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Group has not identified a change in its business models.

When a debt instrument measured at FVOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVOCI are subject to impairment. See Note 4.

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

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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 FINANCIAL INSTRUMENTS (CONTINUED)

Equity instruments designated as at FVOCI (Continued)

A financial asset is held for trading if:

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

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

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

Classification before 1 January 2018

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

Available-for-sale financial assets

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

Loans and receivables

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

Effective interest method

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

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.3 FINANCIAL INSTRUMENTS (CONTINUED)****Impairment of financial assets from 1 January 2018**

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

- cash on deposit at banks;
- loans and advances;
- debt instruments;
- lease receivables

No impairment loss is recognised on equity investments.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. portion of lifetime ECL that result from default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- lifetime ECL, i.e. ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for 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. More details on the determination of a significant increase in credit risk are provided in Note 4.

The Group's policy is always to measure loss allowances for lease receivables as 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- 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; and
- 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 EIR, regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECLs is provided in Note 4.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 FINANCIAL INSTRUMENTS (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.

Definition of default

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

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

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

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

Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

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 at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. 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, based on the Group's historical experience and expert credit assessment including forward-looking information. See Note 4(b)(i) for more details about forward-looking information.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.3 FINANCIAL INSTRUMENTS (CONTINUED)****Significant increase in credit risk (Continued)**

Forward-looking information includes the future prospects of the economy obtained from economic expert reports, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of economic information. The Group allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward-looking and the Group uses the same methodologies and data used to measure the loss allowance for ECL (please refer to Note 4).

As a backstop when an asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in Stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. In addition loans that are individually assessed and are included on a watch list are in Stage 2 of the impairment model. If there is evidence of credit-impairment, the assets are at Stage 3 of the impairment model.

More information about significant increase in credit risk is provided in Note 4.

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;
- 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 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 FINANCIAL INSTRUMENTS (CONTINUED)

Impairment of financial assets before 1 January 2018

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

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.3 FINANCIAL INSTRUMENTS (CONTINUED)****Calculation of recoverable amount**Loans and advances

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

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

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 derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation 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 investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments**Classification as debt or equity**

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

(a) Equity instruments

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial liabilities

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

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

Financial guarantee contract liabilities are measured initially at their 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.

2.4 OPERATING LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

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

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

The Group as lessors

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

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.5 PROPERTY, PLANT AND EQUIPMENT**

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

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

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

2.6 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 derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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.

2.8 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.

2.9 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 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.10 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 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 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.

2.12 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 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.12 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).

2.13 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 2018

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 any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements, except as follows:

Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of Note 2). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. This is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

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

(b) Key sources of estimation uncertainty

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

Calculation of loss allowance

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

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

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018**3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)****(b) Key sources of estimation uncertainty (Continued)**Calculation of loss allowance (Continued)

- 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 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 for more details.

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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Financial assets				
At amortised cost:				
Cash on deposit, at banks and in hand	317,119	250,568	317,040	250,499
Other assets	4,180	3,449	4,180	3,449
Loans and advances	2,081,004	1,909,261	2,081,004	1,909,261
Statutory deposit with the Monetary Authority of Singapore	62,580	55,057	62,580	55,057
At FVOCI:				
Investments				
Debt instruments – Singapore Government Securities (SGS)	295,893	255,067	295,893	255,067
Investments				
Equity instruments – Quoted securities	4,657	4,708	4,320	4,381
Financial liabilities				
At amortised cost:				
Deposits and balances of customers	2,402,886	2,141,763	2,403,642	2,142,512
Other liabilities	28,670	31,452	28,170	30,958
Enterprise Singapore loans	9,706	4,623	9,706	4,623

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

(a) Categories of financial instruments (Continued)

(i) Classification of financial assets and financial liabilities on the date of initial application of SFRS(I) 9

The following table shows the original measurement categories in accordance with FRS 39 and the new measurement categories under SFRS(I) 9 for the Group's and Company's financial assets and financial liabilities as at 1 January 2018.

	Original classification under FRS 39	New classification under SFRS(I) 9	Original carrying amount under FRS 39 \$'000	SFRS(I) 9 remeasurement including ECL \$'000	Note	New carrying amount under SFRS(I) 9 \$'000
Group						
Financial assets						
Cash on deposit, at banks and in hand	Loans and receivables	Amortised cost	250,568	(170)	(a)	250,398
Other assets	Loans and receivables	Amortised cost	3,449	–		3,449
Loans and advances	Loans and receivables	Amortised cost	1,909,261	16,489	(b)	1,925,750
Statutory deposit with the Monetary Authority of Singapore	Loans and receivables	Amortised cost	55,057	–		55,057
Quoted equity securities	Available-for-sale	FVOCI	4,708	–		4,708
Singapore Government Securities	Available-for-sale	FVOCI	255,067	–		255,067
Total financial assets			2,478,110	16,319		2,494,429

	Original classification under FRS 39	New classification under SFRS(I) 9	Original carrying amount under FRS 39 \$'000	SFRS(I) 9 remeasurement including ECL \$'000		New carrying amount under SFRS(I) 9 \$'000
Group						
Financial liabilities						
Deposits and balances of customers	Amortised cost	Amortised cost	2,141,763	–		2,141,763
Other liabilities	Amortised cost	Amortised cost	31,452	–		31,452
Enterprise Singapore loans	Amortised cost	Amortised cost	4,623	–		4,623
Total financial liabilities			2,177,838	–		2,177,838

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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

(a) Categories of financial instruments (Continued)

- (i) Classification of financial assets and financial liabilities on the date of initial application of SFRS(I) 9 (Continued)

	Original carrying amount under FRS 39 \$'000	SFRS(I) 9 remeasurement including ECL \$'000	Note	Revised MAS Notice 811 requirements \$'000	New carrying amount under SFRS(I) 9 \$'000
Group					
Provision for Income Tax*	3,690	2,775	(c)	–	6,465
Equity*					
Share capital	180,008	–		–	180,008
Statutory reserve	104,960	–		–	104,960
Regulatory loss allowance reserve	–	–	(d)	6,761	6,761
Fair value reserve	9,731	–		–	9,731
Accumulated profits	43,024	13,546	(d)	(6,761)	49,809
Total equity	337,723	13,546		–	351,269

* Not financial instruments

	Original classification under FRS 39	New classification under SFRS(I) 9	Original carrying amount under FRS 39 \$'000	SFRS(I) 9 remeasurement including ECL \$'000	Note	New carrying amount under SFRS(I) 9 \$'000
Company						
Financial assets						
Cash on deposit, at banks and in hand	Loans and receivables	Amortised cost	250,499	(170)	(a)	250,329
Other assets	Loans and receivables	Amortised cost	3,449	–		3,449
Loans and advances	Loans and receivables	Amortised cost	1,909,261	16,489	(b)	1,925,750
Statutory deposit with the Monetary Authority of Singapore	Loans and receivables	Amortised cost	55,057	–		55,057
Quoted equity securities	Available-for-sale	FVOCI	4,381	–		4,381
Singapore Government Securities	Available-for-sale	FVOCI	255,067	–		255,067
Total financial assets			2,477,714	16,319		2,494,013

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

(a) Categories of financial instruments (Continued)

- (i) Classification of financial assets and financial liabilities on the date of initial application of SFRS(I) 9 (Continued)

	Original classification under FRS 39	New classification under SFRS(I) 9	Original carrying amount under FRS 39 \$'000	SFRS(I) 9 remeasurement including ECL \$'000	New carrying amount under SFRS(I) 9 \$'000
Company					
Financial liabilities					
Deposits and balances of customers	Amortised cost	Amortised cost	2,142,512	–	2,142,512
Other liabilities	Amortised cost	Amortised cost	30,958	–	30,958
Enterprise Singapore loans	Amortised cost	Amortised cost	4,623	–	4,623
Total financial liabilities			2,178,093	–	2,178,093
	Original carrying amount under FRS 39 \$'000	SFRS(I) 9 remeasurement including ECL \$'000	Note	Revised MAS Notice 811 requirements \$'000	New carrying amount under SFRS(I) 9 \$'000
Company					
Provision for Income Tax*	3,690	2,775	(c)	–	6,465
Equity*					
Share capital	180,008	–		–	180,008
Statutory reserve	104,960	–		–	104,960
Regulatory loss allowance reserve	–	–	(d)	6,761	6,761
Fair value reserve	9,510	–		–	9,510
Accumulated profits	42,666	13,546	(d)	(6,761)	49,451
Total equity	337,144	13,546		–	350,690

* Not financial instruments

NOTES TO FINANCIAL STATEMENTS

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

(a) Categories of financial instruments (Continued)

- (i) Classification of financial assets and financial liabilities on the date of initial application of SFRS(I) 9 (Continued)

Notes to the reconciliations:**SFRS(I) 9**

- (a) The application of the SFRS(I) 9 impairment requirements has resulted in additional loss allowance to be recognised.
- (b) The application of the SFRS(I) 9 impairment requirements has resulted in a reversal of loss allowance to be recognised.
- (c) The application of the SFRS(I) 9 impairment requirements has resulted in an additional income tax to be recognised.
- (d) The application of the SFRS(I) 9 impairment requirements has resulted in a net credit to accumulated profit to be recognised after compliance to maintain a minimum regulatory loss allowance as required for a finance company licensed by the Monetary Authority of Singapore (MAS).

(b) Financial risk management policies and objectives

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

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

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

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

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 led by a non-executive/non-independent director and a non-executive/independent Chairman 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

Risk governance (Continued)

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

Senior management is accountable to the Board for ensuring the implementation of risk management policies. The business units shall be responsible for managing the risks of their respective activities and ensure compliance of the Group's policies. 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 payment and recovery efforts for the non-performing loans.

(i) Credit risk

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

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

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

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 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

(i) Credit risk (Continued)

Credit risk grading & measurement

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

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

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. 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. 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 Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under SFRS(I) 9.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

(i) Credit risk (Continued)

Expected Credit Loss measurement

SFRS (I) 9 introduces a new impairment model that requires the recognition of the impairment allowances based on Expected Credit Loss Model rather than incurred loss model under SFRS 39.

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

- i. Financial instruments that is not credit impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group.
- ii. If a significant increase in credit risk since initial recognition is identified, the financial instrument is to move to "Stage 2" but is not considered as credit impaired. Refer to Note below for the criteria of how the Group determines when a significant increase in credit risk has taken place.
- iii. If financial instrument is credit impaired, the financial instrument is then moved to "Stage 3".
- iv. Expected Credit Loss measurement for Stage 1 financial instrument will be based on a 12-month horizon, while those in the Stage 2 & 3 categories will be measured on based on the lifetime of the instruments.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD. The 12-month and lifetime PDs respectively represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument.

In accordance to SFRS (I) 9, entity should also consider forward looking information to estimate the ECL. Please refer to the Note below on the explanation on how the Group incorporates this requirement in our ECL estimates.

Significant increase in credit risk

Significant increase in credit risk is assessed by comparing the risk of default at the reporting date to the risk of default at the time the loan was originated.

The Group considers whether a financial instrument has experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

(i) Credit risk (Continued)

Expected Credit Loss measurement (Continued)**Significant Increase in credit risk** (Continued)

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

Qualitative criteria:

Qualitative factors that indicate that there has been a significant increase in credit risk include some of 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; and
- 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.

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 employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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- explanation of inputs

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted 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.

Maximum exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2018, 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.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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

	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000	Total Collateral \$'000	Stage 3 Assets \$'000	Collateral for Stage 3 Assets \$'000
Group						
31 December 2018						
At amortised cost:						
Cash on deposit, at						
banks and in hand	317,747	628	317,119	–	–	–
Other assets	4,180	–	4,180	–	–	–
Loans and advances	2,085,806	4,802	2,081,004	4,422,181	75,006	93,747
Statutory deposit with						
Monetary Authority						
of Singapore	62,580	–	62,580	–	–	–
At FVOCI	300,550	–	300,550	–	–	–
Off Balance Sheet						
Contingent Liabilities	2,293	–	2,293	–	–	–
Undrawn Commitment	520,994	–	520,994	–	–	–
1 January 2018						
At amortised cost:						
Cash on deposit, at						
banks and in hand	250,568	170	250,398	–	–	–
Other assets	3,450	–	3,450	–	–	–
Loans and advances	1,934,373	8,623	1,925,750	3,540,872	40,054	44,313
Statutory deposit with						
Monetary Authority						
of Singapore	55,057	–	55,057	–	–	–
At FVOCI	259,775	–	259,775	–	–	–
Off Balance Sheet						
Contingent Liabilities	3,481	–	3,481	–	–	–
Undrawn Commitment	407,424	–	407,424	–	–	–

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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)

	Note	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000	Total Collateral \$'000	Stage 3 Assets \$'000	Collateral for Stage 3 Assets \$'000
Company							
31 December 2018							
At amortised cost:							
Cash on deposit, at							
banks and in hand		317,668	628	317,040	–	–	–
Other assets		4,180	–	4,180	–	–	–
Loans and advances		2,085,806	4,802	2,081,004	4,422,181	75,006	93,747
Statutory deposit with the Monetary Authority of Singapore		62,580	–	62,580	–	–	–
At FVOCI		300,213	–	300,213	–	–	–
Off Balance Sheet							
Contingent Liabilities		2,293	–	2,293	–	–	–
Undrawn Commitment		520,994	–	520,994	–	–	–
1 January 2018							
At amortised cost:							
Cash on deposit, at							
banks and in hand		250,499	170	250,329	–	–	–
Other assets		3,450	–	3,450	–	–	–
Loans and advances		1,934,373	8,623	1,925,750	3,540,872	40,054	44,313
Statutory deposit with the Monetary Authority of Singapore		55,057	–	55,057	–	–	–
At FVOCI		259,448	–	259,448	–	–	–
Off Balance Sheet							
Contingent Liabilities		3,481	–	3,481	–	–	–
Undrawn Commitment		407,424	–	407,424	–	–	–

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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 \$2,293,000 (2017: \$3,481,000). 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 2018.

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	
	2018	2017
	\$'000	\$'000
Properties	304	7,690
Equipment	863	140

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

(i) Credit risk (Continued)

Comparative as at 31 December 2017 under SFRS 39

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

	Group and Company 2017 \$'000
Individually impaired:	
Properties	11,406
Equipment	2,128
Motor vehicles	415
Vessels	30,364
	<u>44,313</u>
Past due but not impaired:	
Properties	70,665
Equipment	2,131
Motor vehicles	200,408
Factoring and accounts receivable	1,016
	<u>274,220</u>

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 were graded as "Strong, Satisfactory, Higher Risk and Impaired" (as describe below) and shown in the following table:

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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	Lifetime ECL	Lifetime ECL	Total \$'000	1 January 2018 \$'000
	Stage 1	Stage 2	Stage 3		
	\$'000	\$'000	\$'000		
Deposits, balances with and loans to bankers, agents and other financial institutions at amortised cost					
Group					
Strong	317,747	–	–	317,747	250,568
Satisfactory	–	–	–	–	–
Higher Risk	–	–	–	–	–
Impaired	–	–	–	–	–
Total gross carrying amount	317,747	–	–	317,747	250,568
Loss allowance	(628)	–	–	(628)	(170)
Carrying amount	317,119	–	–	317,119	250,398
Company					
Strong	317,668	–	–	317,668	250,499
Satisfactory	–	–	–	–	–
Higher Risk	–	–	–	–	–
Impaired	–	–	–	–	–
Total gross carrying amount	317,668	–	–	317,668	250,499
Loss allowance	(628)	–	–	(628)	(170)
Carrying amount	317,040	–	–	317,040	250,329

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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	Lifetime ECL	Lifetime ECL	Total \$'000	1 January 2018 \$'000
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000		
Singapore Government Securities ('SGS') at FVOCI					
Group					
Strong	295,893	–	–	295,893	255,067
Satisfactory	–	–	–	–	–
Higher Risk	–	–	–	–	–
Impaired	–	–	–	–	–
Total gross carrying amount	295,893	–	–	295,893	255,067
Loss allowance	–	–	–	–	–
Carrying amount	295,893	–	–	295,893	255,067
Company					
Strong	295,893	–	–	295,893	255,067
Satisfactory	–	–	–	–	–
Higher Risk	–	–	–	–	–
Impaired	–	–	–	–	–
Total gross carrying amount	295,893	–	–	295,893	255,067
Loss allowance	–	–	–	–	–
Carrying amount	295,893	–	–	295,893	255,067

NOTES TO FINANCIAL STATEMENTS
 31 DECEMBER 2018

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			Lifetime ECL		1 January 2018 \$'000
	Stage 1	Stage 2	Stage 3	Total		
	\$'000	\$'000	\$'000	\$'000		
Loans and advances at amortised cost						
Group						
Strong	314,741	–	–	314,741		322,027
Satisfactory	1,248,012	439,179	–	1,687,191		1,560,246
Higher risk	775	5,665	–	6,440		6,255
Impaired	–	–	77,434	77,434		45,845
Total gross carrying amount	1,563,528	444,844	77,434	2,085,806		1,934,373
Loss allowance	(1,116)	(1,258)	(2,428)	(4,802)		(8,623)
Carrying amount	1,562,412	443,586	75,006	2,081,004		1,925,750
	12-month ECL			Lifetime ECL		1 January 2018 \$'000
	Stage 1	Stage 2	Stage 3	Total		
	\$'000	\$'000	\$'000	\$'000		
Loans and advances at amortised cost						
Company						
Strong	314,741	–	–	314,741		322,027
Satisfactory	1,248,012	439,179	–	1,687,191		1,560,246
Higher risk	775	5,665	–	6,440		6,255
Impaired	–	–	77,434	77,434		45,845
Total gross carrying amount	1,563,528	444,844	77,434	2,085,806		1,934,373
Loss allowance	(1,116)	(1,258)	(2,428)	(4,802)		(8,623)
Carrying amount	1,562,412	443,586	75,006	2,081,004		1,925,750

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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-month ECL	Lifetime ECL	Lifetime ECL	Total \$'000	1 January 2018 \$'000
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000		
Loss allowance – Deposits, balances with and loans to bankers, agents and other financial institutions at FVOCI					
Group					
Loss allowance as at 1 January 2018	170	–	–	170	–
Changes in the loss allowance					
New financial assets originated	628	–	–	628	170
Financial assets that have been derecognised	(170)	–	–	(170)	–
Changes due to the exposure and risk parameters	–	–	–	–	–
Total net P&L change	(458)	–	–	(458)	(170)
Loss allowance as at 31 December 2018	628	–	–	628	170

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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	Lifetime ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total	1 January
	\$'000	\$'000	\$'000	\$'000	2018
					\$'000
Loss allowance – Deposits, balances with and loans to bankers, agents and other financial institutions at FVOCI					
<u>Company</u>					
Loss allowance as at 1 January 2018	170	–	–	170	–
Changes in the loss allowance					
New financial assets originated	628	–	–	628	170
Financial assets that have been derecognised	(170)	–	–	(170)	–
Changes due to the exposure and risk parameters	–	–	–	–	–
Total net P&L change	(458)	–	–	(458)	(170)
Loss allowance as at 31 December 2018	628	–	–	628	170

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

(i) Credit risk (Continued)

	12-month ECL Stage 1 \$'000	Lifetime ECL Stage 2 \$'000	Lifetime ECL Stage 3 \$'000	Total \$'000
Loss allowance – Loans and advances				
<u>Group & Company</u>				
Loss allowance as at 1 January 2018	1,031	1,801	5,791	8,623
Movements with P&L impact				
Transfer:				
Transfer from Stage 1 to Stage 2	(59)	59	–	–
Transfer from Stage 1 to Stage 3	(1)	–	1	–
Transfer from Stage 2 to Stage 3	–	(604)	604	–
Transfer from Stage 2 to Stage 1	183	(183)	–	–
Net remeasurement from stage changes	(152)	379	(529)	(302)
New financial assets originated	552	232	98	882
Financial assets derecognised	(185)	(233)	(1,678)	(2,096)
Changes due to the exposure and risk parameters	(253)	(193)	129	(317)
Total net P&L change	85	(543)	(1,375)	(1,833)
Write-offs	–	–	(1,988)	(1,988)
Loss allowance as at 31 December 2018	1,116	1,258	2,428	4,802
	12-month ECL Stage 1 \$'000	Lifetime ECL Stage 2 \$'000	Lifetime ECL Stage 3 \$'000	Total \$'000
Total net loss allowance charge to P&L				
<u>Group & Company</u>				
Deposits, balances with and loans to bankers, agents and other financial institutions	458	–	–	458
Loans and Advances	85	(543)	(1,375)	(1,833)
Total	543	(543)	(1,375)	(1,375)

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

(i) Credit risk (Continued)

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

	12-month ECL Stage 1 \$'000	Lifetime ECL Stage 2 \$'000	Lifetime ECL Stage 3 \$'000	Total \$'000
Loans and advances at amortised cost				
Group				
Gross carrying amount as at 1 January 2018	1,446,052	442,476	45,845	1,934,373
Changes in the gross carrying amount				
Transfer:				
Transfer from Stage 1 to Stage 2	(128,988)	128,988	–	–
Transfer from Stage 1 to Stage 3	(7,279)	–	7,279	–
Transfer from Stage 2 to Stage 3	–	(32,609)	32,609	–
Transfer from Stage 2 to Stage 1	88,436	(88,436)	–	–
Changes due to modifications that did not result in derecognition	(122,822)	(25,603)	(10,597)	(159,022)
New financial assets originated	536,742	89,652	12,234	638,628
Financial assets derecognised during the period	(248,613)	(69,624)	(7,948)	(326,185)
Write-offs	–	–	(1,988)	(1,988)
Gross carrying amount as at 31 December 2018	1,563,528	444,844	77,434	2,085,806

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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
Loans and advances at amortised cost				
<u>Company</u>				
Gross carrying amount as at 1 January 2018	1,446,052	442,476	45,845	1,934,373
Changes in the gross carrying amount				
Transfer:				
Transfer from Stage 1 to Stage 2	(128,988)	128,988	–	–
Transfer from Stage 1 to Stage 3	(7,279)	–	7,279	–
Transfer from Stage 2 to Stage 3	–	(32,609)	32,609	–
Transfer from Stage 2 to Stage 1	88,436	(88,436)	–	–
Changes due to modifications that did not result in derecognition	(122,822)	(25,603)	(10,597)	(159,022)
New financial assets originated	536,742	89,652	12,234	638,628
Financial assets derecognised	(248,613)	(69,624)	(7,948)	(326,185)
Write-offs	–	–	(1,988)	(1,988)
Loss allowance as at 31 December 2018	1,563,528	444,844	77,434	2,085,806

Loans with terms being renegotiated

As of 31 December 2018, the Group has loans and advances of \$21,690,523 which the terms have been renegotiated (2017: \$25,850,892). As at 31 December 2018, the loans were graded as individually impaired, for which impairment of \$1,993,408 was provided in respect of the loans (2017: \$1,649,861).

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 2018

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.

Comparative as at 31 December 2017 under SFRS 107 Financial Instruments: Disclosures before the revision after SRFS (I) 9

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

(i) Credit risk (Continued)

Before 1 January 2018:

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

	2017
	\$'000
Loans grading	
<u>Loans and advances to customers</u>	
(i) Individually impaired	
Substandard	35,541
Doubtful	9,682
Loss	622
Gross amount	45,845
Less: Allowance for impairment	(5,791)
Gross amount net of specific impairment	40,054
(ii) Collectively impaired	
Past due but not impaired	161,861
Neither past due nor impaired	1,726,667
Gross amount: collectively impaired	1,888,528
Loans and advances net of specific impairment	1,928,582
Less: Collective impairment	(2,832)
Carrying amount	1,925,750
Ageing of loans and advances that are past due but not impaired < 3 months	161,861

Past due but not impaired: when contractual interest or principal payments are past due by not more than three months and the Group believes that impairment is not appropriate on the basis of security available and/or the stage of collection.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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 to customers	
	31 December	1 January
	2018	2018
	\$'000	\$'000
Carrying amount	2,081,004	1,925,750
Concentration by sector		
Hire purchase/block discounting	574,595	531,221
Housing loans secured by property under finance	79,945	85,577
Other loans and advances:		
Building and construction	412,598	368,639
Financial institutions, and investment and holding companies	482,656	465,641
Professional and individuals	221,347	201,910
General commerce	140,728	101,617
Transport, storage and communication	102,501	104,968
Manufacturing	16,908	16,213
Others	54,528	58,587
	2,085,806	1,934,373
Less: Loan Allowances	(4,802)	(8,623)
Total	2,081,004	1,925,750

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

(ii) Liquidity risk

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

(ii) Liquidity risk (Continued)

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

(ii) Liquidity risk (Continued)

	Total \$'000	Up to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000	Non- specific maturity \$'000
Group							
31 December 2017							
Assets							
Statutory deposit with the Monetary Authority of Singapore	55,057	55,057	–	–	–	–	–
Investments	259,775	44,964	–	2,214	104,059	103,830	4,708
Loans and advances to customers	1,909,261	200,663	105,474	114,018	560,533	928,573	–
Cash on deposit, at banks and in hand	250,568	83,568	47,000	120,000	–	–	–
Others	3,450	397	2,260	793	–	–	–
Total Assets	2,478,111	384,649	154,734	237,025	664,592	1,032,403	4,708
Liabilities							
Deposits and savings accounts of customers	2,141,763	288,260	342,096	1,317,995	108,702	–	84,710
Enterprise Singapore loans	4,623	284	248	1,128	2,963	–	–
Others	31,452	7,938	2,949	18,126	1,385	–	1,054
Total Liabilities	2,177,838	296,482	345,293	1,337,249	113,050	–	85,764
Net Liquidity Surplus/(Gap)	300,273	88,167	(190,559)	(1,100,224)	551,542	1,032,403	(81,056)
Off-balance sheet							
Undrawn loan commitments	407,424	407,424	–	–	–	–	–
Guarantees issued	3,481	3,481	–	–	–	–	–

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

(ii) Liquidity risk (Continued)

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

(ii) Liquidity risk (Continued)

	Total \$'000	Up to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000	Non- specific maturity \$'000
Company							
31 December 2017							
Assets							
Statutory deposit with the Monetary Authority of Singapore	55,057	55,057	–	–	–	–	–
Investments	259,448	44,964	–	2,214	104,059	103,830	4,381
Loans and advances to customers	1,909,261	200,663	105,474	114,018	560,533	928,573	–
Cash on deposit, at banks and in hand	250,499	83,499	47,000	120,000	–	–	–
Others	3,450	397	2,260	793	–	–	–
Total Assets	2,477,715	384,580	154,734	237,025	664,592	1,032,403	4,381
Liabilities							
Deposits and savings accounts of customers	2,142,512	288,761	342,096	1,318,243	108,702	–	84,710
Enterprise Singapore loans	4,623	284	248	1,128	2,963	–	–
Others	30,958	7,938	2,949	18,126	1,385	–	560
Total Liabilities	2,178,093	296,983	345,293	1,337,497	113,050	–	85,270
Net Liquidity Surplus/(Gap)	299,622	87,597	(190,559)	(1,100,472)	551,542	1,032,403	(80,889)
Off-balance sheet							
Undrawn loan commitments	407,424	407,424	–	–	–	–	–
Guarantees issued	3,481	3,481	–	–	–	–	–

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

(ii) Liquidity risk (Continued)

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

	Carrying Amount \$'000	Gross nominal outflow \$'000	Up to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 5 years \$'000	Non- specific maturity \$'000
Group							
31 December 2018							
Deposits and balances of customers	2,402,886	(2,426,117)	(249,437)	(302,721)	(1,436,918)	(374,769)	(62,272)
Enterprise Singapore loans	9,706	(10,230)	(648)	(624)	(2,796)	(6,162)	–
Other liabilities	28,670	(28,719)	(6,118)	(2,368)	(16,481)	(2,902)	(850)
Total liabilities	2,441,262	(2,465,066)	(256,203)	(305,713)	(1,456,195)	(383,833)	(63,122)
Undrawn loan commitments	520,994	(520,994)	(520,994)	–	–	–	–
	2,962,256	(2,986,060)	(777,197)	(305,713)	(1,456,195)	(383,833)	(63,122)
31 December 2017							
Deposits and savings accounts of customers	2,141,763	(2,154,694)	(288,536)	(330,851)	(1,340,512)	(110,085)	(84,710)
Enterprise Singapore loans	4,623	(4,896)	(295)	(267)	(1,208)	(3,126)	–
Other liabilities	31,452	(31,452)	(7,938)	(2,949)	(18,126)	(1,385)	(1,054)
Total liabilities	2,177,838	(2,191,042)	(296,769)	(334,067)	(1,359,846)	(114,596)	(85,764)
Undrawn loan commitments	407,424	(407,424)	(407,424)	–	–	–	–
	2,585,262	(2,598,466)	(704,193)	(334,067)	(1,359,846)	(114,596)	(85,764)

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

(ii) Liquidity risk (Continued)

	Carrying amount \$'000	Gross nominal outflow \$'000	Up to 1 month \$'000	Over 1 to 3 months \$'000	Over 3 to 12 months \$'000	Over 1 to 5 years \$'000	Non- specific maturity \$'000
Company							
31 December 2018							
Deposits and balances of customers	2,403,642	(2,426,875)	(249,942)	(302,721)	(1,437,169)	(374,769)	(62,274)
Enterprise Singapore loans	9,706	(10,230)	(648)	(624)	(2,796)	(6,162)	–
Other liabilities	28,170	(28,170)	(6,069)	(2,368)	(16,481)	(2,902)	(350)
Total liabilities	2,441,518	(2,465,275)	(256,659)	(305,713)	(1,456,446)	(383,833)	(62,624)
Undrawn loan commitments	520,994	(520,994)	(520,994)	–	–	–	–
	2,962,512	(2,986,269)	(777,653)	(305,713)	(1,456,446)	(383,833)	(62,624)
31 December 2017							
Deposits and savings accounts of customers	2,142,512	(2,155,444)	(289,037)	(330,851)	(1,340,761)	(110,085)	(84,710)
Enterprise Singapore loans	4,623	(4,896)	(295)	(267)	(1,208)	(3,126)	–
Other liabilities	30,958	(30,958)	(7,938)	(2,949)	(18,126)	(1,385)	(560)
Total liabilities	2,178,093	(2,191,298)	(297,270)	(334,067)	(1,360,095)	(114,596)	(85,270)
Undrawn loan commitments	407,424	(407,424)	(407,424)	–	–	–	–
	2,585,517	(2,598,722)	(704,694)	(334,067)	(1,360,095)	(114,596)	(85,270)

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 2018 (2017: 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 2018 (2017: up to 12 months), as compared to the tenures of loans and advances which constitute the Group's main asset. In addition, the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

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

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

(iii) Market risk

(1) Interest rate risk

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

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

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

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

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

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

	Effective weighted average interest %	Non-interest bearing \$'000	0 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
Group							
31 December 2018							
Financial Assets							
Statutory deposit with the Monetary Authority of Singapore	-	62,580	-	-	-	-	62,580
Investments	2.40	59,529	-	-	132,900	108,121	300,550
Loans and advances to customers	3.22	-	758,784	685,579	436,662	199,979	2,081,004
Cash on deposit, at banks and in hand	1.90	4,637	177,766	134,716	-	-	317,119
Other assets	-	4,180	-	-	-	-	4,180
		<u>130,926</u>	<u>936,550</u>	<u>820,295</u>	<u>569,562</u>	<u>308,100</u>	<u>2,765,433</u>
Financial Liabilities							
Deposits and balances of customers	1.53	40,171	594,605	1,399,138	368,972	-	2,402,886
Enterprise Singapore loans	2.64	-	1,210	2,627	5,869	-	9,706
Other liabilities	-	28,670	-	-	-	-	28,670
		<u>68,841</u>	<u>595,815</u>	<u>1,401,765</u>	<u>374,841</u>	<u>-</u>	<u>2,441,262</u>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

(iii) Market risk (Continued)

(1) Interest rate risk (Continued)

	Effective weighted average interest %	Non- interest bearing \$'000	0 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
Group							
31 December 2017							
Financial Assets							
Statutory deposit with the Monetary Authority of Singapore	–	55,057	–	–	–	–	55,057
Investments	2.50	4,708	44,964	2,214	104,059	103,830	259,775
Loans and advances to customers	2.99	–	624,494	631,466	472,299	181,002	1,909,261
Cash on deposit, at banks and in hand	1.32	13,956	116,612	120,000	–	–	250,568
Other assets	–	3,450	–	–	–	–	3,450
		<u>77,171</u>	<u>786,070</u>	<u>753,680</u>	<u>576,358</u>	<u>284,832</u>	<u>2,478,111</u>
Financial Liabilities							
Deposits and savings accounts of customers	1.17	61,912	653,154	1,317,995	108,702	–	2,141,763
Enterprise Singapore loans	2.63	–	532	1,128	2,963	–	4,623
Other liabilities	–	31,452	–	–	–	–	31,452
		<u>93,364</u>	<u>653,686</u>	<u>1,319,123</u>	<u>111,665</u>	<u>–</u>	<u>2,177,838</u>

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

(iii) Market risk (Continued)

(1) Interest rate risk (Continued)

	Effective weighted average interest %	Non- interest bearing \$'000	0 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
Company							
31 December 2018							
Financial Assets							
Statutory deposit with the Monetary Authority of Singapore	–	62,580	–	–	–	–	62,580
Investments	2.40	59,192	–	–	132,900	108,121	300,213
Loans and advances to customers	3.22	–	758,784	685,579	436,662	199,979	2,081,004
Cash on deposit, at banks and in hand	1.89	4,558	177,766	134,716	–	–	317,040
Other assets	–	4,180	–	–	–	–	4,180
		<u>130,510</u>	<u>936,550</u>	<u>820,295</u>	<u>569,562</u>	<u>308,100</u>	<u>2,765,017</u>
Financial Liabilities							
Deposits and balances of customers	1.53	40,171	595,111	1,399,388	368,972	–	2,403,642
Enterprise Singapore loans	2.64	–	1,210	2,627	5,869	–	9,706
Other liabilities	–	28,170	–	–	–	–	28,170
		<u>68,341</u>	<u>596,321</u>	<u>1,402,015</u>	<u>374,841</u>	<u>–</u>	<u>2,441,518</u>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

(iii) Market risk (Continued)

(1) Interest rate risk (Continued)

	Effective weighted average interest %	Non- interest bearing \$'000	0 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
Company							
31 December 2017							
Financial Assets							
Statutory deposit with the Monetary Authority of Singapore	–	55,057	–	–	–	–	55,057
Investments	2.50	4,381	44,964	2,214	104,059	103,830	259,448
Loans and advances to customers	2.99	–	624,494	631,466	472,299	181,002	1,909,261
Cash on deposit, at banks and in hand	1.32	13,887	116,612	120,000	–	–	250,499
Other assets	–	3,450	–	–	–	–	3,450
		<u>76,775</u>	<u>786,070</u>	<u>753,680</u>	<u>576,358</u>	<u>284,832</u>	<u>2,477,715</u>
Financial Liabilities							
Deposits and savings accounts of customers	1.17	61,912	653,655	1,318,243	108,702	–	2,142,512
Enterprise Singapore loans	2.63	–	532	1,128	2,963	–	4,623
Other liabilities	–	30,958	–	–	–	–	30,958
		<u>92,870</u>	<u>654,187</u>	<u>1,319,371</u>	<u>111,665</u>	<u>–</u>	<u>2,178,093</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 2018, a 100 basis point increase/(decrease) in the interest rate at the end of the reporting period would increase/(decrease) profit by \$211,000 (2017: increase/(decrease) profit by \$614,000) and fair value reserves by \$2,410,000 (2017: increase/(decrease) fair value reserves by \$2,551,000) mainly a result of the changes in the fair value of FVOCI fixed rate instruments.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

(iii) Market risk (Continued)

(2) Equity price risk on investments

Market risk is the risk that the value of a portfolio will decrease due to the change in value of the market risk factors. The market risk factors are credit spreads, interest rates, equity prices, foreign exchange rates, commodity prices and their associated volatility.

The Group primarily adopts Value-at-Risk (VaR) and scenario based stress testing methodologies to measure market risk for its SGS and equity investments to ensure that they are within set risk tolerance levels. The Group does not participate in foreign exchange trading, and all foreign exchange contracted with bank counterparties are on behalf of borrowers and are on secured basis.

The objective of market risk management is to manage and control the Group's market risk exposures within acceptable parameters, while optimising the return on its investments. The Group adopts a prudent investment policy to generate a stable yearly return with minimal downside in capital loss. In addition, as these investments are held for a long term basis, the risk of price fluctuation is mitigated.

The Group's investment portfolio comprises mainly Singapore Government securities and securities listed on the Singapore Exchange Securities Trading Limited (SGX).

Singapore Government Securities ("SGS") & MAS Bills

The Group purchases SGS and MAS Bills as part of its liquid assets for purpose of maintaining the minimum liquid assets required under the Finance Companies Act.

Securities listed on the SGX

Acceptable securities include stocks and shares, bonds and such other financial derivative instruments of any companies which are listed on the SGX.

The Board of Directors is responsible for formulating investment policy, strategies and guidelines and periodically reviews the investment portfolio. The Group adopts a prudent investment policy and ensures that its investments are all into reputable companies with substantial market capitalisation, acceptable price-earnings ratios, good track records and consistent yearly dividends payouts. These investments are held generally for stable returns and capital appreciation.

The Group is exposed to equity risks arising from equity investments classified as FVOCI. FVOCI equity investments are held for strategic rather than trading purposes. The Group does not actively trade FVOCI investments.

As at 31 December 2018, a 10% increase/(decrease) in the equity prices at the end of the reporting period would increase/(decrease) fair value reserves by \$505,000 (2017: increase/(decrease) by \$471,000). The Group's net profit for the year ended 31 December 2018 would have been unaffected as the quoted equity securities are classified as FVOCI and no investments were disposed of or impaired.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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 arrangement 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 on existing material outsourcing arrangements are also subject to 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. Furthermore, the Internal Auditor's independent summary reports are tabled for the deliberation of the Group's Audit Committee before any recommendation of follow up action is made to the Board of Directors.

(v) 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 2018.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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 assets. 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, SPRING 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 SPRING loans were calculated using discounted cash flow techniques, based on its related maturity. The discount rates are based on market related rates of SPRING loans at the end of the reporting period.

(5) Guarantees and commitments to extend credit

These financial instruments are generally not sold nor traded. Fair value of these items is considered insignificant for the following reasons:

- commitments extending beyond six months that would commit the Company to a predetermined rate of interest are insignificant;
- the fees attaching to these commitments are the same as those currently charged to enter into similar arrangements; and
- the quantum of fees collected under these agreements, upon which a fair value would be based, is insignificant.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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 2018 \$'000	Fair value 2018 \$'000	Carrying amount 2017 \$'000	Fair value 2017 \$'000
Group				
31 December 2018				
Financial Assets				
Loans and receivables:				
Statutory deposit with the Monetary Authority of Singapore	62,580	62,580	55,057	55,057
Loans and advances	2,081,004	2,104,589	1,909,261	1,924,165
Cash on deposit, at banks and in hand	317,119	317,119	250,568	250,568
Other assets	4,180	4,180	3,450	3,450
Investments	300,550	300,550	259,775	259,775
	2,765,433	2,789,018	2,478,111	2,493,015
Financial Liabilities				
Amortised costs:				
Deposits and balances of customers	2,402,886	2,420,200	2,141,763	2,148,730
Enterprise Singapore loans	9,706	9,706	4,623	4,623
Other liabilities	28,670	28,670	31,452	31,452
	2,441,262	2,458,576	2,177,838	2,184,805

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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)

	Carrying Amount 2018 \$'000	Fair value 2018 \$'000	Carrying amount 2017 \$'000	Fair value 2017 \$'000
Company				
31 December 2018				
Financial Assets				
Loans and receivables:				
Statutory deposit with the Monetary Authority of Singapore	62,580	62,580	55,057	55,057
Loans and advances	2,081,004	2,104,589	1,909,261	1,924,165
Cash on deposit, at banks and in hand	317,040	317,040	250,499	250,499
Other assets	4,180	4,180	3,450	3,450
Investments	300,213	300,213	259,448	259,448
	2,765,017	2,788,602	2,477,715	2,492,619
Financial Liabilities				
Amortised costs:				
Deposits and balances of customers	2,403,642	2,420,954	2,142,512	2,149,479
Enterprise Singapore loans	9,706	9,706	4,623	4,623
Other liabilities	28,170	28,170	30,958	30,958
	2,441,518	2,458,830	2,178,093	2,185,060

Financial instruments measured at fair value through other comprehensive income:

	Group		Company	
	Total \$'000	Level 1 \$'000	Total \$'000	Level 1 \$'000
31 December 2018				
Financial Assets				
FVOCI financial assets:				
Quoted equity securities	4,657	4,657	4,320	4,320
Singapore Government Securities	295,893	295,893	295,893	295,893
	300,550	300,550	300,213	300,213
31 December 2017				
Financial Assets				
Available-for-sale financial assets:				
Quoted equity securities	4,708	4,708	4,381	4,381
Singapore Government securities	255,067	255,067	255,067	255,067
	259,775	259,775	259,448	259,448

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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)

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

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

	Fair Value Hierarchy			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
31 December 2018				
Group				
Financial Assets				
At amortised cost	–	2,104,589	–	2,104,589
Financial Liabilities				
Deposits and balances of customers	–	2,420,200	–	2,420,200
Company				
Financial Assets				
Loans and advances	–	2,104,589	–	2,104,589
Financial Liabilities				
Deposits and balances of customers	–	2,420,954	–	2,420,954
31 December 2017				
Group				
Financial Assets				
Loans and advances	–	1,924,165	–	1,924,165
Financial Liabilities				
Deposits and savings accounts of customers	–	2,148,730	–	2,148,730
Company				
Financial Assets				
Loans and advances	–	1,924,165	–	1,924,165
Financial Liabilities				
Deposits and savings accounts of customers	–	2,149,479	–	2,149,479

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018**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 regulatory ratio. CAR is the percentage of adjusted core capital to total risk-weighted assets.

- (i) The Group's adjusted core capital includes share capital, statutory reserves, fair value reserve relating to unrealised losses on equity securities classified as FVOCI and retained earnings.

The fair value reserve relating to unrealised gains/losses on certain debt securities instruments and unrealised gains on equity securities classified as FVOCI are excluded from the Group's adjusted core capital.

- (ii) Risk-weighted assets are determined according to specified requirements by MAS that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business as well as to generate an optimal return on its assets.

The Group has complied with all externally imposed capital requirements throughout the year and there have been no material changes in the management of capital during the year.

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

	Group	
<u>Capital element</u>	2018	2017
	\$'000	\$'000
Core capital		
Share capital	180,008	180,008
Disclosed reserves	166,037	147,867
	346,045	327,875
	Group	
	2018	2017
	\$'000	\$'000
Risk weighted assets	2,392,944	2,167,032
Capital adequacy ratio:		
Core capital/risk weighted assets (%)	14.46	15.13

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

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

(c) Capital risk management policies and objectives (Continued)

(iii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each activity is based primarily on the regulatory capital. The Group sets the internal guidelines for monitoring the mix of assets and liabilities. The RMC reviews the assets portfolio and the compliance to the guidelines on a quarterly basis.

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

The Group's overall strategy remains unchanged from 2017.

5 RELATED COMPANY AND RELATED PARTY TRANSACTIONS

Related company in these financial statements refer to the Company's subsidiary. Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note.

Transactions entered into by the Group and the Company with other related parties incurred in the ordinary course of business from time to time and at market value, primarily comprise loans, provision of professional services and sale of investment products and property, management services, incidental expenses and/or other transactions relating to the business of the Group and the Company.

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	
	2018 \$'000	2017 \$'000
At 31 December		
(a) Deposits	62,871	60,208
For the year ended 31 December		
(b) Profit or loss transactions		
– Interest expenses on deposits	1,055	392
– Professional Fee	18	6
– Rental income	221	221

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

6 OTHER ASSETS

	Group and Company	
	2018 \$'000	2017 \$'000
Accrued interest receivables	4,180	3,449
Prepaid commission	2,801	2,326
Prepayments, deposits and other assets	1,427	875
	8,408	6,650

7 INVESTMENTS

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Investments at FVOCI				
Quoted equity securities	4,657	4,708	4,320	4,381
Singapore Government Securities	295,893	255,067	295,893	255,067
	300,550	259,775	300,213	259,448
Other unquoted equity investments	121	29	121	29
Net change in fair value of unquoted investments at FVOCI	(121)	(29)	(121)	(29)
	–	–	–	–
	300,550	259,775	300,213	259,448

These investments in equity investments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these investments in equity instruments as at FVOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

8 LOANS AND ADVANCES

	Group and Company	
	2018 \$'000	2017 \$'000
Housing, factoring receivables and other loans	1,516,187	1,406,173
Hire purchase receivables	616,917	566,688
Interest in suspense	(3,375)	(2,211)
Unearned interests	(43,923)	(36,277)
Allowances for impairment on loans and advances	(4,802)	(25,112)
	2,081,004	1,909,261
Due within 12 months	434,426	420,155
Due after 12 months	1,646,578	1,489,106
	2,081,004	1,909,261

Included in the allowances for impairment on loans and advances above are allowances for impairment on hire purchase receivables due within twelve months and due after twelve months amounted to \$1,449,464 (2017: \$1,996,176) and \$603,693 (2017: \$4,958,083) respectively.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

8 LOANS AND ADVANCES (CONTINUED)

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

	Group and Company	
	2018 \$'000	2017 \$'000
Stage 3 loss allowance		
At 1 January	5,791	3,488
(Writeback of)/Allowances for impairment losses during the year	(1,375)	2,391
Receivables written off against allowances	(1,988)	(88)
At 31 December	2,428	5,791
Stage 1 and 2 loss allowance		
At 1 January	19,321	19,291
Effect on remeasurement of SFRS(I) 9	(16,489)	–
At 1 January after effect on remeasurement on SFRS(I) 9	2,832	19,291
(Writeback of)/Allowances for impairment losses during the year	(458)	30
At 31 December	2,374	19,321
Total allowances for impairment on loans and advances		
At 1 January	8,623	22,779
At 31 December	4,802	25,112

The hire purchase receivables are as follows:

	Group and Company		
	Gross \$'000	Interest \$'000	Principal \$'000
2018			
Within 1 year	45,848	1,058	44,790
After 1 year but within 5 years	453,941	27,504	426,437
After 5 years	118,520	15,831	102,689
	618,309	44,393	573,916
2017			
Within 1 year	37,215	886	36,329
After 1 year but within 5 years	462,629	25,725	436,904
After 5 years	66,844	8,902	57,942
	566,688	35,513	531,175

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

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings \$'000	Freehold land and buildings \$'000	Furniture and office equipment \$'000	Motor vehicles \$'000	Renovation \$'000	Computers \$'000	Total \$'000
Group and Company							
Cost:							
At 31 December 2016	10,646	8,530	391	870	2,447	3,843	26,727
Additions	–	–	67	–	4	1,269	1,340
Disposal/Write off	–	–	–	–	–	(273)	(273)
At 31 December 2017	10,646	8,530	458	870	2,451	4,839	27,794
Additions	4,675	–	53	103	525	106	5,462
Disposal/Write off	–	–	(29)	–	(17)	–	(46)
At 31 December 2018	15,321	8,530	482	973	2,959	4,945	33,210
Accumulated depreciation:							
At 31 December 2016	2,305	1,443	323	203	2,389	3,652	10,315
Depreciation for the year	65	200	30	161	22	230	708
Disposal/Write off	–	–	–	–	–	(273)	(273)
At 31 December 2017	2,370	1,643	353	364	2,411	3,609	10,750
Depreciation for the year	111	200	32	173	71	470	1,057
Disposal/Write off	–	–	(24)	–	(9)	–	(33)
At 31 December 2018	2,481	1,843	361	537	2,473	4,079	11,774
Carrying amount:							
At 31 December 2018	12,840	6,687	121	436	486	866	21,436
At 31 December 2017	8,276	6,887	105	506	40	1,230	17,044

10 INVESTMENT PROPERTIES

	Group and Company	
	2018 \$'000	2017 \$'000
At cost:		
At 1 January and 31 December	28,794	28,794
Accumulated depreciation:		
At 1 January	5,475	5,098
Depreciation charge for the year	377	377
At 31 December	5,852	5,475
Carrying amount:		
At 31 December	22,942	23,319

The investment properties relate to the office spaces at the head office and part of the premise at the Bedok Branch which are leased to third parties for rental. Each of the leases contains an initial non-cancellable period of 2 to 3 years. Subsequent renewals are negotiated with the lessee.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

10 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurement of the Group's leasehold land and buildings

The Group's land and buildings are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's leasehold land and buildings as at 31 December 2018 and 31 December 2017 were performed by Jones Lang LaSalle, a firm of independent valuers not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the properties in the relevant locations.

The fair value of the leasehold land and building of 17-storey office building at 96 Robinson Road, Singapore 068899, were determined based on the investment method of valuation, which takes into account the existing committed rentals and the estimated current market rentals achievable by the leasehold land and building. The fair value of the leasehold land and building of 17-storey office building at 96 Robinson Road, Singapore 068899, were cross-checked using the comparison method of valuation, which is based on the direct comparison with recent transactions of comparable properties within the vicinity.

The fair value of the leasehold land and building of Block 202, Bedok North Street 1, #01-479 to 485, Singapore 460202, were determined based on the direct comparison with recent transactions of comparable properties within the vicinity. The fair value of the leasehold land and building of Block 202, Bedok North Street 1, #01-479 to 485, Singapore 460202, were cross-checked using the income method, which takes into account the net rental income and the remaining period of the lease to arrive at the current market value.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Management considers that certain inputs used in the fair value measurement of the Group's leasehold land and buildings are sensitive to the fair value measurement. A change in these inputs will have a corresponding increase/decrease in the fair valuation.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

10 INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's leasehold land and buildings and information about the fair value hierarchy as at 31 December 2018 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair value as at 31 December 2018 \$'000	Fair value as at 31 December 2017 \$'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% (2017: 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.	–	86,478	–	86,478	80,301
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% (2017: 50%) of the lettable space is used as branch premises of the Company and the remaining area is for rental. Tenure of lease is 86 years commencing 1 July 1992.	–	2,200	–	2,200	2,200
	–	88,678	–	88,678	82,501

The fair value of the entire 17-storey office building at 96 Robinson Road, Singapore 068899, is \$140,000,000 (2017: \$130,000,000). The fair value of the shop at Block 202, Bedok North Street 1, #01-479 to 485, Singapore 460202, is \$4,400,000 (2017: \$4,400,000).

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

11 SUBSIDIARY

	Company	
	2018 \$'000	2017 \$'000
Equity investments, at cost	25	25

Details of the subsidiary are as follows:

Name of subsidiary	Sing Investments & Finance Nominees (Pte.) Ltd.
Principal activities	Nominee services
Country of incorporation/business	Singapore
Equity held by the Group	100 % (2017: 100%)

The subsidiary is audited by Deloitte & Touche LLP Singapore.

12 DEFERRED TAX LIABILITIES

Movements in deferred tax assets and liabilities during the year are as follows:

	At 31 December 2016 \$'000	Recognised in profit or loss for the year \$'000	Recognised in other comprehensive income \$'000	At 31 December 2017 \$'000	Recognised in profit or loss for the year \$'000	Recognised in other comprehensive income \$'000	At 31 December 2018 \$'000
Group							
Deferred tax assets (liabilities)							
Employee benefits	44	(1)	–	43	2	–	45
Property, plant and equipment	(38)	(180)	–	(218)	61	–	(157)
Investments	(1,380)	–	(614)	(1,994)	–	259	(1,735)
	<u>(1,374)</u>	<u>(181)</u>	<u>(614)</u>	<u>(2,169)</u>	<u>63</u>	<u>259</u>	<u>(1,847)</u>
Company							
Deferred tax assets (liabilities)							
Employee benefits	44	(1)	–	43	2	–	45
Property, plant and equipment	(38)	(180)	–	(218)	61	–	(157)
Investments	(1,329)	–	(618)	(1,947)	–	259	(1,688)
	<u>(1,323)</u>	<u>(181)</u>	<u>(618)</u>	<u>(2,122)</u>	<u>63</u>	<u>259</u>	<u>(1,800)</u>

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

13 DEPOSITS AND BALANCES OF CUSTOMERS

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Fixed deposits	2,340,612	2,057,053	2,340,612	2,057,053
Fixed deposits and current accounts from subsidiary	–	–	756	749
Savings accounts and other balances with customers	56,933	69,135	56,933	69,135
Project accounts	5,341	15,575	5,341	15,575
	<u>2,402,886</u>	<u>2,141,763</u>	<u>2,403,642</u>	<u>2,142,512</u>

14 OTHER LIABILITIES

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Accrued interest payable	16,782	17,184	16,783	17,187
Accrued operating expenses	5,998	6,871	5,988	6,865
Amount due to subsidiary	–	–	19	18
Factoring current accounts	2,889	4,309	2,889	4,309
Deposits for safe deposit boxes and rental deposits	837	822	837	822
Unclaimed dividends	615	614	105	107
Others	1,549	1,652	1,549	1,650
	<u>28,670</u>	<u>31,452</u>	<u>28,170</u>	<u>30,958</u>

15 ENTERPRISE SINGAPORE LOANS (UNSECURED)

	Group and Company	
	2018 \$'000	2017 \$'000
Due within 12 months	3,837	1,660
Due after 12 months	5,869	2,963
	<u>9,706</u>	<u>4,623</u>

Enterprise Singapore loans represent amounts advanced by the Standards, Productivity and Innovations Board under the Local Enterprise Finance Scheme ("LEFS") and Extended Local Enterprise Finance Scheme ("ELEFS") to finance LEFS and ELEFS borrowers. The interest rates and repayment periods vary in accordance with the type, purpose and security of the facilities granted under the above schemes.

In 2017, Enterprise Singapore loans were previously known as SPRING loans.

16 PROVISION FOR EMPLOYEE BENEFITS

	Group and Company	
	2018 \$'000	2017 \$'000
Liability for short-term accumulating compensated absences	268	254

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

17 SHARE CAPITAL

	Group and Company			
	2018 No. of shares ('000)	2017 No. of shares ('000)	2018 \$'000	2017 \$'000
Issued and fully paid:				
At 1 January and 31 December	157,626	157,626	180,008	180,008

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

18 RESERVES

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Statutory reserve	110,964	104,960	110,964	104,960
Fair value reserve	8,473	9,731	8,243	9,510
Accumulated profits	55,169	43,024	54,799	42,666
Regulatory loss allowance reserve	8,391	–	8,391	–
	182,997	157,715	182,397	157,136

The statutory reserve is maintained in compliance with the provision of Section 18 of the Finance Companies Act, Chapter 108.

The fair value reserve comprises the cumulative net change in the fair value of FVOCI investments until such investments are derecognised.

The regulatory loss allowance reserve is maintained in compliance with the MAS Notice to Finance Companies No. 811 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

19 SEGMENT REPORTING

Segment reporting is not required for the Group and the Company as majority of the income is from the same business segment, which is credit and lending. All activities are carried out in the Republic of Singapore.

20 DIRECTORS' AND KEY MANAGEMENT PERSONNEL'S REMUNERATION

	Group	
	2018 \$'000	2017 \$'000
Salaries and other benefits	2,193	1,906
Contribution to defined contribution plan	27	26
Directors' fees	620	470
Others	47	51
	2,887	2,453

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

21 PROFIT BEFORE INCOME TAX

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

	Group	
	2018 \$'000	2017 \$'000
Interest income and hiring charges		
Loans and advances and others measured at amortised cost	65,441	61,636
Cash and bank deposits at amortised cost	4,424	4,027
Singapore Government Securities measured at FVOCI	6,651	6,266
	<u>76,515</u>	<u>71,929</u>
Interest expense		
Deposits and others	29,627	27,335
Dividends from equity investments designated as at FVOCI		
Relating to investments derecognised during the year	–	–
Relating to investments held at the end of the reporting period	173	149
	<u>–</u>	<u>–</u>
Other income		
Government grant	204	197
Bad debts recovered	112	29
Net loss on property, plant and equipment written off/disposed	(13)	–
Net gain on sale of investments	–	2,426
Rental income from safe boxes	120	197
Others	5	5
	<u>428</u>	<u>2,854</u>
Staff costs		
Salaries and other benefits	13,474	13,056
Contributions to defined contribution plan	1,606	1,522
Increase/(Decrease) in liability for short-term accumulating compensated absences	31	(8)
	<u>15,111</u>	<u>14,570</u>
Other operating expenses		
Audit fees	115	90
Non-audit fees	28	28
Operating expenses on investment properties	726	717
Maintenance, utilities and property tax	1,046	1,041
Legal and professional fees	214	212
Commission expense	3,068	2,924
Others	2,730	2,290
	<u>7,927</u>	<u>7,302</u>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

22 INCOME TAX EXPENSE

	Group	
	2018 \$'000	2017 \$'000
Current tax expense		
Current year	4,901	3,588
Adjustments with respect to prior years	(139)	(62)
	4,762	3,526
Deferred tax credit		
Reversal of temporary differences (Note 12)	(63)	181
Total income tax expense	4,699	3,707
Reconciliation of effective tax rate		
Profit before income tax	28,727	26,402
Income tax using Singapore tax rate of 17% (2017: 17%)	4,884	4,488
Adjustments with respect to prior years	(139)	(62)
Expenses not deductible for tax purposes	257	184
Effects of tax benefits	(36)	(887)
Income not subject to tax	(9)	(14)
Tax effect of income subject to concessionary tax rate of 10% (2017: 10%)	(182)	(152)
Others	(76)	150
Total income tax expense	4,699	3,707

23 EARNINGS PER SHARE

	Group	
	2018 \$'000	2017 \$'000
Basic and diluted earnings per share are based on:		
Net profit attributable to ordinary shareholders	24,028	22,695
Number of ordinary shares	157,626	157,626

There were no potential dilutive ordinary shares for the years ended 31 December 2018 and 2017.

24 DIVIDENDS

In 2018, a dividend of 7 cents per share, one-tier tax exempt (total dividend \$11,034,000) was paid to shareholders. In 2017, a dividend of 5 cents per share, one-tier tax exempt (total dividend \$7,881,000) was paid.

In respect of the current year, the Directors proposed the following dividend which has not been provided for at the end of the reporting period:

	\$'000
Annual dividend proposed of:	
2018: 7 cents per share, one-tier tax exempt	11,034

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

25 COMMITMENTS

	Group	
	2018 \$'000	2017 \$'000
Capital commitments		
Commitments for capital expenditure contracted but not provided for in the financial statements	4,373	2,097

Operating lease commitmentsThe Group as lessee

	Group and Company	
	2018 \$'000	2017 \$'000
Payment recognised as an expense during the year:		
Minimum lease payments under operating leases	162	204

As at 31 December 2018, the Group and the Company does not have any commitments for future minimum lease payments under non-cancellable operating leases as during the year the Company has purchased a new branch premise and vacated from the rented branch premise.

	Group and Company	
	2018 \$'000	2017 \$'000
Payable:		
Within 1 year	–	153
After 1 year but within 5 years	–	–
	–	153

Operating lease payments represent rentals payable by the Group and the Company for one of its branches' premises. In 2017, the lease was negotiated for an average term of 3 years and rental was fixed for an average of 3 years.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2018

25 COMMITMENTS (CONTINUED)

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	
	2018	2017
	\$'000	\$'000
Receivable:		
Within 1 year	2,233	2,650
After 1 year but within 5 years	568	1,225
	<u>2,801</u>	<u>3,875</u>
Other commitment		
Undrawn loan commitments	520,994	407,424

26 CONTINGENT LIABILITIES (UNSECURED)

Commitments entered into by the Group and the Company on behalf of customers for which customers have corresponding obligations to the Group and the Company and for the Group and the Company's operational requirements are as follows:

	Group and Company	
	2018	2017
	\$'000	\$'000
Guarantees issued and financing of goods imported	<u>2,293</u>	<u>3,481</u>

As at 31 December 2018, guarantees issued for the Group and the Company's operational requirements amounted to \$57,550 (2017: \$38,650). These contingent liabilities are not secured on any of the Group's assets and not included on the statements of financial position of the Group and Company in accordance with the Group's accounting policy.

27 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended 31 December 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period 31 December 2018, except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017). Additional disclosures are made for specific transition adjustments if applicable.

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018**27 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (CONTINUED)**

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 which are effective at the same time.

Reconciliations of equity and total comprehensive income

The effects of transition to SFRS(I) and the initial application of SFRS(I) 9 are presented and explained in Note 4.

28 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncement was issued but effective for financial periods beginning on or after 1 January 2019:

Effective for annual periods beginning on or after 1 January 2019**SFRS(I) 16 *Leases***

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities are recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

Management has carried out an analysis of the above new pronouncement and expects no material impact on the results of the Group and Company in the period of its initial application.

ADDITIONAL INFORMATION

Directors' Remuneration for the year ended 31 December 2018

Name of Director	Total Remuneration (nearest thousand) S\$'000	Basic Salary/ Employer's CPF/AWS %	Variable Bonuses %	Directors' Fees ⁽¹⁾ %	Other Benefits %	Total %
Executive Director						
Lee Sze Leong (Managing Director/ Chief Executive Officer)	1,400	56.9	36.5	4.6	2.0	100
Lee Sze Siong (Deputy Managing Director)	992	56.1	35.8	6.0	2.1	100
Non-executive Directors						
Ng Tat Pun	85	–	–	100	–	100
Dr Joseph Yeong Wee Yong	125	–	–	100	–	100
Lim Poh Suan	115	–	–	100	–	100
Kim Seah Teck Kim	110	–	–	100	–	100
Chee Jin Kiong	60	–	–	100	–	100

Note (1): The Directors' fees are subjected to approval by shareholders at the forthcoming Annual General Meeting.

ADDITIONAL INFORMATION

Directors standing for re-election at the Annual General Meeting

The following information relating to Mr Ng Tat Pun and Mr Lee Sze Leong, each of whom is standing for re-election as a Director at the Annual General Meeting of the Company on 24 April 2019, 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.

Name of Director	Ng Tat Pun	Lee Sze Leong
Date of first appointment as a Director	1 March 2012	20 February 1989
Date of last re-appointment/re-election as a Director	21 April 2016	21 April 2016
Age	74	60
Country of principal residence	Singapore	Singapore
The Board's comments on the re-election	The Board, having considered the recommendation of the NC, is of the view that Mr Ng Tat Pun has the leadership skills, requisite knowledge and experiences to assume the responsibilities as Chairman of the Board and Independent Director.	The Board, having considered the recommendation of the NC, is of the view that Mr Lee Sze Leong 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	Non-executive Director	Managing Director/Chief Executive Officer. He 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"> Chairman of the Board Non-Executive and Independent Director Nominating Committee (Member) Risk Management Committee (Member) 	<ul style="list-style-type: none"> Managing Director/Chief Executive Officer Loan Committee (Chairman) Nominating Committee (Member) Risk Management Committee (Member)
Professional qualifications	Bachelor of Arts Degree in Economics and History, University of Singapore	Bachelor of Business Administration, University of Hawaii
Shareholding interest in the Company and its subsidiaries	No	<ul style="list-style-type: none"> 584,631 shares held directly* 43,784,550 shares held by F.H. Lee Holdings (Pte) Limited* 2,844,900 shares held by Sing Holdings Limited* <p>* As at 1 March 2019</p>
Any relationship (including immediate family relationships) with any existing Director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	No	Sibling of Mr Lee Sze Siong, Deputy Managing Director.

ADDITIONAL INFORMATION

Conflict of interest (including any competing business)	No	No
Other principal commitments (including directorships) – Present	<ul style="list-style-type: none"> • Thai Beverage Public Company Limited (Director) • SP Chemicals Pte Ltd (Chairman & Independent Director) 	<ul style="list-style-type: none"> • Sing Investments & Finance Nominees (Pte.) Ltd. (Director) • Sing Holdings Limited (Non-Executive Chairman) • F.H. Lee Holdings (Pte) Limited (Director) • Hire Purchase, Finance and Leasing Association of Singapore (Chairman) • Finance Houses Association of Singapore (Chairman) • 59th Singapore Chinese Chamber of Commerce & Industry (SCCCI) (Council Member) • 59th SCCCI Finance Committee (Chairman) • 59th 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)
Other principal commitments (including directorships) – Past, for the last 5 years	<ul style="list-style-type: none"> • Engro Corporation Limited (Director) 	<ul style="list-style-type: none"> • Sing Holdings (Bellerive) Pte. Ltd. (Director) • Sing Holdings (Cairnhill) Pte. Ltd. (Director) • Robin Residences Pte. Ltd. (Director)
<ul style="list-style-type: none"> • Working experience and occupation(s) during the past 10 years 	<ul style="list-style-type: none"> • March 2005 – March 2008 <ul style="list-style-type: none"> ◦ UBS AG Singapore (Senior Advisor) • January 2003 – March 2005 <ul style="list-style-type: none"> ◦ UBS AG Singapore (Managing Director) 	Sing Investments & Finance Limited (Managing Director/Chief Executive Officer)
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes

ADDITIONAL INFORMATION

Disclosure on the following matters concerning the Director		
a. Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b. Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c. Whether there is any unsatisfied judgment against him?	No	No
d. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f. Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

ADDITIONAL INFORMATION

g. Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h. Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i. Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j. Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(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	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k. Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

The information relating to the new directors Mr Michael Lau Hwai Keong and Mr Joseph Toh Kian Leong was disclosed in the SGX Announcement of Appointment on 2nd January 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 1 MARCH 2019

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 – 99	67	3.17	1,205	0.00
100 – 1,000	173	8.18	96,543	0.06
1,001 – 10,000	1,047	49.48	5,718,257	3.63
10,001 – 1,000,000	809	38.23	55,260,991	35.06
1,000,001 AND ABOVE	20	0.94	96,548,768	61.25
TOTAL	2,116	100.00	157,625,764	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	F. H. LEE HOLDINGS (PTE) LIMITED	43,784,550	27.78
2	RAFFLES NOMINEES (PTE.) LIMITED	8,718,721	5.53
3	PHILLIP SECURITIES PTE LTD	8,108,020	5.14
4	AMELIA	4,061,311	2.58
5	DBS NOMINEES (PRIVATE) LIMITED	3,962,360	2.51
6	LEE HENG WAH @ LEE HENG GUAN	3,000,000	1.90
7	SING HOLDINGS LIMITED	2,844,900	1.80
8	CITIBANK NOMINEES SINGAPORE PTE LTD	2,841,786	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	ANG HAO YAO (HONG HAoyao)	1,708,000	1.08
13	KIMANIS MARINE PTE LTD	1,629,500	1.03
14	UOB KAY HIAN PRIVATE LIMITED	1,618,310	1.03
15	ANG CHIAN POH	1,546,350	0.98
16	AW SEOH BEE	1,382,000	0.88
17	NG CHIT TONG PETER OR YE CHUNXIU	1,290,000	0.82
18	TAI MAH SAWMILL CO (PTE) LTD	1,276,000	0.81
19	LIM HWEE SIN	1,182,000	0.75
20	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,145,210	0.73
	TOTAL	96,548,768	61.24

STATISTICS OF SHAREHOLDINGS

AS AT 1 MARCH 2019

SUBSTANTIAL SHAREHOLDERS AS AT 1 MARCH 2019

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 ⁽¹⁾	584,631	0.37	46,629,450	29.58
Lee Sze Siong ⁽²⁾	651,142	0.41	46,629,450	29.58
Lee Sze Hao ⁽³⁾	644,763	0.41	46,629,450	29.58
F.H. Lee Holdings (Pte) Limited ⁽⁴⁾	43,784,550	27.78	2,844,900	1.80

Notes:--

- (1) Lee Sze Leong is deemed to be interested in 43,784,550 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 43,784,550 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 43,784,550 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 1 March 2019, approximately 69.22% 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 1 March 2019.

Directors' shareholdings as at 21 January 2019

As shown in the Directors' Statement, the shares held by the Directors as at 31 December 2018 remain unchanged as at 21 January 2019.

NOTICE OF ANNUAL GENERAL MEETING

TO ALL SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sing Investments & Finance Limited will be held at the Big Picture Theatre at 168 Robinson Road, Capital Tower, Level 9, Singapore 068912, on Wednesday, 24th April 2019 at 3.00 p.m. to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and, if approved, to adopt the Directors' statement and audited financial statements for the year ended 31st December 2018 together with the auditors' report thereon. (Resolution 1)
2. To approve the payment of \$620,000 as Directors' fees for the year ended 31st December 2018 (2017: \$470,000). (Resolution 2)
3. To declare a first and final one-tier tax exempt dividend of 7 cents per ordinary share for the financial year ended 31st December 2018. (Resolution 3)
4. To re-elect Mr Ng Tat Pun as Director, who retires pursuant to Regulation 109 of the Constitution of the Company. (Resolution 4)
5. To re-elect Mr Lee Sze Leong as Director, who retires pursuant to Regulation 109 of the Constitution of the Company. (Resolution 5)
6. To re-elect Mr Toh Kian Leong Joseph as Director, who retires pursuant to Regulation 119 of the Constitution of the Company. (Resolution 6)
7. To re-elect Mr Lau Hwai Keong Michael as Director, who retires pursuant to Regulation 119 of the Constitution of the Company. (Resolution 7)
8. 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 8)
9. 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 resolution which will be proposed as an Ordinary Resolution:

10. 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, authority be and is hereby given to the Directors of the Company to: (Resolution 9)

- (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,

NOTICE OF ANNUAL GENERAL MEETING

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

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

provided that:

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

BY ORDER OF THE BOARD

Chan Kum Kit
Tan Mui Sang
Company Secretaries

Singapore, 26 March 2019

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- (1) A member (who is not a relevant intermediary) of the Company entitled to attend and vote at the Annual General Meeting (“AGM”) is entitled to appoint not more than two proxies to attend and vote on his behalf. Where such member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.
- (2) Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the proxy form. Relevant intermediary is either:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
 - (c) the Central Provident Fund (“CPF”) Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
- (3) A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 96 Robinson Road #01-01 SIF Building, Singapore 068899 not less than 72 hours before the time for holding the Annual General Meeting.
- (4) Mr Ng Tat Pun, a Non-Executive and Independent Director, will upon re-election under item 4 above, continue to serve as Chairman of the Board and as a Member of the Risk Management Committee, and also be appointed as Chairman of the Nominating Committee (replacing Mr Kim Seah Teck Kim who will be retiring from the Board at the end of this AGM) and as a Member of the Remuneration Committee.
- (5) Mr Lee Sze Leong will, upon re-election under item 5 above, continue to serve as Chairman of the Loan Committee and as a Member of the Nominating Committee and the Risk Management Committee. Mr Lee Sze Leong is the Managing Director/Chief Executive Officer of the Company.
- (6) Mr Toh Kian Leong Joseph was appointed as a Non-Executive and Independent Director on 2 January 2019 and will, upon re-election under item 6 above, also serve as Chairman of the Audit Committee (replacing Mr Lim Poh Suan who will be retiring from the Board at the end of this AGM) and as a Member of the Remuneration Committee.
- (7) Mr Lau Hwai Keong Michael was appointed as a Non-Executive and Independent Director on 2 January 2019 and will, upon re-election under item 7 above, also serve as Chairman of the Risk Management Committee (replacing Dr Joseph Yeong Wee Yong who will be retiring from the Board at the end of this AGM) and as a Member of the Audit Committee.
- (8) The Ordinary Resolution 9 proposed in item 10 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares and convertible securities in the Company up to a number not exceeding in total 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company for the time being for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders pursuant to this Resolution shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company.

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

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY:

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

SING INVESTMENTS & FINANCE LIMITED

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

PROXY FORM

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend and vote at the Annual General Meeting (please see Note 2 for the definition of “relevant intermediary”).
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Sing Investments & Finance Limited shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.

I/We _____ (Name) _____ (NRIC/PP/UEN No)
of _____ (Address)
being a member/members of Sing Investments & Finance Limited (the “Company”) hereby appoint:

Name	Address	NRIC/ Passport Number	Percentage of shareholdings represented

and/or (delete as appropriate):

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or failing him/them, the Chairman of the Annual General Meeting (“AGM”), as my/our proxy/proxies to vote for me/us on my/our behalf, at the AGM of the Company to be held on 24 April 2019 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	No. of Votes For*	No. of Votes Against*
1	Adoption of Directors’ statement and audited financial statements		
2	Approval of Directors’ fees		
3	Declaration of final dividend		
4	Re-election of Mr Ng Tat Pun as a Director		
5	Re-election of Mr Lee Sze Leong as a Director		
6	Re-election of Mr Toh Kian Leong Joseph as a Director		
7	Re-election of Mr Lau Hwai Keong Michael as a Director		
8	Re-Appointment of Messrs Deloitte & Touche LLP as Auditors and to authorise Directors to fix their remuneration		
9	General mandate to authorise the Directors to issue new shares or convertible instruments		

* Voting will be conducted by poll. If you wish to exercise all your votes “For” or “Against” the relevant resolution, please tick (√) within the relevant box provided. Alternatively, if you wish to exercise your votes both “For” and “Against” the relevant resolution, please indicate the number of shares in the boxes provided.

Dated this _____ day of _____ 2019.

Total Number of Shares Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. A member (who is not a relevant intermediary) of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where such member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the proxy form. Relevant intermediary is either:
 - a. a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - b. a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
 - c. the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
3. A proxy need not be a member of the Company.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and also in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by you.
5. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 96 Robinson Road #01-01 SIF Building, Singapore 068899 not less than 72 hours before the time set for the Annual General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject any instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms as set out in the Notice of Annual General Meeting dated 26 March 2019.

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

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