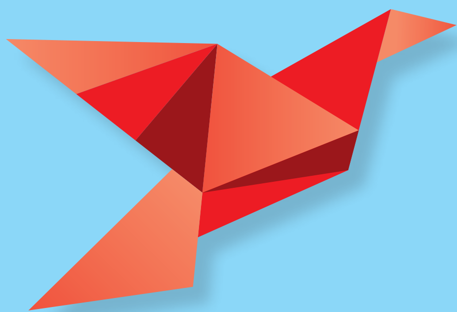
Singapura
富雅金融 FINANCE

ANNUAL REPORT 2018

FINANCIAL CALENDAR

11 MAY 2018	Announcement of Unaudited Financial Results for First Quarter ended 31 March 2018
10 AUGUST 2018	Announcement of Unaudited Financial Results for Second Quarter ended 30 June 2018
9 NOVEMBER 2018	Announcement of Unaudited Financial Results for Third Quarter ended 30 September 2018
22 FEBRUARY 2019	Announcement of Audited Financial Results for Financial Year ended 31 December 2018
11 APRIL 2019	Release of Annual Report
26 APRIL 2019	Annual General Meeting
6 MAY 2019	Books Closure Date for Dividend Entitlement (Subject to Shareholders' Approval at the AGM)
10 MAY 2019	Dividend Payment Date (Subject to Shareholders' Approval at the AGM)



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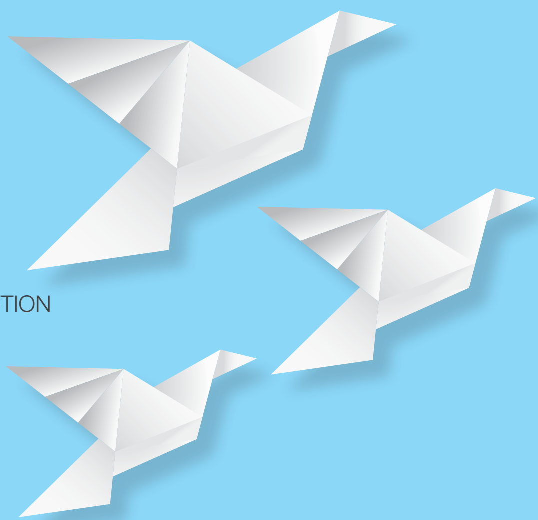

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PROXY FORM

THE SINGAPURA FINANCE BRAND

Our brand is built on the characteristics of **'optimism'**, **'inspiration'** and **'confidence'**. As an expression of these aspirations, our products and services cater to the everyday man. We equip our customers with product literature and our relationship managers will assist them in making an informed decision. We understand their needs and package practical deals to suit their lifestyle and fulfil their dreams. **We continuously engage in our customers' needs in bringing their every vision into reality.**

OUR LOGO

Our vibrant colours of purple and **orange** reflect the infusion of new life and vitality into the business. The Phoenix symbolises the link to our history and our desire to retain many of the qualities that have served us well over the years. The Phoenix, being the emperor of all birds, signifies our ambition to become the leading financial institution of choice for Singaporeans. A bird that soars towards ever greater heights of success, **it is a symbol of Singapura Finance's determination and eagerness to seek and tap unexplored avenues of growth.**

OUR CHINESE NAME

Our Chinese name, 富雅, stands for prosperity and elegance. **It links our roots to our future, reflecting the endeavors we have.**

Singapura
富雅金融 FINANCE

OUR CORE VALUES

Shareholder Value

We enhance our shareholder value in the long run by delivering consistent and sustainable earnings.

People Development

We value and develop our people and trust each one in delivering their best, fostering cooperativeness, teamwork and providing a supportive environment.

Integrity

We are open and fair in our dealings while maintaining the highest level of integrity at all times. We strive for excellence and professionalism in what we do.

Customer Focus

We build trust and long-term relationships by being responsive and relevant to our customers' needs.

Efficiency

We continuously strive to improve efficiency by encouraging staff innovation and use of information technology for the benefit of our customers.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report for the financial year ended 31 December 2018 ("FY2018").

PERFORMANCE REVIEW

The external operating environment for FY2018 continued to be challenging, against a background of modest growth for Singapore's economy of 3.2% for 2018. Notwithstanding this difficult business environment, the Group recorded a profit after tax of $7.7 million for the financial year ended 31 December 2018, an improvement of 57.37% compared to $4.9 million for the same period last year. The stronger performance was mainly attributed to a net write back on loan impairment losses which cushioned the decline in total income.

Total income declined by $2.0 million or 8.7% mainly due to lower net interest income and non-interest income. Net interest income contracted by $1.2 million or 5.5% as the decline in interest income outweighed the drop in interest expense while non-interest income fell by $0.9 million or 39.3% mainly due to decline in fees and commissions income and the absence of gain on sale of investments. This is cushioned by a fall in total operating expenses by $0.6 million or 4.2% owing to the strict discipline in the management of operating costs in the light of lower interest income.

The Group's total loan net of allowances dipped 8.9% to $680 million as at 31 December 2018 compared to $747 million as at 31 December 2017. In line with the lower loan balance, the Group has also actively managed the total deposits downwards by 10.1% to $727 million as at 31 December 2018. Net write back for loan impairment losses amounted to $1.0 million for the year ended 31 December 2018. For the same period last year, there was a net charge for loan allowances of $3.5 million. The Group continues to set aside adequate loss allowance for the loan portfolio.

In compliance with the revised regulatory requirement for loan loss allowance, $1.9 million was transferred from the accumulated profit to the Regulatory Loss Allowance Reserve for the year under review. The transfers are reflected in the Statement of Changes in the Equity.

DIVIDENDS

Subject to approval of shareholders at the forthcoming Annual General Meeting, the Board is recommending a first and final one-tier tax exempt dividend of 2 cents per share and a special one-tier tax exempt dividend of 2 cents per share for FY2018. The total distribution of 4 cents per share for the year will amount to approximately $6.35 million.

OPERATIONS REVIEW

In December 2017, the regulatory framework for finance companies' business activities was expanded to strengthen the resilience of finance companies and to enhance their ability to provide financing to small and medium sized enterprises ("SMEs"). The Group has been actively exploring new business opportunities to provide long term value added services to our SME customers and to strengthen our role in meeting their financing needs. We have started to offer syndicated loans and are in the midst of developing new capabilities and system enhancements to introduce current accounts with cheque facilities and to launch our unsecured lending products to support our corporate customers.

The Group has and will continue to seek ways to improve customer service and productivity to enhance our competitiveness. In 2018, we joined the foray in enhanced funds transfer experience, PayNow to ease our retail customers to make loan repayment and save with us instantaneously via our Unique Entity Number (UEN).

The Group has been proactively managing our operating expenses down and where possible, have a leaner organizational structure and productive work force. The Group view our employees as a very important stakeholder. We will continue to develop, nurture and help our employees achieve their fullest potential through both structured and on-the-job training. The Group will continue to invest in technology not only to enhance productivity and improvement in workflow processes but also to provide a better work-life balance for our employees.

OUTLOOK

The Singapore economy grew by 1.9% on a year-on-year basis in the fourth quarter of 2018, easing from the 2.4% growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 1.4%, unchanged from the preceding quarter. For the whole of 2018, the economy grew by 3.2%, a moderation from the 3.9% growth recorded in 2017.

Heightened uncertainties and risks in the global economy have led to a rise in volatility in global financial markets. Should the downside risks materialise, financial market volatility could spike and adversely affect investor sentiments, thereby exacerbating the negative effects on global growth. There remains the risk of a further escalation of the trade conflicts between the US and its key trading partners, which could trigger a sharp fall in global business and consumer confidence. Should this happen, global investment and consumption spending would decline, with an adverse impact on global economic growth. A sharper-than-expected slowdown of the Chinese economy could adversely affect the region's growth due to falling import demand from China, especially given regional economies' close interlinkages with China through their participation in manufacturing and trade-related services value chains. Furthermore, there is a risk that the UK will leave the EU without a withdrawal agreement. A "no-deal" Brexit could lead to substantial trade frictions between the UK and its trading partners, and weigh on consumer and business sentiments in the UK and EU, with potential negative effects on global growth. In late January 2019, the US Federal Reserve decided to keep interest rate on hold and signalled a prolonged pause on rate hikes. The policy U-turn, just six weeks after it raised rates and forewarned of two hikes in 2019, reflected its concerns over the global uncertainties and risks as mentioned above.

The external demand outlook for Singapore is expected to be weaker in 2019 as compared to 2018 as the global economy faces major uncertainties with growing trade conflicts, nervous financial markets and signs of slowing growth. The intensification of the ongoing US-China trade conflict, China's economic slowdown and the tightening of global financial conditions are downside risks to the Singapore economy. Against these external backdrop, the pace of growth in the Singapore economy is expected to slow in 2019 as compared to 2018.

Taking into account the global and domestic economic environment, Ministry of Trade and Industry has maintained the 2019 GDP growth forecast at "1.5% to 3.5%", with growth expected to come in slightly below the mid-point of the forecast range.

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

ACKNOWLEDGEMENTS

On behalf of the Board, I welcome Mr Terence Khoo Chi Siang who joined the Board on 2 July 2018 as an independent director. I am confident the Group will benefit from his extensive and diverse experience and counsel.

I would like to extend my appreciation to our valued clients and business associates for their support and to our shareholders for their patience and loyalty. I thank my fellow Board members for their continual support, counsel and guidance. I also acknowledge and commend our management and staff for their diligence and hard work in contributing to the development of the Group.

Teo Chiang Long
Executive Chairman

Singapore
22 February 2019

BOARD OF DIRECTORS

TEO CHIANG LONG
EXECUTIVE CHAIRMAN

Mr. Teo Chiang Long joined the Board on 10 March 1981 as a Director and was appointed as Managing Director and Chief Executive Officer of the Company on 1 March 1989. He was appointed as Executive Chairman of the Board on 8 November 2002. Mr. Teo was last re-elected as a Director at the Annual General Meeting of the Company on 27 April 2018.

Mr. Teo is a Senior Honorary Council Member of the Singapore Chinese Chamber of Commerce & Industry and Deputy Honorary Secretary of the Ngee Ann Kongsi's Committee of Management. Mr. Teo is also a Governor of the Singapore Teochew Foundation Limited and a Director of Bright Vision Hospital. He also serves on the board of Ngee Ann Development Pte. Ltd, a joint venture company between the Ngee Ann Kongsi and Takashimaya Tokyo.

Mr. Teo holds a Bachelor of Economics degree from the University of Adelaide, Australia. He is a Fellow Member of the CPA Australia as well as a CA (Singapore), Institute of Singapore Chartered Accountants. He is a member of the Singapore Institute of Directors.

JAMIE TEO MIANG YEOW
CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Mr. Jamie Teo Miang Yeow joined the Company as corporate planner on 30 March 2000 and was appointed to the Board as an Executive Director on 8 November 2002. Mr. Teo was appointed Deputy Chief Executive Officer of the Company on 17 March 2005 and has held the position of Chief Executive Officer since 11 September 2007. He was last re-elected as a Director at the Annual General Meeting of the Company held on 27 April 2018.

Prior to joining the Company, he had worked with Ernst & Young Consultants as a senior consultant. He is the vice president of Ngee Ann Kongsi's committee of Management, and represents Ngee Ann Kongsi on the Ngee Ann Polytechnic council.

Mr. Teo holds a Bachelor of Arts in Psychology & Asian Studies and a Masters in Business Administration from the University of Adelaide, Australia. He is a member of the Singapore Institute of Directors.

PHUA BAH LEE
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Phua Bah Lee joined the Board of the Company as an Independent Non-Executive Director on 19 October 1988. He was last re-elected as a Director at the Annual General Meeting of the Company held on 28 April 2017. Mr. Phua Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. He resigned as the Lead Independent Director on 12 February 2019.

Mr. Phua was the Parliamentary Secretary of the Ministry of Communications from 1968 to 1971 and Senior Parliamentary Secretary of the Ministry of Defence from 1972 to 1988. He was a Member of Parliament for the Tampines Constituency from 1968 to 1988. He retired from politics in 1988.

Mr. Phua has been an Independent Non-Executive Director of Metro Holdings Limited since 1993 and also holds directorship in several private companies.

Mr. Phua graduated from the Nanyang University of Singapore with a Bachelor of Commerce degree. He is also a member of the Singapore Institute of Directors.

Additional information on Mr Phua, who is seeking re-election at the 49th Annual General Meeting, is given on pages 7 to 15.

BOARD OF DIRECTORS

TEOH ENG HONG
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Teoh Eng Hong joined the Board of the Company as an Independent Non-Executive Director on 18 June 1992. He was last re-elected as a Director at the Annual General Meeting of the Company held on 28 April 2017. Mr. Teoh is the Chairman of the Risk Management Committee and is a member of the Audit, Nominating, Remuneration and Executive Committees.

Mr. Teoh has extensive experience in many aspects of the oil and chemical related businesses as he was with Shell Group of Companies for over 30 years and had held various senior management positions and directorships in various oil and chemicals companies associated with Shell. He still consults for energy companies and his other interest is in the education industry.

Mr. Teoh holds a Bachelor of Economics (1st Class Honours) from the University of Adelaide, Australia. He is a member of the Singapore Institute of Directors.

Additional information on Mr Teoh, who is seeking re-election at the 49th Annual General Meeting, is given on pages 7 to 15.

WILLIAM HO AH SENG
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. William Ho Ah Seng joined the Company as General Manager on 2 April 1983. He was appointed to the Board as an Executive Director on 1 March 1989. After his retirement as Executive Director on 31 January 2008, Mr. Ho continued to serve on the Board as a Non-Independent Director and as a member of the Risk Management Committee. He was subsequently redesignated as an Independent Director with effect from 26 August 2011.

Mr. Ho was last re-elected as a Director at the Annual General Meeting of the Company held on 28 April 2017. He is an Independent Non-Executive Director and a member of the Risk Management Committee.

Mr. Ho holds a Bachelor of Science in Sociology from the University of London. He is a member of the Singapore Institute of Directors.

TAN HUI KENG, MARTHA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mdm Tan Hui Keng, Martha joined the Board on 1 November 2011 as an Independent Non-Executive Director. Mdm Tan also sits on the Audit Committee as Chairman; and is a member of the Nominating, Remuneration and Risk Management Committees. She was last re-elected as a Director at the Annual General Meeting of the Company held on 28 April 2017.

Mdm Tan was an audit partner of KPMG (now known as KPMG LLP) from 1989 to 2005. Mdm Tan has more than 25 years of experience in the public accounting field, which includes auditing, taxation, public listings, due diligence, mergers and acquisitions, internal control reviews and general business advisory services.

Mdm Tan holds a Degree (Honours) in Accountancy from the University of Singapore and is also a Fellow Member of the Institute of Singapore Chartered Accountants.

Additional information on Mdm Tan, who is seeking re-election at the 49th Annual General Meeting, is given on pages 7 to 15.

BOARD OF DIRECTORS

YU-FOO YEE SHOON

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mrs. Yu-Foo Yee Shoon joined the Board on 1 November 2011 as an Independent Non-Executive Director. Mrs. Yu-Foo also sits on the Nominating Committee as Chairman; and is a member of the Audit and Remuneration Committees. She was last re-elected as a Director at the Annual General Meeting of the Company held on 27 April 2018. She was also appointed as the Lead Independent Director on 12 February 2019.

Mrs. Yu-Foo started her career with the National Trades Union Congress (NTUC). She was Deputy Secretary-General of NTUC, Senior Parliamentary Secretary for Ministry of Community Development and Sports, the first woman Mayor in Singapore before she became Minister of State for Ministry of Community Development, Youth and Sports. She retired from politics in 2011 after 27 years of service.

Her present directorships include ARA Trust Management (Suntec) Limited and KOP Limited beside Singapura Finance Ltd. She is Senior Advisor (International Advisory Panel) to Hyflux Ltd and Advisor to Nuri Holdings (S) Pte. Ltd and Dimensions International College Pte. Ltd.

Mrs. Yu-Foo chairs the Publicity and Outreach Committee for the Lee Kuan Yew Fund for Bilingualism. She is a Justice of the Peace, Chairman of the Traditional Chinese Medicine Practitioners Board, Founding Patron of the Breast Cancer Foundation and Advisor to Hardware Network and Executive Council Member of Hainan University.

Mrs. Yu-Foo graduated from Nanyang University with a Bachelor of Commerce and from Nanyang Technological University with a Masters Degree in Business, and was awarded the Honorary Doctorate of Education by Wheelock College of Boston, the United States of America in 2008. She is a member of Singapore Institute of Directors.

ADAM TAN CHIN HAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Adam Tan Chin Han joined the Board on 3 January 2017 as an Independent Non-Executive Director. Mr. Tan is a member of the Audit, Nominating, Remuneration and Risk Management Committees. He was last re-elected as a Director at the Annual General Meeting of the Company held on 28 April 2017.

Mr. Tan is the Chief Executive Officer of Plasticscommerce Pte. Ltd and an Executive Director of Agrimax Pte. Ltd. Mr. Tan started his career in Merrill Lynch before leaving to manage Plasticscommerce Pte. Ltd in 2000. At Agrimax Pte. Ltd. Mr. Tan is responsible for business development and operations.

Mr. Tan holds a Bachelor of Accountancy (Hons) from Nanyang Technological University, Singapore, and is a Chartered Accountant of Singapore (CA Singapore). He is a member of the Singapore Institute of Directors.

TERENCE KHOO CHI SIANG

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Terence Khoo joined the Board on 2 July 2018 as an Independent Non-Executive Director. Mr. Khoo is also a member of the Audit, Nominating, Remuneration and Risk Management Committees

Mr. Khoo started his career in the Singapore Rugby Union and went on to various appointments within the sports industry until he left start to start Sports Marketing Company Enterprise Sports Group Pte. Ltd (ESG) in 2005, where he is now the Managing Director. In 2017, Mr Khoo was elected as President of the Singapore Rugby Union.

Mr. Khoo holds a L.L.B Law degree from The University of Sheffield. He is also a member of the Singapore Institute of Directors.

Additional information on Mr Khoo, who is seeking re-election at the 49th Annual General Meeting, is given on pages 7 to 15.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Phua Bah Lee	Mr Teoh Eng Hong	Mdm Tan Hui Keng, Martha	Mr Khoo Chi Siang Terence
Date of appointment	19 October 1988	18 June 1992	1 November 2011	2 July 2018
Date of last re-election	28 April 2017	28 April 2017	28 April 2017	Not Applicable
Age	87	76	62	48
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Phua Bah Lee as an Independent Non-Executive Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Phua Bah Lee's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Teoh Eng Hong as an Independent Non-Executive Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Teoh Eng Hong's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mdm Tan Hui Keng Martha as an Independent Non-Executive Director was recommended by the Nominating Committee, and the Board has accepted the recommendation, after taking into consideration Mdm Tan Hui Keng Martha's qualifications, expertise, past experiences and overall contribution since she was appointed as a Director of the Company.	The re-election of Mr Khoo Chi Siang Terence as an Independent Non-Executive Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Khoo Chi Siang Terence's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether the appointment is executive, and if so, the area of responsibility	Independent Non-Executive	Independent Non-Executive	Independent Non-Executive	Independent Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	• Lead Independent Director (until 11 Feb 19) • Chairman of the Remuneration Committee • Member of the Audit and Nominating Committees	• Chairman of the Risk Management Committee • Member of the Nominating, Remuneration, Audit and Executive Committees	• Chairman of the Audit Committee • Member of the Nominating, Remuneration and Risk Management Committees	• Member of the Audit, Nominating, Remuneration and Risk Management Committees

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Phua Bah Lee	Mr Teoh Eng Hong	Mdm Tan Hui Keng, Martha	Mr Khoo Chi Siang Terence
Professional qualifications	Bachelor of Commerce, Nanyang University of Singapore	Bachelor of Economics (1st Class Honours), University of Adelaide, Australia	• Degree (Honours) in Accountancy, University of Singapore • Fellow Member of the Institute of Singapore Chartered Accountants	Law degree, University of Sheffield, United Kingdom
Working experience and occupation(s) during the past 10 years	• 4 Jun 1975 to Present: Director of Kreta Ayer People's Theatre Foundation • 1 Jan 1989 to Present: Director of The New Otani Singapore Pte Ltd (In Members' Voluntary Winding Up) • 2 May 1989 to Present: Director of Ngee Ann Development Pte Ltd • 17 Oct 1989 to Present: Director of Pecly Investments Pte Ltd • 5 Oct 1993 to Present: Director of Metro Holdings Limited • 14 Apr 1995 to Present: Director of Metro China Holdings Pte Ltd	• 4 Jun 2002 to Present: Director of Ngee Ann Academy Pte Ltd • 14 Jan 2005 to Present: Director of Ngee Ann Institute of Higher Education Pte Ltd • 7 Nov 2017 to Present: Director of Teoh Holdings Pte Ltd • 16 Dec 2010 to Present: Advisor of Unique Gas Solution Private Limited	• 29 Dec 2015 to Present: Director of Singapore Consortium Investment Management Limited • 25 Jan 2012 to 29 Dec 2015: Director of Allgrace Investment Management Private Limited • 21 Sep 2007 to 29 Apr 2016: Director of HL Global Enterprises Limited • 17 May 2010 to 20 Dec 2011: Director of ST Asset Management Ltd • 11 Jul 2007 to 8 Jan 2009: Director of Vertex Management (II) Pte Ltd	• 2 Feb 2005 to Present: Director of Enterprise Sports Group Pte Ltd • 9 Jan 2009 to Present: Director of ESG Endurance Sport Pte Ltd • 8 Apr 2010 to Present: Director of ESG Sports Singapore Pte Ltd • 10 Mar 2016 to Present: Director of Little Swim School Pte Ltd • 12 May 2016 to Present: Director of Bukit Timah Investments Pte Ltd • 11 Jul 2016 to Present: Director of Coolpay Pte Ltd

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Phua Bah Lee	Mr Teoh Eng Hong	Mdm Tan Hui Keng, Martha	Mr Khoo Chi Siang Terence
Working experience and occupation(s) during the past 10 years (cont'd)	• 21 Sep 2000 to Present: Director of Ngee Ann Traditional Chinese Medicine Centre Ltd • 23 Jan 2006 to Present: Director of Ngee Ann Property Management Pte Ltd • 30 Dec 2010 to Present: Director of Singapore Teochew Foundation Limited • 2 Apr 2013 to Present: Director of NAD Triple Funds Pte Ltd • 21 Jul 2016 to Present: Director of RE Properties Pte Ltd • 10 Jul 2017 to Present: Director of Metro (Shanghai) Enterprise Management Pte Ltd • 8 Jan 1990 to 30 Apr 2009: Director of QAF Limited • 8 Jan 1989 to 30 Apr 2013: Director of Wing Tai Holdings Limited • 18 Jan 1995 to 31 Jul 2013: Director of GP Industries Limited			

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Phua Bah Lee	Mr Teoh Eng Hong	Mdm Tan Hui Keng, Martha	Mr Khoo Chi Siang Terence
Working experience and occupation(s) during the past 10 years (cont'd)	• 29 Nov 1993 to 26 Apr 2018: Director of Pan United Corporation Ltd • 1 Dec 2000 to 26 Jul 2017: Director of Singapore Changsu Development Company Pte Ltd • 11 Feb 1991 to 29 Jul 2011: Director of GP Batteries International Limited			
Shareholding interest in the listed issuer and its subsidiaries	Refer to Directors' Statement on pages 55 to 58			
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None	None
Conflict of interest (including any competing business)	None	None	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Phua Bah Lee	Mr Teoh Eng Hong	Mdm Tan Hui Keng, Martha	Mr Khoo Chi Siang Terence
Other principal commitments including directorships	Past (for the last 5 years) • 8 Jan 1989 to 30 Apr 2013: Director of Wing Tai Holdings Limited • 18 Jan 1995 to 31 Jul 2013: Director of GP Industries Limited • 29 Nov 1993 to 26 Apr 2018: Director of Pan United Corporation Ltd • 1 Dec 2000 to 26 Jul 2017: Director of Singapore Changsu Development Company Pte Ltd • 11 Feb 1991 to 29 Jul 2011: Director of GP Batteries International Limited	Past (for the last 5 years) None Present • 4 Jun 2002 to Present: Director of Ngee Ann Academy Pte Ltd • 14 Jan 2005 to Present: Director of Ngee Ann Institute of Higher Education Pte Ltd • 7 Nov 2017 to Present: Director of Teoh Holdings Pte Ltd • 16 Dec 2010 to Present: Advisor of Unique Gas Solution Private Limited	Past (for the last 5 years) • 25 Jan 2012 to 29 Dec 2015: Director of Allgrace Investment Management Private Limited • 21 Sep 2007 to 29 Apr 2016: Director of HL Global Enterprises Limited Present • 29 Dec 2015 to Present: Director of Singapore Consortium Investment Management Limited	Past (for the last 5 years) • 1999 to 2004: Director of Sports Business at SportSG (formerly known as Singapore Sports Council), a statutory board former under the Ministry of Culture, Community and Youth (MCCY) (formerly known as Ministry of Community Development, Youth and Sports

ADDITIONAL INFORMATION ON
DIRECTORS SEEKING RE-ELECTION

	Mr Phua Bah Lee	Mr Teoh Eng Hong	Mdm Tan Hui Keng, Martha	Mr Khoo Chi Siang Terence
Other principal commitments including directorships (cont'd)	Present • 4 Jun 1975 to Present: Director of Kreta Ayer People's Theatre Foundation • 1 Jan 1989 to Present: Director of The New Otani Singapore Pte Ltd (In Members' Voluntary Winding Up) • 2 May 1989 to Present: Director of Ngee Ann Development Pte Ltd • 17 Oct 1989 to Present: Director of Pecly Investments Pte Ltd • 5 Oct 1993 to Present: Director of Metro Holdings Limited • 14 Apr 1995 to Present: Director of Metro China Holdings Pte Ltd • 21 Sep 2000 to Present: Director of Ngee Ann Traditional Chinese Medicine Centre Ltd • 23 Jan 2006 to Present: Director of Ngee Ann Property Management Pte Ltd			Present • 2 Feb 2005 to Present: Director of Enterprise Sports Group Pte Ltd • 9 Jan 2009 to Present: Director of ESG Endurance Sport Pte Ltd • 8 Apr 2010 to Present: Director of ESG Sports Singapore Pte Ltd • 10 Mar 2016 to Present: Director of Little Swim School Pte Ltd • 12 May 2016 to Present: Director of Bukit Timah Investments Pte Ltd • 11 Jul 2016 to Present: Director of Coolpay Pte Ltd • 2017 to Present: President of Singapore Rugby Union (Society)

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr Phua Bah Lee	Mr Teoh Eng Hong	Mdm Tan Hui Keng, Martha	Mr Khoo Chi Siang Terence
Other principal commitments including directorships (cont'd)	• 30 Dec 2010 to Present: Director of Singapore Teochew Foundation Limited • 2 Apr 2013 to Present: Director of NAD Triple Funds Pte Ltd • 21 Jul 2016 to Present: Director of RE Properties Pte Ltd • 10 Jul 2017 to Present: Director of Metro (Shanghai) Enterprise Management Pte Ltd			

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Phua Bah Lee	Mr Teoh Eng Hong	Mdm Tan Hui Keng, Martha	Mr Khoo Chi Siang Terence
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(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	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	No	No
(c) Whether there is any unsatisfied judgment against him?			
No	No	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	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	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?			
No	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?			
No	No	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	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	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Phua Bah Lee	Mr Teoh Eng Hong	Mdm Tan Hui Keng, Martha	Mr Khoo Chi Siang Terence
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (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	No	Yes In 2009, pertained to Mr Khoo's company Enterprise Sports Group Pte Ltd, Mr Khoo had assisted Malaysian authorities in their investigations on the appointment of ING Finance as a sponsor of Malaysian sporting events. Upon conclusion of the investigations, there were no adverse findings made against Mr Khoo and no disciplinary action was instituted against him. In 2004, Mr Khoo had assisted the Corrupt Practices Investigation Bureau (CPIB) in their investigations on a matter involving the SportsSG (then known as the Singapore Sports Council) where Mr Khoo was employed. Upon conclusion of the CPIB's investigations, CPIB had returned Mr Khoo's files to him and did not institute any disciplinary action against him or pursue the matter any further.
(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	No	No

FINANCIAL HIGHLIGHTS

	Audited 12 months	Audited 12 months	Unaudited 12 months(1)	Audited 18 months	Audited 12 months	
	31 Dec 2018 (FY2018) S$'000	31 Dec 2017 (FY2017) S$'000	31 Dec 2016 (FY2016 Unaudited) S$'000	31 Dec 2016 (FY2016 Audited) S$'000	30 Jun 2015 (FY2015) S$'000	30 Jun 2014 (FY2014) S$'000
CAPITAL EMPLOYED						
Total assets	**996,933**	1,076,100	1,124,773	1,124,773	1,237,813	1,027,950
Net assets	**257,483**	253,996	251,885	251,885	248,579	170,271
Net assets per share (dollars)	**1.62**	1.60	1.59	1.59	1.57	2.15
SHARE CAPITAL						
Issued and fully paid	**168,896**	168,896	168,896	168,896	168,896	90,065
Number of shares issued (thousands)	**158,686**	158,686	158,686	158,686	158,686	79,343
LOANS AND DEPOSITS						
Loans before allowances	**688,765**	760,444	851,588	851,588	945,603	801,340
Deposits	**726,519**	808,278	856,928	856,928	978,143	847,330
PROFIT AND DIVIDEND PAYOUT						
Profit before tax	**8,987**	5,905	3,271	4,671	5,464	6,695
Profit after tax	**7,717**	4,907	2,730	3,900	4,543	5,795
Dividend	**6,347**	4,761	3,174	3,174	3,174	3,967
DIVIDEND AND EARNINGS PER SHARE						
Dividend per share (cents) – tax exempt one-tier	**4.0**	3.0	2.0	2.0	2.0	5.0
Earnings per share (cents)(2)	**4.9**	3.1	1.7	2.5	3.5	6.1

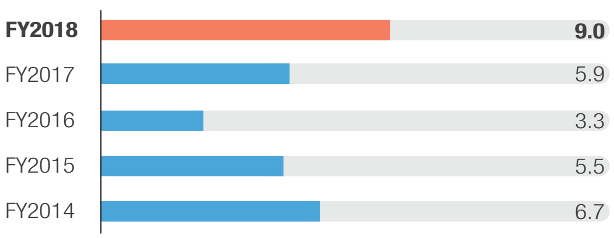
(1) The Group changed its financial year end from 30 June to 31 December in FY2016. The 12 month period results ended 31 Dec 2016, which is computed by deducting the results of the 6 month period ended 31 Dec 2015 (1 Jul 2015 to 31 Dec 2015) from that of 18 month period ended 31 December 2016, is presented for comparative purposes only.

(2) Earnings per share for FY2018, FY2017, FY2016 (Unaudited) and FY2016 (Audited) are calculated based on profit after tax on weighted average of 158,685,890 shares in issue (FY2015: 131,825,726 shares and FY2014: 95,839,993 shares).

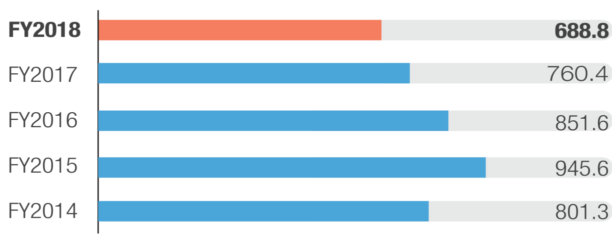
DIVIDEND POLICY

The Group aims to maintain a strong capital position to ensure market confidence, to support its on-going business and to meet the expectations of depositors, customers and investors alike. Singapura Finance Ltd is also required to comply with regulatory standards of capital requirements through the maintenance of a minimum capital adequacy ratio at all times, and to transfer a requisite proportion of its annual net profit to the statutory reserve which is not available for distribution to shareholders. Our dividend policy aims to provide shareholders with a predictable and sustainable dividend return over the long term by balancing growth with prudent capital management.

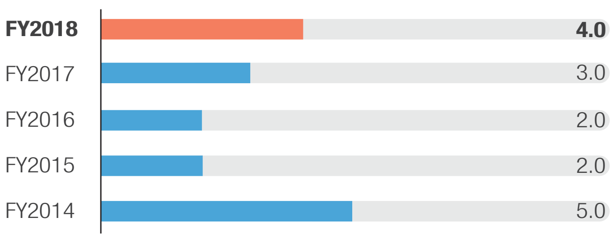
PROFIT BEFORE TAX S$ million



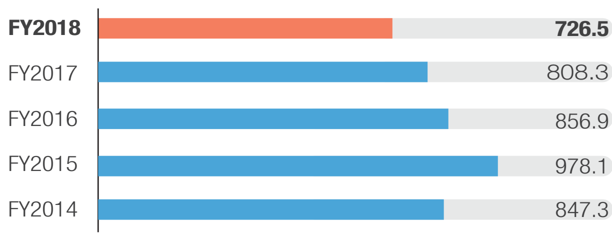
LOANS S$ million



NET DIVIDEND PER SHARE cents



DEPOSITS S$ million



FINANCIAL REVIEW

FINANCIAL SUMMARY

	2018 $'000	2017 $'000	Variance %
SELECTED INCOME STATEMENT ITEMS			
Net interest income	19,958	21,124	(5.5)
Non-interest income	1,343	2,212	(39.3)
Total income	21,301	23,336	(8.7)
Operating expenses	(13,320)	(13,901)	(4.2)
Profit from operations before allowances	7,981	9,435	(15.4)
(Write-back)/Allowances on loan losses	1,006	(3,530)	(128.5)
Profit before tax	8,987	5,905	52.2
Profit after tax attributable to shareholders	7,717	4,907	57.3
SELECTED BALANCE SHEET ITEMS			
Total equity	257,483	253,996	1.4
Total assets	996,933	1,076,100	(7.4)
Loans and advances (net of allowances)	680,441	746,689	(8.9)
Deposits and savings accounts of customers	726,519	808,278	(10.1)
KEY FINANCIAL RATIOS (%)			
Net interest margin	2.08	1.96	
Non-interest income ratio	6.3	9.5	
Cost-to-income ratio	62.5	59.6	
Loans-to-deposits ratio	93.7	92.4	
Non-performing loans ratio			
– Secured by collateral	9.1	5.3	
– Unsecured and fully provided for	1.0	0.9	
Return on equity(1)	3.0	1.9	
Return on total assets(2)	0.8	0.5	
Capital adequacy ratio	33.4	31.3	
PER ORDINARY SHARE DATA			
Basic earnings per share (cents)(3)	4.9	3.1	
Net asset value per share ($)	1.6	1.6	

(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.
(3) The Group's basic earnings per share for year ended 31 Dec 2018 and 31 Dec 2017 are calculated based on profit after tax on weighted average of 158,685,890 shares in issue.

ANALYSIS OF PERFORMANCE

The external operating environment for FY2018 continued to be challenging, against a background of modest growth for the Singapore's economy of 3.2% for the whole of 2018. Notwithstanding this difficult business environment, the Group recorded a profit after tax of $7.7 million for the financial year ended 31 December 2018, an improvement of 57.37% compared to $4.9 million for the same period last year. The stronger performance was mainly attributed to a net write back on loan impairment losses which cushioned the decline in total income.

Total income declined by $2.0 million or 8.7% mainly due to lower net interest income and non-interest income. Net interest income contracted by $1.2 million or 5.5% as the decline in interest income outweighed the drop in interest expense while non-interest income fell by $0.9 million or 39.3% mainly due to decline in fees and commissions income and the absence of gain on sale of investments. This is cushioned by a fall in total operating expenses by $0.6 million or 4.2% owing to the strict discipline in the management of operating costs in the light of lower interest income.

The Group's total loan net of allowances dipped 8.9% to $680 million as at

FINANCIAL REVIEW

31 December 2018 compared to $747 million as at 31 December 2017. In line with the lower loan balance, the Group has also actively managed the total deposits downwards by 10.1% to $727 million as at 31 December 2018. Net write back for loan impairment losses amounted to $1.0 million for the year ended 31 December 2018. For the same period last year, there was a net charge for loan allowances of $3.5 million. The Group continues to set aside adequate loss allowance for the loan portfolio.

In compliance with the revised regulatory requirement for loan loss allowance, $1.9 million was transferred from the accumulated profit to the Regulatory Loss Allowance Reserve for the year under review. The transfers are reflected in the Statement of Changes in the Equity.

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

DIVIDEND PER SHARE

Subject to approval of shareholders at the forthcoming Annual General Meeting, the Board is recommending a first and final one-tier tax exempt dividend of 2 cents per share and a special one-tier tax exempt dividend of 2 cents per share for FY2018.

	2018 Tax Exempt cents	2017 Tax Exempt cents	Variance cents
Dividend Per Share			
– Final	2	2	–
– Special	2	1	1
Total	**4**	**3**	**1**

NET INTEREST INCOME

Average Balance Sheet and Net Interest Margin

	2018			2017			Variance	
	Average Balance $'000	Interest $'000	Average Rate %	Average Balance $'000	Interest $'000	Average Rate %	Interest $'000	Rate %
INTEREST-EARNING ASSETS								
Loans and advances	717,934	24,000	3.34	802,576	27,424	3.42	(3,424)	(0.07)
Singapore Government Securities	138,974	2,459	1.77	131,849	1,964	1.49	495	0.28
Other interest-earning assets	103,290	1,307	1.27	142,017	1,378	0.97	(71)	0.30
Total	**960,198**	**27,766**	**2.89**	**1,076,442**	**30,766**	**2.86**	**(3,000)**	**0.03**
INTEREST BEARING-LIABILITIES								
Deposits and savings accounts	712,079	7,808	1.10	837,247	9,642	1.15	(1,834)	(0.06)
Total	**712,079**	**7,808**	**1.10**	**837,247**	**9,642**	**1.15**	**(1,834)**	**(0.06)**
Net interest income/margin as a percentage of interest-earning assets		**19,958**	**2.08**		**21,124**	**1.96**	**(1,166)**	**0.12**

Net interest income fell by $1.2 million or 5.5% for the financial year ended 31 December 2018 compared to the same period last year. This is because the decline in total interest income outweighed the drop in total interest expense.

Total interest income decreased by $3.0 million or 9.8% mainly attributed to the drop in interest from loans and advances with the contraction in loan volume.

Correspondingly, total interest expense dropped $1.8 million or 19.0% as average total deposits and savings accounts of customers was managed downwards in tandem with the contraction in loans. Moreover, the cost of funds dropped from 1.15% to 1.10% during the year.

However, with higher asset yields and lower cost of funds, the Group's net interest margin as a percentage of the interest-earning assets increased from 1.96% to 2.08%.

FINANCIAL REVIEW

The table below shows the change in the net interest income due to the impact of volume and rate changes.

VOLUME AND RATE ANALYSIS INCREASE/(DECREASE) FOR FY2018 OVER FY2017	Volume $'000	Rate $'000	Total $'000
INTEREST INCOME			
Loans and advances	(2,892)	(532)	(3,424)
Singapore Government Securities	106	389	495
Other assets	(376)	305	(71)
Total	**(3,162)**	**162**	**(3,000)**
INTEREST EXPENSE			
Deposits and savings accounts	(1,441)	(393)	(1,834)
Total	**(1,441)**	**(393)**	**(1,834)**
Net interest income	**(1,721)**	**555**	**(1,166)**

NON-INTEREST INCOME	2018 $'000	2017 $'000	Variance %
Fees and commissions	719	1,191	(39.6)
Dividends	15	200	(92.5)
Gain on sale of investments	–	471	(100.0)
Other operating income	609	350	74.0
Total non-interest income	**1,343**	**2,212**	**(39.3)**

Non-interest income for the year decreased 39.3% to $1.3 million. The decline was primarily due to lower fees and commissions from early settlement of loans and the absence of gain on sale of investments.

OPERATING EXPENSES	2018 $'000	2017 $'000	Variance %
Staff costs	8,184	7,770	5.3
Depreciation of property, plant and equipment	782	665	17.6
Other operating expenses	4,354	5,466	(20.3)
Total operating expenses	**13,320**	**13,901**	**(4.2)**

Operating expenses decreased by 4.2% compared to the same period last year mainly due to the decline in other operating expenses with lower commission expenses to car dealers as the volume of new auto loans contracted during the year.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES	2018 $'000	2017 $'000	Variance %
Charge during the year: Lifetime ECL – credit impaired (2017: Individual impairment)	(1,995)	(4,457)	(55.2)
Write-back during the year: 12-month and Lifetime ECL – non-credit impaired (2017: Collective impairment)	3,001	927	223.7
Total Impairment Losses (Net)	**1,006**	**(3,530)**	**(128.5)**

ECL denotes "Expected Credit Loss"

With effect from 1 January 2018, SFRS(I) 9 Financial Instruments introduces the concept of ECL for the estimation of loan impairment losses. A net charge of Lifetime ECL on credit imapired loans of $2.0 million was made in FY2018 compared to $4.5 million of individual impairment during the same period last year. There was a $3.0 million write-back of 12-month and Lifetime ECL on non-credit impaired loans in FY2018 compared to $0.9 million write-back for collective impairment in FY2017 in line with the contraction in loan balance. The resultant impact was a total net write-back of $1.0 million for loan impairment losses compared to net charge of $3.5 million for the same period last year.

CORPORATE **DIRECTORY**

BOARD OF DIRECTORS

EXECUTIVE

Teo Chiang Long *(Executive Chairman)*
Jamie Teo Miang Yeow *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE

Phua Bah Lee
Teoh Eng Hong
William Ho Ah Seng
Yu-Foo Yee Shoon
Tan Hui Keng, Martha
Adam Tan Chin Han
Terence Khoo Chi Siang

AUDIT COMMITTEE

Tan Hui Keng, Martha *(Chairman)*
Phua Bah Lee
Teoh Eng Hong
Yu-Foo Yee Shoon
Adam Tan Chin Han
Terence Khoo Chi Siang

NOMINATING COMMITTEE

Yu-Foo Yee Shoon *(Chairman)*
Phua Bah Lee
Teoh Eng Hong
Tan Hui Keng, Martha
Adam Tan Chin Han
Terence Khoo Chi Siang

REMUNERATION COMMITTEE

Phua Bah Lee *(Chairman)*
Teoh Eng Hong
Yu-Foo Yee Shoon
Tan Hui Keng, Martha
Adam Tan Chin Han
Terence Khoo Chi Siang

RISK MANAGEMENT COMMITTEE

Teoh Eng Hong *(Chairman)*
Jamie Teo Miang Yeow
William Ho Ah Seng
Tan Hui Keng, Martha
Adam Tan Chin Han
Terence Khoo Chi Siang

EXECUTIVE COMMITTEE

Teo Chiang Long *(Chairman)*
Teoh Eng Hong
Jamie Teo Miang Yeow

COMPANY SECRETARY

Ngiam May Ling
Blandina Chia Swee Hoon *(Assistant Company Secretary)*

SHARE REGISTRAR & SHARE TRANSFER OFFICE

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: 62276660
Fax: 62251452

AUDITORS

KPMG LLP
Certified Public Accountants, Singapore
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Audit Partner: Mr Ian Hong
(wef Financial Year 2015)

BANKERS

DBS Bank Ltd
Oversea-Chinese Banking Corporation Ltd
United Overseas Bank Ltd

REGISTERED OFFICE

Singapura Finance Ltd
(Company Registration No. 196900340N)
150 Cecil Street #01-00
Singapore 069543
Tel: 68800633
Fax: 62258310
www.singapurafinance.com.sg
www.facebook.com/singapurafinanceltd

INVESTOR RELATIONS

Tel: 68800633
Fax: 62258310
Email: feedback@singapurafinance.com.sg

CORPORATE SUSTAINABILITY REPORTING

BOARD STATEMENT

[GRI 102-14, GRI 102-18]

The Board is pleased to present our second Sustainability Report (the “Report”).

At Singapura Finance Ltd (“SFL” and the “Company”), we build our brand upon optimism, inspiration and confidence and we strive to impart these values in our products and services to help our customers achieve the lifestyle of their dreams. We recognise the importance of integrating sustainability in our business strategy and operations to support our business growth.

We reviewed the list of material factors with considerations of the changing industry trends, business context and stakeholder views to make sure we focus our efforts and resources on the most critical issues.

The Sustainability Steering Committee continues to support us in managing and monitoring the Environmental, Social and Governance (“ESG”) risks and opportunities across SFL, which in turn helps us to make key strategic business decisions.

In this Report, we would like to share with our stakeholders our sustainability approach as well as updates on our practices, performance and targets in relation to our sustainability efforts for the financial year ended 31 December 2018.

We have changed our Global Reporting Initiative (“GRI”) reporting option from making reference to in accordance with the GRI Standards 2016 – Core option, which provides a more comprehensive view of our sustainability approach and performance.

We believe that transparency and stakeholders engagement are key for achieving our sustainability objectives in creating long-term values for our business, people and community. We invite you to join us as we progress our sustainability journey towards a better future.

Singapura Finance Ltd’s Board of Directors

CORPORATE SUSTAINABILITY REPORTING

SUSTAINABILITY SNAPSHOT OF SINGAPURA FINANCE IN 2018

SFL's sustainability efforts are aligned with our stakeholders' needs. The following presents highlights of SFL's sustainability performance in 2018.

ECONOMIC PERFORMANCE

REVENUE	$29.1M
NET PROFIT AFTER TAX	$7.7M
NET PROFIT MARGIN	26.5%

97%
of supplies are sourced locally

ENVIRONMENTAL PERFORMANCE

Implemented
Go Green Initiative
which encourages employees to adopt eco-friendly practices at the workplace

10.5%
decrease
in energy intensity in 2018

SOCIAL PERFORMANCE

Implemented
Customer Feedback Initiative
which focuses on quality of service for customers

Implemented
Flexible Working Arrangement
for employees

37%
of employees have worked in SFL for over 10 years or more

CORPORATE SUSTAINABILITY REPORTING

GOVERNANCE PERFORMANCE

No reported non-compliance incidents that resulted in significant fines or resulted in legal actions in relation to the following areas:

Marketing and Labelling	Compliance with Laws and Regulations	Anti-corruption	Customer Privacy

ABOUT THIS REPORT

[GRI 102-46, GRI 102-47, GRI 102-50]

This Report marks SFL's second Sustainability Report.

This Report includes SFL's sustainability approach as well as the Company's policies, performance and targets of our material ESG factors for the financial year ended 31 December 2018. The scope of this Report focuses on the Company's key business activities in Singapore – deposit services and financing for business and individuals. This Report is developed in accordance with the Singapore Exchange SGX-ST Listing Rules Practice Note 7.6:"Sustainability Reporting Guide".

In 2018, SFL conducted a materiality review session to confirm the relevance of last year's material factors as well as identify new material factors that are pertinent to the business and stakeholders. Three new material factors have been identified – Indirect Economic Impact, Responsible Lending and Customer Experience. These new material factors are important to SFL as they align with our core values on integrity, customer focus and commitment in serving the community. The following table depicts our material factors for 2018.

Sustainability Categories	Material Factors	Detailed Information
Economic	• Economic Performance and Indirect Economic Impact	• Financial Review and Financial Statements, pages 17 & 63-122 • Sustainability Report, page 24-25
	• Responsible Lending	• Sustainability Report, page 25
Environment	• Energy and Emissions	• Sustainability Report, pages 25-26
Social	• Talent Retention[1]	• Sustainability Report, pages 26-29
	• Training and Education	• Sustainability Report, page 29
	• Customer Privacy	• Sustainability Report, page 30
	• Marketing and Labelling	• Sustainability Report, page 30
	• Assessment for Agents and Customers	• Sustainability Report, page 30
	• Customer Experience	• Sustainability Report, page 31
Governance	• Compliance with Laws and Regulations	• Sustainability Report, pages 31-32 • Corporate Governance Report, pages 37-54
	• Anti-corruption	• Sustainability Report, page 32 • Corporate Governance Report, pages 37-54

This Report and additional corporate information are also available on our Company's website https://www.singapurafinance.com.sg. SFL strives to continuously refine our sustainability strategy and practices. We greatly welcome your feedback and comments which can be directed to enquiry@singapurafinance.com.sg.

1 Please see "Employment" in the GRI Content Index for corresponding GRI disclosures

CORPORATE SUSTAINABILITY REPORTING

STAKEHOLDER ENGAGEMENT

[GRI 102-13, GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44]

SFL recognises the importance of our stakeholders and the roles that they play in driving the success of the business. Thus, we have engaged with our key stakeholders through various communication channels and methods, of which are presented in the table below.

Stakeholder Group	Key Topics and Concerns	Engagement Methods	Frequency
Customers	• Customer privacy • Comprehensive range of services available • Quality of service • Pricing of services	• Digital customer surveys at SFL branches • Contact form on company website	When applicable
Employees	• Training • Fair compensation and benefits • Personal development • Work environment	• Meetings with employees • Training and development programmes • Employee events	Throughout the year
Government and Regulators	• Financial performance stability • Compliance • Cyber/security threats • Prevention of financial fraud	• Meetings and consultations	Throughout the year
Shareholders	• SFL's financial performance • Operational strategy • Shareholders' returns	• Annual General Meeting • Announcements on company website • Annual Reports	Periodically
Membership of Associations[2]	• Sustainable business • Responsible employers	• Dialogue sessions	Throughout the year

MATERIAL FACTORS

ECONOMIC

ECONOMIC PERFORMANCE AND INDIRECT ECONOMIC IMPACT

[GRI 102-9, GRI 103-1, GRI 103-2, GRI 103-3, GRI 201-1, GRI 203-2, GRI 204-1]

Favourable economic performance is the crux of a successful business. SFL strives towards achieving sustainable growth in order to enhance our shareholders' returns and delivering rewards to our employees. Sustainable economic growth is one of the factors that contributes to business continuity of SFL. It is important for us to be prepared and resilient to potential disruptions of our business strategy and operations through being proactive in managing our credit exposure and operating expenses. SFL plays our part in supporting the Sustainable Development Goal ("SDG") of Decent Work and Economic Growth through providing access to financial services and jobs for the local labour force. SFL is committed to creating value for our shareholders. SFL creates value through delivering economic value by being prudent in seeking new business opportunities and providing positive indirect economic impact through sourcing our supplies from local suppliers.

For more information regarding our economic performance for 2018, please refer to pages 63 to 122 of the Annual Report.

SFL indirectly drives and contributes to the local economy by providing financing and other financial services to SMEs, local companies and individuals. Employee compensations, payments to local suppliers, taxes as well as dividends to shareholders make up part of our indirect economic contributions. The following depicts SFL's supply chain expenditure in 2017 and 2018.

2 SFL is a member of the (1) Finance Houses Association of Singapore, (2) The Hire Purchase, Finance and Leasing Association of Singapore, (3) Singapore National Employers Federation and (4) The Institute of Banking & Finance

Table 1a. Supply chain expenditure, percentage of local vendors and percentage of local spending

	Total Supply Chain Spending (SGD)	Percentage of Local Vendors (%)	Percentage of Local Spending (%)
2017	$4.3m	99%	97%
2018	$4.8m	99%	97%

SFL aims to continue to support the local economy through growing our lending business and sourcing from local suppliers.

RESPONSIBLE LENDING

[GRI 103-1, GRI 103-2, GRI 103-3]

In recent years, there has been a development of responsible lending practices in the industry. At SFL, we acknowledge the significance of our lending practices and the indirect impacts it has on the environment and community. We are aware of the Association of Banks Singapore ("ABS") Guidelines on Responsible Financing and are supportive of the guidelines. The management is committed to ensure that our sustainability strategy is aligned with our corporate vision to achieve a holistic growth for all our stakeholders by embedding responsible financing in our practices.

SFL has a Credit Risk Management Policy in place which establishes and reviews risk tolerance parameters within our credit strategy. We ensure that the credit contract is "not unsuitable" for the customer by performing due diligence and conducting reasonable assessment of the creditworthiness of the customer before entering into a regulated credit agreement or significantly increasing the credit limit for an existing customer. SFL has a Marketing Manual that formalises our lending guidelines as well as processes for due diligence.

The management is looking to expand existing practices towards a more robust lending practice in line with responsible lending trends in the banking industry.

ENVIRONMENT

ENERGY AND EMISSIONS

[GRI 103-1, GRI 103-2, GRI 103-3, GRI 302-1, GRI 302-3, GRI 305-2, GRI 305-4]

With 2018 being the Year of Climate Action for Singapore, SFL strives to support this movement through reducing our environmental and carbon footprint. We have set in place several initiatives.

SFL's Go Green Initiative

During the year, SFL implemented "Go Green Initiative", which encourages employees to make a conscious decision of adopting eco-friendly practices at the workplace. Emails are sent out to employees by the Human Resources ("HR") team from time to time to create awareness. These entail the following:

Minimising paper usage

- Going digital, in line with our business strategy, and minimising usage of paper unnecessarily

Energy conservation

- Reducing electricity usage through conscious efforts, such as switching off lights and electronic equipment when not in use

Recycling

- Implementing the 3Rs – reduce, reuse and recycle - at the workplace

CORPORATE SUSTAINABILITY REPORTING

Through the Go Green Initiative, we are able to reduce our energy consumption and Greenhouse Gas ("GHG") emissions, hence contributing to climate change mitigation in Singapore. SFL's GHG emissions contribution arise from the use of electricity during operations at our eight premises.

We are currently in the initial stages of our Go Green Initiative and plan to further expand this initiative. We are also looking into placing recycling bins in SFL's offices.

In addition to the aforementioned initiative, SFL replaces its air-conditioners with more energy efficient ones when required and lights with LED bulbs when they need to be changed. Our employees are required to highlight any equipment malfunction or working at inefficiency capacity.

The following table presents SFL's annual energy consumption (kWh) and energy intensity by number of employees (kWh/employees).

Table 1a. Annual energy consumption and energy intensity by number of employees

	2016	2017	2018	Percentage change[3] (decrease %)
Annual energy consumption[4] (kWh)	338,623[5]	321,804[5]	315,588[5]	1.9
Energy intensity by number of employees (kWh/employee)	3,165	3,094	2,768	10.5

At SFL, electricity usage is our only source of energy consumption. Even though the number of employees has increased, SFL was able to reduce energy consumption due to our efforts such as the implementation of the Go Green Initiative. The following table depicts the total annual GHG emission and GHG emission intensity by number of employees (kWh/employees). All GHG emissions are Scope 2 emissions, which are GHG emissions that result from the generation of acquired electricity. Thus, a reduction in energy consumption leads to a decrease in GHG emissions.

Table 1b. Total annual GHG emission and GHG emission intensity by number of employees

	2016	2017	2018	Percentage change[6] (decrease %)
Total annual GHG emission[7] (tonnes of CO_2e)	143	132	130	1.5
GHG emission intensity by number of employees (tonnes of CO_2e/employees)	1.34	1.27	1.14	10.7

In the upcoming year, SFL aims to continue to engage employees to adopt eco-friendly practices in their day to day activities, as well as monitor and identify the needs of replacing existing lighting and air-conditioning with more energy efficient ones.

3 Percentage change from base year 2017
4 Energy consumption of all Singapura Finance premises
5 1,219.04 GJ in 2016, 1,158.50 GJ in 2017, 1,136.12 GJ in 2018
6 Percentage change from base year 2017
7 Conversion factors used are derived from Grid Emission Factors adapted from Singapore Energy Statistics 2016, Singapore Energy Statistics 2017 and Singapore Energy Statistics 2018

CORPORATE SUSTAINABILITY REPORTING

SOCIAL

PEOPLE DEVELOPMENT

TALENT RETENTION

[GRI 102-7, GRI 102-8, GRI 103-1, GRI 103-2, GRI 103-3, GRI 405-1]

At SFL, our employees contribute to the success of the Company. As part of SFL's efforts to create a positive and inclusive company culture, we focus on attracting the best talent as well as retaining them. SFL's general employment practices support the SDGs of Decent Work and Economic Growth, Gender Equality and Good Health and Well-Being. SFL's employment practices include equal opportunities for our employees and well-being activities that promote work-life balance for our employees, amongst others.

SFL partners with professional recruitment consultants and uses online recruitment platforms, and encourages employee referrals in order to meet our business needs and have a diverse pool of talents.

The Company adopts the Tripartite Guidelines on Fair Employment Practices, and recruits and selects employees on the basis of merit including skills, experience or ability to perform the job. We treat our employees fairly and with respect, and implement progressive human resource policies. SFL provides employees with equal opportunity to be considered for training and development based on their strengths and needs to help them achieve their full potential. We reward our employees based on their ability, performance, contributions and experience.

The following tables show the profiles of the employees and Board of Directors at SFL:

Chart 2a. Total number of employees by employment contract and gender

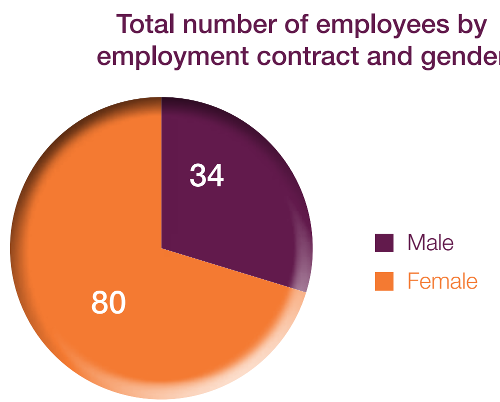
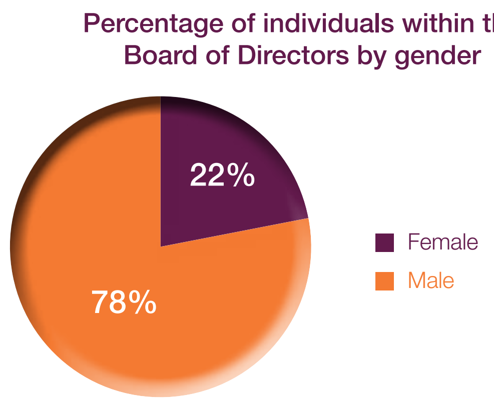


Chart 2b. Percentage of individuals within the Board of Directors by gender



CORPORATE SUSTAINABILITY REPORTING

Chart 2c. Percentage of individuals within the Board of Directors by age group

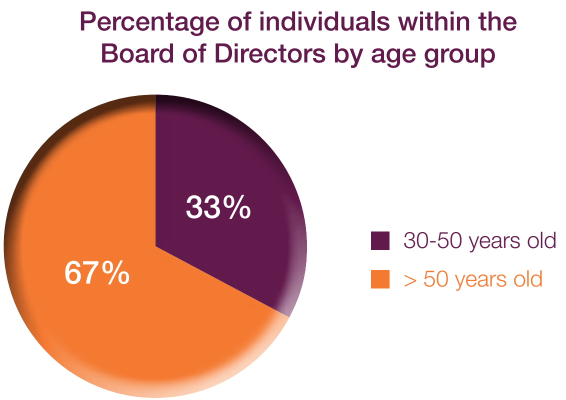


Table 2a. Total number of employees by employment type and gender

Number of full-time employees	
Male	33
Female	80
Number of part-time employees	
Male	1
Female	0

Table 2b. Percentage of employees per employee category by age group

Employee category	Age	Percentage
Senior Management	< 30 years old	0
	30 – 50 years old	67
	> 50 years old	33
Middle Management	< 30 years old	0
	30 – 50 years old	27
	> 50 years old	73
Executive Level	< 30 years old	16
	30 – 50 years old	62
	> 50 years old	22

Retaining talent at SFL is key as high talent retention is one of the contributing factors of a positive work environment. In order to contribute to the SDG of Good Health and Well-Being, we provide opportunities for our employees to improve on their health, well-being and work life balance through various activities organised by the Company. These include bonding activities and a recently implemented initiative for flexible working arrangement for employees.

SFL's Flexible Working Arrangement

During the year, SFL implemented a flexible working arrangement where employees are allowed to opt for flexible working hours in order to balance their personal and work commitments. This arrangement started in August 2018.

Positive feedback has been provided by employees who have opted for this arrangement as the flexibility of this arrangement has allowed them to meet their family needs and personal obligations.

All employees except front-line service staff may opt for this arrangement. The purpose of this arrangement is to boost employees' morale, and in turn increase employee satisfaction.

We aim to be able to offer this arrangement to more employees as a means of supporting work-life balance.

CORPORATE SUSTAINABILITY REPORTING

Employee well-being

In 2018, SFL conducted several events and bonding activities for employees with the objective of creating cohesiveness and teamwork. These include Chinese New Year celebrations, team building events which promote cohesiveness and creativity as well as annual dinner celebration. Employees at all off-site customer centres were able to join in the Chinese New Year celebration held at the head office and participated in games via the real-time Multi-Point Video Conference.

SFL aims to promote a positive and engaging work environment through the various activities organised by our Recreation Club.

SFL encourages our employees to maintain a healthy lifestyle. In 2018, SFL has signed up to participate in the 2019 Corporate National Steps Challenge Season 4 organised by Health Promotion Board. We aim to achieve 60% participation rate by employees.

As a culmination of the aforementioned activities, SFL has many long serving employees, reflecting high talent retention, which is one of the highlights of SFL.

Table 2c. Number of employees that have been working with SFL for 10 years or more

Number of years with SFL	Number of employees	Percentage in relation to total number of employees (%)
10 to 14	18	16
15 to 19	9	8
20 to 24	6	5
25 to 29	2	2
30 or more	7	6
Total	42	37

TRAINING AND EDUCATION

[GRI 103-1, GRI 103-2, GRI 103-3, GRI 404-2]

As a means of empowering and developing our employees, we provide training and development opportunities for them, in line with our pledge of fair employment practices. We recognise that equipping our employees with relevant skills and experience will allow them to provide quality services to our customers. Employees undergo trainings which are aligned with the Company's key focus areas and job requirements. Examples of these trainings include customer service and skills related trainings on cashless and digital communications, fund transfer, e-transactions, use of applications for communications, as well as cybersecurity and data analytics. An example of such training is elaborated below.

Digital Workplace Trainings

During the year, our employees attended SkillsFuture for Digital Workplace trainings. These trainings are targeted to help our employees prepare for the future economy while supporting the national initiative.

With digitalization being a trend in the financial industry worldwide, these trainings provide our employees with more knowledge on current and emerging technology and data trends. This aids in transitioning our employees to changes in the workplace over time.

As of 2018, about 60% of our employees have been trained with skills relating to Digital Workplace.

In line with SFL's digitalisation journey, SFL supports employees who are interested in pursuing IT-related academic programmes so as to equip themselves with relevant skills and knowledge.

SFL will continue with our training efforts and aims to send more employees to be trained in fields of emerging technology as well as invest in financial technologies training for employees so that SFL's employees can appreciate and embrace financial technologies changes and trends to support its move towards digitalisation while preparing them for a digitalised future.

CORPORATE SUSTAINABILITY REPORTING

CUSTOMER FOCUS

CUSTOMER PRIVACY

[GRI 103-1, GRI 103-2, GRI 103-3, GRI 418-1]

Keeping our customers' data safe is of utmost importance as our customers entrust us with sensitive and confidential information. Prevention of any breaches of customer privacy secures our customers' confidence in our products and services, leading to customer loyalty.

SFL abides by the Personal Data Protection Act 2012 ("PDPA") and maintains an Information Security Policy that has been approved by our Operational and Technology Risk Committee ("OPTECH") and the Risk Management Committee ("RMC"). Several policies have been set in place to further strengthen our commitment to securing sensitive data, including SFL's Information Security Policy, Portable Storage Devices Policy and Mobile Device Acceptable Use and Security Policy. These policies are reviewed on an annual basis and updated where necessary.

As a means of preventing leakage of confidential information, the Data Loss Prevention ("DLP") has been implemented. All employees have access to policies such as Information Security Awareness, Computer Misuse Act and PDPA. In addition, all employees are required to attend and complete and assessment on security awareness conducted by the Technology Security Team.

In 2018, there were no known complaints received from Personal Data Protection Commission ("PDPC") and no known complaints from customer, outside parties or regulatory bodies on privacy issues that result in significant fines or legal actions. There were also no known reported complaints regarding identified leaks, thefts or losses of customer data. We aim to continue this performance in the following year.

MARKETING AND LABELLING

[GRI 103-1, GRI 103-2, GRI 103-3, GRI 417-2, GRI 417-3]

Proper labelling and communication to our customers will boost their confidence in using the Company's services. SFL exercises strict marketing and advertising guidelines as a means of practicing good corporate governance.

Our Relationship Managers ("RM") are trained to partner and support our customers in a clear and fair manner. The RMs receive training on new policies and regulations and are updated on market trends so as to provide accurate and relevant information to our customers.

Marketing materials including application forms, brochures and flyers are presented with accuracy to convey the desired messages. SFL ensures that all marketing materials are vetted by Marketing Department and the Public Relations Department so that the service is suitable for the targeted customer.

There were no reported incidents of non-compliance with product and service information and labelling and marketing communications regulations or voluntary codes, resulting in a significant fine, penalty or warning during the year. SFL aims to continue this performance in the following year.

ASSESSMENT FOR AGENTS AND CUSTOMERS

[GRI 103-1, GRI 103-2, GRI 103-3]

Screening of referral agents is important as it is essential to assess their practices. SFL conducts checks on them prior to engaging their services. We conduct various checks, including company search and World-Check search on the referral Agency; litigation search and World-Check search on the Company's directors as well as assessment on their key personnel experiences. Other forms of screening include conducting an online search on the property Agents who refer property loan to SFL to ensure that they have a valid license issue by Council for Estate Agencies ("CEA") to carry out their business

Know Your Customer ("KYC") procedures are in place for assessing customers and these include approved lending guidelines and independent review by the RMC. We provide guidelines for the type and frequency of valuation for collateral. Individual applicants and personal guarantors are screened via Credit Bureau Singapore ("CBS"), litigation and blacklist search as well as World-Check search. On the other hand, corporate clients and corporate guarantors are screened via CBS FICO, litigation search and blacklist search as well as World-Check search.

CORPORATE SUSTAINABILITY REPORTING

As a continuous practice from last year, the Risk Management Department ("RMD") performs independent assessments for loans more than $5 million on an obligor basis. Ageing arrears for all loans are reported by the Credit Control Department fortnightly. The Credit Control Committee is responsible for monthly monitoring of non-performing loans ("NPL"). Relationship Managers perform regular visits for bigger loans while the Credit Control Department and Credit Control Committee proactively monitor payment patterns. Active Performing Loans ("APL") loans undergo bi-annual indicative valuation while NPL undergo quarterly indicative valuation. Any shortfall in collateral value is reported to the Credit Portfolio Committee ("CPC").

In 2018, all new customers were screened for their profile and repayment ability, and there were no new referral agents. We aim to continue our current practice of screening for all new customers and screening of new agents in the following year.

CUSTOMER EXPERIENCE

[GRI 103-1, GRI 103-2, GRI 103-3]

Providing satisfactory services to our customers helps to increase customer loyalty and referral, in line with SFL's core values of customer focus and efficiency. Hence, it is important to provide our customers with a pleasant experience.

SFL ensures that our employees, especially front-line staff, are properly trained to deliver excellent service to our customers. Additionally, we obtain our customers' feedback to improve our customers' experience through identifying their needs as well as addressing any potential room for improvement. Customers are able to provide their feedback via SFL's website as well as customer survey tablets available at our customer centres.

Customer Experience Survey

In September 2018, SFL implemented an initiative whereby customers were able to provide immediate feedback via tablets at our customer centres. Customers can provide a score to each question in the survey and grade the overall experience at the customer centres. Additional comments can be provided, and customers are able to request for a call-back by the Customer Centre Operations ("CCO").

The results of the survey are collated by the CCO for immediate assessment and tabulated to provide an overall score for each customer centre. These scores are considered as part of our annual assessment to determine the best customer centre which will receive an award. The employees' KPIs in the annual appraisal also factor in the scores from the survey.

We aim to contact customers who have selected the "Call Back Required" option in surveys within three (3) business days and to promptly address any issues. Should there be any customer service issues, the employees concerned and their manager are briefed immediately. All forms of feedback will be shared with employees at all customer centres as a learning process.

Our Feedback and Complaint Handling Process has been set in place to enhance customers' experience with SFL. The policy includes procedures to acknowledge feedback and response to customers, investigation of feedback and official reply to customers. All records with regard to feedback and complaints will be filed with the RMD. The RMD, Communications Department and Management are updated periodically on this policy. Employees undergo ongoing training on customer service and are required to share customers' feedbacks and learning points, as a means of enhancing our customer experience.

SFL aims to ensure all customer's feedback or complaint (if any) received via any delivery channel is acknowledged and resolved promptly as per SFL's Feedback and Complaint Handling Process. We also aim to ensure all call back requests received via the tablets at Customer Centers are addressed in a timely manner.

GOVERNANCE

COMPLIANCE WITH LAWS AND REGULATIONS

[GRI 103-1, GRI 103-2, GRI 103-3, GRI 419-1]

SFL recognises the importance of being compliant with relevant laws and regulations in order to maintain trust of our stakeholders. We ensure that we conduct our business with integrity, in line with our core values, and maintain high standards of business ethics.

CORPORATE SUSTAINABILITY REPORTING

Our Compliance Department assesses the implication of the changes of regulations and updates all relevant Head of Departments ("HOD"). Other responsibilities of the Compliance Department include communicating new regulations or changes to existing regulations to employees. The HODs and Chief Executive Officer ("CEO") sign off a semi-annual Regulatory Requirement Self-Assessment ("RRSA") checklist.

The Company has a Compliance Risk Management Framework in place which consists of the objective for the management of compliance risk, the governance and oversight structure, roles and responsibilities as well as the compliance risk management process. The Framework serves as a guide to the Board of Directors, Management, Compliance Department and all employees on the key areas to note when dealing with compliance risks. SFL establishes a proactive and consistent culture for the management of compliance risk.

A compliance surveillance check is done quarterly and involves reviewing list of scripless shareholders to monitor any non-disclosure of shareholding or transaction by employees. An Enterprise-wide Risk Assessment ("EWRA") for Anti-Money Laundering ("AML") is conducted on an annual basis and an enhanced due diligence is in place for higher risk customers.

During the year, there were zero cases of significant fines or non-monetary sanctions for non-compliance with relevant laws and regulations in the social and economic area. SFL aims to continue to maintain this performance in the following year.

We aim to ensure that 100% of our employees attend compliance and AML and Countering the Financing of Terrorism ("CFT") related trainings.

ANTI-CORRUPTION

[GRI 103-1, GRI 103-2, GRI 103-3, GRI 205-3]

SFL believes that anti-corruption is the most basic tenet of the Company's value system. We practice good corporate governance which shuns upon any form of corruption.

SFL has set in place several policies as a means of preventing and deterring any form of corruption within the Company. These policies include Human Resource ("HR") Policy, Whistle Blowing Policy, Fraud Policy, Interested Party Transactions ("IPT") Policy, Related Party Transactions ("RPT") Policy as well as Policy and Guidelines on Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT"). SFL continues to review and enhance these policies.

In 2018, there were zero known incidents of corruption, fraud, whistle blowing and improper interested party transactions or related party transactions, anti-money laundering and countering the financing of terrorism that resulted in legal action. There were zero incidents in which employees were dismissed or disciplined for corruption and zero incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. Additionally, there were zero public legal cases regarding corruption brought against the Company or our employees during the reporting period.

SFL aims to maintain this performance, and to maintain zero tolerance for knowingly breaching regulations on anti-money laundering and countering the financing of terrorism and zero incidents of knowingly on-boarding high risk customers without first performing the necessary enhanced due diligence measures.

LOOKING AHEAD

SFL continues to be committed to our sustainability journey in the following years to come through addressing our material sustainability issues. We actively take into account considerations of our stakeholders and trends in the industry while identifying key sustainability issues moving forward. We will continue to embed sustainability into our strategy and operations in order to enhance our performance. SFL will continue to review our various policies and set in place processes to monitor that the policies are implemented, understanding the importance of internal controls in relation to our material ESG factors. Notwithstanding, more initiatives will be implemented and rolled out gradually in order to allow our employees to integrate into them seamlessly. SFL will continue to improve our efforts in relation to our disclosures in time to come.

CORPORATE SUSTAINABILITY REPORTING

GRI CONTENT INDEX

GRI Standards (2016)		Notes/Page number(s)
General Disclosures		
Organisational Profile		
102-1	Name of the organisation	Singapura Finance Ltd;
102-2	Activities, brands, products, and services	The Singapura Finance Board, Page 1 Our Services, Page 36
102-3	Location of headquarters	Corporate Directory, Page 20
102-4	Location of operations	Our Customer Centres, Page 36
102-5	Ownership and legal form	Analysis of Shareholdings, Page 123
102-6	Markets served	Chairman's Statement, Page 2
102-7	Scale of the organisation	Consolidated Income Statement, Page 64 Talent Retention, Pages 27-29
102-8	Information on employees and other workers	Talent Retention, Pages 27-29 All employees of SFL are permanent employees. SFL does not have a significant portion of its activities being carried out by workers who are not employees. SFL did not have any significant variation in employment numbers.
102-9	Supply chain	Indirect Economic Impact, Pages 24-25
102-10	Significant changes to organisation and its supply chain	No significant changes to SFL and its supply chain
102-11	Precautionary principle or approach	SFL does not specifically address the principles of the Precautionary approach.
102-12	External initiatives	Chairman's Statement, Page 2
102-13	Membership of associations	Stakeholder Engagement, Page 24
Strategy		
102-14	Statement from senior decision-maker	Chairman's Statement, Page 2 Board Statement, Page 21
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Our Core Values, Page 1
Governance		
102-18	Governance structure	Board Statement, Page 22 Corporate Governance Pages 37-54
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement, Page 24
102-41	Collective bargaining agreements	Not applicable, no collective bargaining agreements are in place.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, Page 24
102-43	Approach to stakeholder engagement	Stakeholder Engagement, Page 24
102-44	Key topics and concerns raised	Stakeholder Engagement, Page 24
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Financial Highlights, Pages 71-122
102-46	Defining report content and topic Boundaries	About this Report, Page 23
102-47	List of material topics	About this Report, Page 23
102-48	Restatements of information	There has been no restatement of figures or information disclosed in our previous report.
102-49	Changes in reporting	About this Report, Page 23
102-50	Reporting period	About this Report, Page 23
102-51	Date of most recent report	The Annual Report/Sustainability Report 2017 was published on 12 April 2018.
102-52	Reporting cycle	Annual

CORPORATE SUSTAINABILITY REPORTING

GRI Standards (2016)		Notes/Page number(s)
102-54	Claims of reporting in accordance with GRI Standards	Board Statement, Page 21
102-55	GRI content index	GRI Content Index, Pages 33-35
102-56	External assurance	SFL has not sought external assurance on this Report.
Material Topics		
Economic Performance		
103-1	Explanation of the material boundary and topic	Chairman's Statement Page 2
103-2	The management approach and its components	Financial Highlights Page 16
103-3	Evaluation of the management approach	Financial Review Pages 17-19
201-1	Direct economic value generated and distributed	Financial Statements, Pages 63 to 122
Indirect Economic Impact		
103-1	Explanation of the material boundary and topic	Economic Performance and Indirect Economic Impact, Pages 24-25
103-2	The management approach and its components	Economic Performance and Indirect Economic Impact, Pages 24-25
103-3	Evaluation of the management approach	Economic Performance and Indirect Economic Impact, Pages 24-25
203-2	Significant indirect economic impact	Economic Performance and Indirect Economic Impact, Pages 24-25
204-1	Proportion of spending on local suppliers	Economic Performance and Indirect Economic Impact, Pages 24-25
Responsible Lending		
103-1	Explanation of the material boundary and topic	Responsible Lending, Page 26
103-2	The management approach and its components	Responsible Lending, Page 26
103-3	Evaluation of the management approach	Responsible Lending, Page 26
Energy and Emissions		
103-1	Explanation of the material boundary and topic	Responsible Lending, Pages 25-26
103-2	The management approach and its components	Responsible Lending, Pages 25-26
103-3	Evaluation of the management approach	Energy and Emissions, Pages 25-26
302-1	Energy consumption within the organisation	Energy and Emissions, Pages 25-26
302-3	Energy intensity	Energy and Emissions, Pages 25-26
305-2	Energy indirect (Scope 2) GHG emissions	Energy and Emissions, Pages 25-26
305-4	GHG emissions intensity	Energy and Emissions, Pages 25-26
Employment		
103-1	Explanation of the material boundary and topic	Talent Retention, Pages 27-29
103-2	The management approach and its components	Talent Retention, Pages 27-29
103-3	Evaluation of the management approach	Talent Retention, Pages 27-29
405-1	Diversity of governance bodies and employees	Talent Retention, Pages 27-29 SFL has not disclosed our percentage of employees per employee category by gender due to confidentiality constraints as this data is classified as sensitive information at SFL.

CORPORATE **SUSTAINABILITY REPORTING**

GRI Standards (2016)		Notes/Page number(s)
Training and Education		
103-1	Explanation of the material boundary and topic	Training and Education, Page 29
103-2	The management approach and its components	Training and Education, Page 29
103-3	Evaluation of the management approach	Training and Education, Page 29
404-2	Programmes for upgrading employee skills and transition assistance programmes	Training and Education, Page 29
Customer Privacy		
103-1	Explanation of the material boundary and topic	Customer Privacy, Page 30
103-2	The management approach and its components	Customer Privacy, Page 30
103-3	Evaluation of the management approach	Customer Privacy, Page 30
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy, Page 30
Marketing and Labelling		
103-1	Explanation of the material boundary and topic	Marketing and Labelling, Page 30
103-2	The management approach and its components	Marketing and Labelling, Page 30
103-3	Evaluation of the management approach	Marketing and Labelling, Page 30
417-2	Incidents of non-compliance concerning product and service information and labelling	Marketing and Labelling, Page 30
417-3	Incidents of non-compliance concerning marketing communications	Marketing and Labelling, Page 30
Assessment for Agents and Customers		
103-1	Explanation of the material boundary and topic	Assessment for Agents and Customers, Pages 30-31
103-2	The management approach and its components	Assessment for Agents and Customers, Pages 30-31
103-3	Evaluation of the management approach	Assessment for Agents and Customers, Pages 30-31
Customer Experience		
103-1	Explanation of the material boundary and topic	Customer Experience, Page 31
103-2	The management approach and its components	Customer Experience, Page 31
103-3	Evaluation of the management approach	Customer Experience, Page 31
Compliance with Laws and Regulations		
103-1	Explanation of the material boundary and topic	Compliance with Laws and Regulations, Pages 31-32
103-2	The management approach and its components	Compliance with Laws and Regulations, Pages 31-32
103-3	Evaluation of the management approach	Compliance with Laws and Regulations, Pages 31-32
419-1	Non-compliance with laws and regulations in the social and economic area	Compliance with Laws and Regulations, Pages 31-32
Anti-corruption		
103-1	Explanation of the material boundary and topic	Anti-corruption, Page 32
103-2	The management approach and its components	Anti-corruption, Page 32
103-3	Evaluation of the management approach	Anti-corruption, Page 32
205-3	Confirmed incidents of corruption and actions taken	Anti-corruption, Page 32

OUR SERVICES

LOANS

FOR INDIVIDUAL

- HDB Flat
- Private Residential Property
- Commercial Property
- Industrial Property
- Share
- Car
- Motor Cycle
- Truck and Bus
- Pleasure Craft

FOR BUSINESS/CORPORATE

- Equipment and Machinery
- Commercial Vehicle
- Construction Equipment
- Commercial Property
- Industrial Property
- Share
- Vessel
- Business Loan
- Business Bridging Loan
- Overdraft

OTHERS

- Block Discounting for Motor Car, Commercial Vehicles and Motor Cycle.
- Floor Stock Financing for vehicles
- Enterprise SG Micro Loan

DEPOSITS*

SAVINGS ACCOUNT

- Singapura Blue Sky Junior Savers Savings Account
- Singapura Blue Sky Adult Savers Savings Account
- Singapura Blue Sky Gold Savers Savings Account

FIXED DEPOSIT

- Singapura Blue Sky Fixed Deposit
- Current Account

OTHERS

- Safe Deposit Box (City HQ & Bedok Customer Centre)

** Singapore dollar deposits of non-bank depositors are insured by the Singapore Deposit Insurance Corporation, for up to S$75,000 in aggregate per depositor per Scheme member by law.*

OUR CUSTOMER CENTRES

CITY HQ
150 Cecil Street, #01-00
Singapore 069543
Tel: 6880 0633

SERANGOON
Blk 101 Towner Road
#01-230
Singapore 322101
Tel: 6299 8855

JURONG GATEWAY
Blk 130 Jurong Gateway Road
#01-227
Singapore 600130
Tel: 6467 1918

BEDOK
Blk 202 Bedok North Street 1
#01-473
Singapore 460202
Tel: 6445 8011

ANG MO KIO
Blk 711 Ang Mo Kio Ave 8
#01-3501D
Singapore 560711
Tel: 6458 4222

EAST COAST
212 East Coast Road
Singapore 428911
Tel: 6348 8262

WOODLANDS
Blk 302 Woodlands Street 31
#01-271
Singapore 730302
Tel: 6368 0113

CORPORATE GOVERNANCE

Singapura Finance Ltd ("SFL" or the "Company") is committed to achieving and maintaining high standards of corporate governance so as to ensure greater transparency, accountability, and maximisation of long-term shareholder value.

This report outlines SFL's corporate governance practices which are in line with the principles and guidelines set out in the Code of Corporate Governance 2012 (the "2012 Code") during the financial year ended 31 December 2018 ("FY2018"). Where there is any material deviation from 2012 Code, the Company's position in respect of such differences is explained in this report. The material deviations pertain to the disclosure requirements on remuneration as detailed on page 45.

BOARD MATTERS
The Board's Conduct of Affairs
Principle 1: Effective Board to lead and control the Company

Role of the Board
The Board is collectively responsible for providing overall strategy and direction to Management so as to achieve sustainable and successful performance for the Company and its subsidiaries (the "Group").

The Board's primary functions are to:
- Provide entrepreneurial leadership, set strategic aims and ensure that the necessary financial and human resources are in place for the Company to meet its objectives.
- Establish a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets.
- Consider and approve key changes to the organisational structure of the Company.
- Review management performance.
- Identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation.
- Set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met.
- Consider sustainability issues as part of its strategic formulation.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries of the Company.

Board Committees
To ensure that specific issues are subject to in-depth and timely review, certain functions have been delegated to various Board Committees, which would submit its recommendations or decisions to the Board. The five Board Committees are the Executive Committee, Nominating Committee, Remuneration Committee, Risk Management Committee and Audit Committee.

The Executive Committee ("EXCO") comprises three members, namely, Mr Teo Chiang Long (Executive Chairman), Mr Teoh Eng Hong (Independent & Non-Executive Director) and Mr Jamie Teo Miang Yeow (Executive Director & Chief Executive Officer ("CEO")). The EXCO acts on behalf of the Board in supervising the management of the Company's business and affairs, in particular, the granting of loans, guarantees or credit facilities within the authority limits delegated by the Board, and approving new product proposals. Unanimous decision by EXCO Members is required for a resolution to be effective, which is passed through circulation in writing.

The composition and key functions of the other four committees are described in the other relevant sections of this report.
- Nominating Committee (Principle 4)
- Remuneration Committee (Principle 7)
- Risk Management Committee (Principle 11)
- Audit Committee (Principle 12)

CORPORATE GOVERNANCE

Board Meetings and Attendance

Regular Board and Board Committee meetings are held. The Board meets at least four times a year. Additional meetings are held as and when circumstances warrant. The Company's Constitution provides that Board and Board Committee meetings may be held via teleconferencing.

The Board has written terms of reference which clearly set out its authority and duties. The Board reviews and approves the strategic plans, annual budget, key operational issues, quarterly and yearly financial announcements and statutory financial statements and reviews the financial performance of the Group.

Other material matters which are required to be referred to the Board for approval include:

- Major loan proposals;
- Major transactions, acquisitions, and funding decisions;
- Appointment of senior management and nomination of Board Directors;
- Interested person transactions; and
- Risk management strategies and corporate governance matters.

The Directors may at any time request further explanations, briefings or informal discussions on any aspect of the Company's operations.

The attendances of the Directors at Board and Board Committee meetings during FY2018 is as follows:

	Board	Audit	Nominating	Remuneration	Risk Management
No. of Meetings Held	4	5	1	2	4
Name of Directors	**No. of Meetings Attended**				
Teo Chiang Long	3	–	–	–	–
Phua Bah Lee	4	5	1	2	–
Teoh Eng Hong	4	5	1	2	4
Jamie Teo Miang Yeow	4	–	–	–	4
William Ho Ah Seng	4	–	–	–	4
Yu-Foo Yee Shoon	4	5	1	2	–
Tan Hui Keng, Martha	4	5	1	2	3
Adam Tan Chin Han	4	5	1	2	4
Terence Khoo Chi Siang[(a)]	2	3	–	1	2

Note:

(a) Mr Terence Khoo Chi Siang was appointed as Director and a member of the Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee on 2 July 2018.

Training of Directors

A formal letter is sent to newly-appointed Directors upon their appointment explaining their duties and obligations as Directors. New Directors receive appropriate training and briefing in areas such as accounting, legal, the roles and responsibilities of his or her duties as a Director of a listed company and how to discharge those duties when they are first appointed to the Board. There is also an orientation programme to ensure that incoming Directors are familiar with the Company's business and governance practices.

Under the Listing Manual, with effect from 1 January 2019, a new Director who has no prior experience as a director of a company listed on the SGX-ST must undergo training in the roles and responsibilities of a director of a company listed on the SGX-ST as prescribed by the SGX-ST.

All Directors are encouraged by the Company to keep updated with the latest changes to the relevant laws and regulations affecting the Company. The Directors are informed regularly by the Company Secretary of the availability of appropriate courses which include programmes conducted by the Singapore Institute of Directors, SGX-ST and professional firms and bodies. The costs of attending such training courses attended by the Directors are borne by the Company.

Board Composition and Guidance

Principle 2: Strong and independent Board

Board Independence

Currently, the Board comprises nine Directors, all of whom, except for the Executive Chairman and the CEO, are non-executive and independent Directors. The six independent Directors are Mr Phua Bah Lee, Mr Teoh Eng Hong, Mr William Ho Ah Seng, Mrs Yu-Foo Yee Shoon, Mdm Tan Hui Keng, Martha, Mr Adam Tan Chin Han and Mr Terence Khoo Chi Siang. Mr Terence Khoo Chi Siang was appointed on 2 July 2018. The Company has no alternate directors on its Board.

Independent Directors make up at least half of the Board. Every year, the Nominating Committee determines the independence of each Director by taking into account the definition of an independent Director and the relevant guidelines under the 2012 Code and the Listing Manual.

Under the Listing Manual, with effect from 1 January 2019, a director will not be independent if he is employed by the company or any of its related corporations for the current or any of the past three financial years, or, if he has any immediate family member who is employed or has been employed by the company or any of its related corporations for the past three financial years, and whose remuneration is determined by the remuneration committee of the company.

As the above listing rules do not apply to any of the independent Non-Executive Directors, they are also considered independent under the Listing Manual.

The Nominating Committee also takes into account the annual confirmation of independence completed by each independent Director. Independent Directors are required under the annual confirmation to critically assess their independence.

As non-executive members of the Board, the independent Directors do not exercise management functions in the Company. However, all the Directors have equal responsibility and make contributions towards the performance of the Group.

The Board considers its independent non-executive Directors to be of significant influence and their views to be of sufficient weight such that no individual or small group can dominate the Board's decision-making processes.

CORPORATE GOVERNANCE

Two of the independent Directors, namely, Mr Phua Bah Lee and Mr Teoh Eng Hong have served the Board for more than nine years from the date of their first appointment as an independent Director. The Nominating Committee (with Mr Phua Bah Lee and Mr Teoh Eng Hong abstaining from deliberation on this matter) and the Board have assessed the independence of each of these two Directors using a holistic approach and taking into account their respective contributions in terms of experience, expertise, professionalism, integrity, objectivity and independent judgement in his engagement with all relevant parties, rather than solely and arbitrarily on basis of length of service alone. Having performed a rigorous review of their independence, the Nominating Committee (with Mr Phua Bah Lee and Mr Teoh Eng Hong abstaining from deliberation on this matter) and the Board are of the view that each of these two Directors continue to be independent notwithstanding their length of service, because each of them has consistently demonstrated strong independence of judgement and integrity of character in discharging his respective responsibilities.

Board Composition

Members of the Board are prominent business leaders and professionals with financial, banking and business management backgrounds. Their diverse corporate experiences as a group provide core competencies relevant to the Group's business, and an appropriate balance of skills, experience, gender and knowledge of the Company. The Board has reviewed its composition, and is satisfied that the size of the Board is appropriate and adequate for effective decision-making having regard to its present scale of operations. Details of the Directors' professional qualifications and background can be found on pages 4 to 6.

The Board's non-executive Directors constructively challenge, help develop proposals on strategy, and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. The Independent Directors, led by the Lead Independent Director meet on a need basis without the presence of Management, in order to facilitate a more effective check on Management. In the event that such meetings are convened, the Lead Independent Director would provide feedback to the Executive Chairman after such meetings. Mrs Yu-Foo Yee Shoon was appointed as the Lead Independent Director in place of Mr Phua Bah Lee on 12 February 2019.

Chairman and Chief Executive Officer

Principle 3: Clear division of responsibilities between Chairman and CEO

Role of Chairman and CEO

As recommended by the 2012 Code, the Chairman and the CEO are separate persons. Mr Teo Chiang Long is the Executive Chairman of the Company, while his son, Mr Jamie Teo is the CEO.

As the Executive Chairman and the CEO are immediate family members and are both part of the executive management team, the Nominating Committee had appointed Mr Phua Bah Lee as the Lead Independent Director mainly to serve as the principal liaison on Board issues between the non-executive Directors and the Executive Chairman and to address any queries and shareholders' concerns. Mrs Yu-Foo Yee Shoon was appointed the Lead Independent Director in place of Mr Phua Bah Lee on 12 February 2019.

There is a clear division of responsibilities between the Executive Chairman and the CEO, which are set out in writing and agreed by the Board. The Executive Chairman leads the Board to monitor and review the general progress and long-term development of the Company. He ensures the members of the Board receive accurate, timely and clear information in particular about the Company's performance, to enable the Board to make sound decisions, monitor effectively and provide advice to promote the success of the Company. He also encourages constructive relations between the Board and Management, and between the executive and non-executive Directors. The CEO manages the daily operations of the Group and implements the Board's policies and decisions.

CORPORATE GOVERNANCE

Board Membership
Principle 4: Formal and transparent process for the appointment and re-election of Directors

Nominating Committee
All six members of the Nominating Committee ("NC") are independent non-executive Directors. The members are Mrs Yu-Foo Yee Shoon (Chairman), Mr Phua Bah Lee, Mr Teoh Eng Hong, Mdm Tan Hui Keng, Martha, Mr Adam Tan Chin Han and Mr Terence Khoo Chi Siang.

The NC has written terms of reference which clearly set out its authority and duties. The main role of the NC is to assess and recommend candidates for appointment and re-election on the Board and Board Committees. The NC also reviews the composition of the Board and assesses annually the effectiveness of the Board as a whole and the contribution by each individual Director.

Criteria and Process for Nomination and Selection of New Directors
The NC identifies and interviews short-listed candidates before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committees.

The NC in reviewing and recommending to the Board any new Director appointment takes into consideration the current Board size and its mix, the competing time commitments faced by Directors with multiple Board representations, the additional skills and experience that will bolster the core competencies of the Board, the search process for the identification of suitable candidates and once identified, the appropriate knowledge, experience and skills of the candidates who in its opinion, are fit and proper and qualified for office. As the Company is a finance company, all new appointments to the Board are subject to the approval of the Monetary Authority of Singapore.

Re-election of Directors
Under the SGX-ST Listing Manual, all Directors are required to submit themselves for re-nomination and re-election. Article 97 of the Constitution requires one-third of the Directors, or the number nearest to but not less than one-third, to retire by rotation at every Annual General Meeting ("AGM"). These Directors may offer themselves for re-election, if eligible.

The NC reviews annually the nomination of the relevant Directors for re-election as well the independence of Directors. When considering the nomination of Directors for re-election, the NC takes into account their contribution to the effectiveness of the Board as well as their time commitment especially for Directors who have multiple board representations, and also reviews their independence.

Directors' Time Commitment
Where a Director has multiple Board representations, the NC also considers if such a Director is able to adequately carry out his/her responsibilities as a Director of the Company. In this regard, the Board has set a general guideline that the maximum number of listed company board representations which a Director may hold (including representation on the Company's Board) should not be more than seven. These guidelines were established following the careful assessment by the NC and the Board after taking into consideration the scope and complexity of the Company's business. Where there is a potential conflict of interest in accepting a new appointment on the board of other listed companies, assessment through the NC and the approval of the Board are required prior to accepting that appointment.

All Directors have met the requirements under the guidelines. The Board is satisfied that each Director has committed sufficient time to SFL and has contributed meaningfully to SFL.

CORPORATE GOVERNANCE

Board Performance

Principle 5: Formal annual assessment of the effectiveness of the Board and the contribution by each Director

Board Evaluation Process

The Company has in place a formal process for assessment of the effectiveness of the Board as a whole, the Board Committees and the contribution by each Director to the effectiveness of the Board. The NC assesses the Board's performance as a whole annually using objective and appropriate quantitative and qualitative criteria which were recommended by the NC and approved by the Board. When assessing the overall Board performance, the NC takes into consideration the feedback from individual Directors on areas relating to the Board's competencies and effectiveness. The results of the overall evaluation of the Board by the NC including its recommendations for improvements, if any, are presented to the Board.

The NC assesses the performance of all the Board Committees with the assistance of self-assessment checklists completed by each of the Board Committees.

The annual evaluation process for each individual Director's performance comprises three parts: (a) background information concerning the Director including his attendance records at Board and Board Committee meetings; (b) questionnaire for completion by each individual Board member; and (c) the NC's evaluation based on certain assessment parameters. The questionnaires and the assessment parameters were recommended by the NC and approved by the Board. The completed questionnaires are then reviewed by the NC before the NC completes its evaluation of the individual Directors.

The results of the individual evaluation of each of the Directors are also used by the NC, in its consultation with the Board Chairman, to review, where appropriate, the composition of the Board and Board Committees, and to support its proposals, if any, for appointment of new members and its recommendations for the re-election of retiring Directors. Comments from the Directors, if any, concerning the Board as a whole and the general performance of the Directors, are also presented to the Board.

Board Evaluation Criteria

The qualitative criteria are set out in a questionnaire covering three main areas relating to Board composition, roles and responsibilities, conduct of meetings and access to information.

The quantitative criteria used to evaluate the overall Board performance comprises quarterly performance indicators which include a comparison of the Company's performance for the financial period under review against the performance of the Company and industry peers for the corresponding period over the past three years and the longer-term indicators such as the Company's total shareholder return over a five-year period.

Board Committee Evaluation Criteria

The qualitative criteria are set out in a questionnaire covering areas relating to composition of the Board Committee, its roles and responsibilities, conduct of meetings and access to information.

Individual Director Evaluation Criteria

Factors taken into account in the assessment of a Director's performance include his abilities and competencies, his objectivity and the level of participation at Board and Board Committee meetings including his contribution to Board processes and the business strategies and performance of the Company.

Access to Information
Principle 6: Board Members to have complete, adequate and timely information

Complete, Adequate and Timely Information
All Directors have separate and independent access to Management, and unrestricted access to the Company's records and information. They receive detailed financial and operational reports from Management during the year to enable them to carry out their duties.

Prior to each Board and Board Committee meeting, the members are provided with the meeting agenda and the relevant papers submitted by Management, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the meetings. Such information includes background or explanatory information relating to matters to be brought before the Board or Board Committee, and copies of disclosure documents, budgets or latest forecasts. In respect of budgets, any material variance between the projections and actual results are disclosed and explained. Management staff and the Company's auditors, who can provide additional insight to the matters for discussion, are also invited from time to time to attend such meetings.

Company Secretary
The Directors have separate and independent access to the advice and services of the Company Secretary. The Company Secretary attends all Board meetings and is responsible for, among other things, ensuring that Board procedures are observed and that applicable rules and regulations are complied with. The Company Secretary acts as channel of communication and information within the Board and its Board Committees and between Management and non-executive Directors. The Company Secretary's responsibilities also include facilitating orientation and assisting with professional development as required. Appointment and removal of the Company Secretary require the approval of the Board.

Independent Professional Advice
Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as Director.

REMUNERATION MATTERS
Procedures for Developing Remuneration Policies
Principle 7: Formal and transparent procedure for fixing the remuneration packages of Directors

RC Composition and Role
All six members of the Remuneration Committee ("RC") are independent non-executive Directors. The members are Mr Phua Bah Lee (Chairman), Mr Teoh Eng Hong, Mrs Yu-Foo Yee Shoon, Mdm Tan Hui Keng, Martha, Mr Adam Tan Chin Han and Mr Terence Khoo Chi Siang.

The RC has written terms of reference which clearly set out its authority and duties. The RC's main responsibilities are to review and make recommendations to the Board with regard to the policies and general framework for the remuneration of executive Directors, non-executive Directors and key management personnel ("KMP") and to ascertain that they are fairly remunerated. The RC also reviews and recommends to the Board the specific remuneration packages for each Director as well as for the KMP. The RC also reviews all aspects of remuneration, including directors' fees, salaries, allowances, bonuses and benefits in kind.

The remuneration packages of executive Directors and KMP are approved by the Board upon recommendations by the RC. The Executive Chairman and the CEO do not participate in meetings to discuss their compensation packages. The two executive Directors and all KMP are on service contracts with fixed appointment periods. The RC reviews the service contracts of Executive Directors and KMP to ensure that they do not contain onerous removal clauses.

CORPORATE GOVERNANCE

There are no contractual provisions to allow the Company to reclaim incentive components of remuneration from the executive Directors and KMP in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company. The RC is of the view that such claw back provisions are not necessary because the variable components of their remuneration packages are moderate.

The RC may seek expert advice from external consultants whenever required. No external consultant was engaged in FY2018 to provide remuneration advice.

Level and Mix of Remuneration
Principle 8: Appropriate remuneration to attract, retain and motivate Directors and key management personnel

Remuneration Policy of Directors and Key Management Personnel ("KMP")
The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate Directors and managers.

The compensation packages for executive Directors and KMP comprise a fixed component (in the form of a base salary and fixed allowances), a variable component (comprising short-term incentives in the form of year-end and variable bonuses and benefits-in-kind, where applicable). The variable components take into account, amongst other factors, the executive Directors' and KMP's performance, and the Company's performance and industry practices.

In determining the variable incentives for an executive Director and a KMP, his/her individual performance and contribution is taken into consideration together with the competitive market practices and information gathered from market surveys conducted by the Company's Human Resources department. This is then reviewed along with the Company's performance, taking into consideration specific indicators tracked over time which align with shareholders' interest, risk policies of the Company which promote the long-term success of the Company. Besides profitability, the quality of the Company's core business is also taken into account with the monitoring of the size and robustness of its loan assets and the level of non-performing loans. Based on its assessment, the RC believes that the performance conditions used in determining the variable components of executive Director and KMP have been met.

Both executive and non-executive Directors receive Directors' fees which are subject to approval by shareholders. 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, effort and time spent, and changes in the business, corporate governance practices and regulatory rules. The RC also compares the Company's fee structure against industry practices and ensures that the non-executive Directors are not over-compensated to the extent that their independence may be compromised. Other factors taken into consideration in the fee review includes frequency of Board and Board Committee meetings, corporate performance for the financial year under review as well as the corporate and economic outlook in the new financial year, and the interval since the last fee review. No Director is involved in deciding his own remuneration.

There are no schemes to encourage non-executive Directors to hold shares in the company so as to better align the interests of such non-executive Directors with the interests of shareholders. However, the Company does not discourage the Directors from holding shares in the Company.

Staff retirement gratuity is the only long-term incentive scheme. Staff (including executive Director and KMP) who are employed before 28 December 2002 are entitled to the staff retirement gratuity if they have worked for at least 12 continuous years prior to retirement. SFL does not offer shares or grant options with vesting period or employees share scheme to its Directors and staff.

Disclosure on Remuneration
Principle 9: Clear disclosure on remuneration policies, level and mix

Directors' Remuneration
Details of Directors' remuneration in FY2018 are set out below:

Directors of the Company	Base Salary & Employer's CPF %	Bonus/ Allowances %	Other Benefits [a] %	Board/ Board Committee Fees [b] %	Total %
Executive Chairman ***$750,000 to below $1,000,000***					
1. Teo Chiang Long	57.64	34.51	2.85	5.00	100
Executive Director & CEO ***$500,000 to below $750,000***					
2. Jamie Teo Miang Yeow	62.30	27.82	3.01	6.87	100
Independent & Non-Executive Directors ***Below $250,000***					
3. Phua Bah Lee	–	–	–	100	100
4. Teoh Eng Hong	–	–	–	100	100
5. William Ho Ah Seng	–	–	–	100	100
6. Yu-Foo Yee Shoon	–	–	–	100	100
7. Tan Hui Keng, Martha	–	–	–	100	100
8. Adam Tan Chin Han	–	–	–	100	100
9. Terence Khoo Chi Siang	–	–	–	100	100

Notes:

(a) These relate to provision for long-term incentive scheme, staff retirement gratuity. No staff retirement gratuity and termination benefits were paid to any Directors during FY2018.

(b) These fees comprise Directors' fees for FY2018 which are subject to approval by shareholders as a lump sum at the forthcoming AGM.

The 2012 Code recommends that the Company should fully disclose the remuneration of each individual Director and the CEO on a named basis. After careful deliberation, the Board is of the view that such disclosure would not be in the best interests of the Company or its shareholders, and that the details disclosed in the table above provides an appropriate balance between detailed disclosure and confidentiality in the sensitive area of remuneration. In arriving at its decision, the Board also took into consideration the competitive business environment in which the Group operates, and the negative impact such disclosure may have on the Group.

Remuneration of Key Management Personnel (not being a Director or CEO)
The 2012 Code recommends that the Company should name and disclose the remuneration of at least the top five KMP (who are not Directors or the CEO) in bands of $250,000/-. In addition, the Company should also disclose in aggregate the total remuneration paid to these KMP. After careful deliberation, the Board is of the view that such disclosure would be disadvantageous to the Group's business interests, given the prevailing highly competitive industry conditions.

CORPORATE GOVERNANCE

Remuneration of Director's Immediate Family Member

The 2012 Code also recommends disclosure of the details of the remuneration of employees who are immediate family members of a Director or the CEO, whose remuneration exceeds $50,000/- during the year, in bands of $50,000/-. Excluding the two Executive Directors, there were no employees of the Group who are immediate family members of a Director and whose remuneration exceeded S$50,000 during the financial year.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: Board should present a balanced and understandable assessment of the company's performance, position and prospects

Accountability of Board and Management

The Directors recognise that they have overall responsibility to ensure accurate financial reporting for the Group.

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.

Management provides all Directors periodically with accounts and reports on the Group's financial performance and commentaries on the competitive conditions within the industry in which the Group operates, which are reviewed by the Board at each Board meeting prior to release of the announcements on the quarterly and full-year results of the Group in accordance with the regulatory requirements. Periodic reports covering the Group's financial performance are also provided to all Directors. Apart from the periodic updates provided by Management, the Directors may at any time seek further information from, and discuss with, Management on the Group's operations and performance.

Risk Management and Internal Controls

Principle 11: Sound system of risk management and internal controls

Risk Management

The Board is fully committed to the implementation of sound risk management policies and practices, which are aligned to the Group's overall business strategy and objectives. The Board determines the type and level of business risks that the Group undertakes and, at least annually, reviews the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls.

The Risk Management Committee ("RMC") assists the Board in overseeing risk governance in the Group's business and operations and ensuring that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets.

The RMC currently comprises six members. They are independent non-executive Directors Mr Teoh Eng Hong (Chairman), Mdm Tan Hui Keng, Martha, Mr William Ho Ah Seng, Mr Adam Tan Chin Han and Mr Terence Khoo Chi Siang, and executive Director & CEO, Mr Jamie Teo Miang Yeow. To enhance communications between the Audit Committee and the RMC, Mr Teoh Eng Hong, Mdm Tan Hui Keng, Martha, Mr Adam Tan Chin Han and Mr Terence Khoo Chi Siang are members of both committees.

The roles and responsibilities of RMC include the following:
- Overseeing and advising the Board on the Group's risk appetite, risk strategy and risk exposure.
- Reviewing and guiding Management in the formulation of the Group's risk policies and in the execution of risk assessment processes and mitigation strategies.
- Monitoring and managing the risk exposures of the Group.
- Reviewing the effectiveness of the Group's risk management system.

The RMC has, in turn, appointed the Credit Control Committee, Credit Portfolio Committee, Asset-Liability Committee and Operational & Technology Risk Committee to assist in fulfilling its roles.

The key risks of the Group include credit risk, market risk, liquidity risk and operational & technology risk.

Credit Risk

Counter-party risk or Credit risk is the risk arising from the uncertainty of an obligor's ability to perform its contractual obligations. The Group's credit risk primarily stems from lending activities.

The two management committees assisting in the management of credit risk are the Credit Control Committee and Credit Portfolio Committee.

The Credit Control Committee ("CCC") reviews delinquent accounts and makes decisions on recovery actions.

The Credit Portfolio Committee ("CPC") manages risk on a portfolio-wide basis and recommends alternative portfolio strategies, analyses the results of portfolio management actions, and develops portfolio limits for each portfolio segment for approval by the RMC. The CPC recommends the Enterprise Risk Management Framework, credit risk policies and manuals for concurrence by the RMC.

Risk parameters for accepting credit risk are clearly defined and are supported by written policies and processes in the Lending Guidelines to ensure that the Group maintains a well-diversified and high-quality loan portfolio.

The credit control functions ensure that credit risks are closely monitored and managed in compliance with the Group's credit policies and guidelines.

Credit reviews are carried out regularly to proactively identify and address potential weakness in the credit process and to pre-empt any unexpected deterioration in credit quality.

Credit stress tests framework is in place to analyse the impact of plausible adverse scenarios on the Group's loan portfolio.

The Group addresses credit concentration risk by setting and monitoring credit portfolio and industry mix limits on a regular basis.

Continuous efforts are being made to further enhance the Group's credit risk management processes.

Singapore Financial Reporting Standards (International) 9 Financial Instruments ("SFRS(I) 9") which came into effect from 1 January 2018 requires, amongst others, a new expected credit loss model ("ECL") for calculating impairment of financial assets.

The Group has set up the SFRS(I) 9 Committee ("SC") on 23 April 2018 with the main objective to support the Audit Committee and the Board of the Group in achieving compliance with SFRS(I) 9.

The SC works closely with CPC and CCC to ensure that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's policies and procedures relating to impairment allowances and applicable accounting framework under SFRS(I) 9. The SC also reviews and recommends updates to the Governance & Control Framework of ECL Model as well as the Impairment Allowance Policy at least on an annual basis. Any material changes to the ECL framework, methodology and policies are reviewed by SC before recommendation to the Audit Committee for concurrence and approval.

CORPORATE GOVERNANCE

Market Risk

Market risk encompasses price and interest rate risk, which are inherent in the ordinary course of the Group's business. Market risk refers to the risk to the Group resulting from movements in market prices, in particular, changes in interest rates, credit spreads, and equity prices.

The Asset-Liability Committee ("ALCO") manages the balance sheet to achieve an optimal balance between risk and reward, with regard to structural interest rate risk, and liquidity and funding risk, determines the appropriate levels of liquidity and ensures that funding is managed cost effectively, and reviews contingency plans for liquidity crises. ALCO also oversees the investment portfolio of the Company, reviews and recommends the limits of the Company's investments for approval by RMC as well as approves policies and strategies regarding these investments.

The Group has a comprehensive set of policies and monitoring system in place for the management of market risk. This includes limits for funding, maturity, and re-pricing gaps between assets and liabilities. An additional measure used by the Group for the interest rate sensitive investments is Present Value of a Basis Point ("PV01"), which measures the change in value of the interest rate sensitive exposures resulting from one basis point increase across the entire yield curve.

The Group uses an Asset Liability Management System to enhance its capabilities for simulation and scenario analysis. Interest rate risk sensitivity analysis can now be performed under various interest rate scenarios using simulation modelling.

Liquidity Risk

Liquidity risk refers to the risk of the Group being unable to meet its financial obligations as they fall due without incurring unacceptable costs or losses through fund raising and assets liquidation. It could be a result of the inability of the Group to manage unplanned decreases or changes in funding sources and the failure to recognise or address changes in market conditions that affect the institution's ability to liquidate assets quickly and with minimal loss in value. The Group maintains sufficient liquidity to fund its day-to-day operations, including customers' demands for loan drawdowns, as well as any unanticipated cash funding needs.

Liquidity stress testing framework is in place to assess and plan for the impact of various scenarios which may put the Company's liquidity at risk.

Liquidity policies, procedures and limits are in place to ensure effective liquidity management and compliance with all regulatory requirements.

Operational & Technology Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Technology risk is any risk related to information technology and information security.

The Operational & Technology Risk Committee ("OPTECH") supports the RMC in its handling of operational and technology risk. The OPTECH recommends the operational and technology risk management framework, policies and procedures, and strategies to mitigate risks and improve the efficiency and effectiveness of the operation process and information flows.

To pro-actively manage operational risk, each department undertakes regular operational risk and control self-assessments which involve identifying and assessing inherent risks, as well as assessing the effectiveness of controls to mitigate the identified risks. Where necessary, action plans are formulated based on the severity of the assessed residual risk after considering the mitigating controls. In addition, the Internal Audit function provides the assurance by conducting audits to assess the effectiveness of internal controls and report it to Management and the Audit Committee.

Management provides an attestation to the RMC on the state of business continuity management readiness, extent of alignment to MAS guidelines and declaration of residual risk.

Technology risk is managed in accordance to a Technology Risk Management Framework (which covers risk governance, identification, monitoring, assessment, mitigation and reporting), supported by a set of information technology policies and standards, control processes and risk mitigation programs.

Compliance risk is the risk of impairment to the Group's ability to successfully conduct its business as a result of any failure to comply with applicable regulatory requirements. The Compliance Department is responsible for the Group's satisfactory compliance with the relevant regulatory requirements and internal policies. The Compliance Department is an independent function within the organisation which provides support such as carrying out independent checks upon implementation of new or changes in policies and procedures, as well as providing advice on regulatory requirements to relevant departments.

Risk management is an ongoing process. Continuous efforts are being made to ensure that the Group's risk management system and processes are in line with industry best practices.

Internal Controls

The Directors recognise that they have overall responsibility for the Group's system of internal controls.

The Company's external auditor carry out in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls focusing primarily on financial controls, to the extent set out in their audit plan. Material non-compliance and internal control weaknesses noted during their audit, and the external auditor's recommendation to address such non-compliance and weaknesses, are reported to the Audit Committee. Management, with the assistance of the internal auditor, follows up on external auditor's recommendations as part of its role in the review of the Company's internal control systems

Besides that, all business units perform self-assessment of their processes to evaluate and manage the adequacy and effectiveness of their internal controls, as well as their level of compliance with applicable rules and regulations. The results of the evaluations are reviewed by Management.

The Board has received assurance from the CEO and the Financial Controller ("FC") that as at 31 December 2018:

(a) the Group's financial records have been properly maintained, and the financial statements give a true and fair view of the Group's operations and finances;
(b) the Group's internal control systems, including financial, operational, compliance and information technology controls and risk management systems were adequate and effective to address the risks which the Group considers relevant and material to its operations; and
(c) no material weaknesses were identified in the Group's internal controls or risk management systems.

Based on the internal controls established and maintained by the Group, work performed by internal and external auditor, reviews performed by Management and various Board Committees and the assurance received from the CEO and FC, the Board, with the concurrence of the Audit Committee and Risk Management Committee, is of the opinion that the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2018 to address the risks which the Group considers relevant and material to its operations. Both the Board and the Audit Committee did not identify any material weaknesses in the Company's internal controls in FY2018.

The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

Ethical Standard

The Company manages its business according to the core values of integrity, performance excellence, teamwork, trust and respect to which staff subscribes to and are assessed on. The Company has a comprehensive whistle blowing policy for staff to bring attention to the Audit Committee any concern, suspected breach or fraud, or activity or behaviour that may not be in compliance with the law and Code of Conduct of the Company.

CORPORATE GOVERNANCE

Internal Code on Dealing in Securities

The Company has adopted an internal code on securities trading which provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers. In summary, these guidelines prohibit dealing in the Company's securities:

(a) on short-term considerations;

(b) while in possession of unpublished material price-sensitive information in relation to such securities; and

(c) during the period commencing one month before the date of announcement of the quarterly and full-year financial results.

Audit Committee

Principle 12: Establishment of an Audit Committee

AC Composition and Role

The Audit Committee ("AC") is chaired by Mdm Tan Hui Keng, Martha and comprises Mr Teoh Eng Hong, Mr Phua Bah Lee, Mrs Yu-Foo Yee Shoon, Mr Adam Tan Chin Han and Mr Terence Khoo Chi Siang, all of whom are independent non-executive Directors. The Board considers that all the AC members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience to discharge their duties as an AC member.

None of the AC members were previous partners or directors of SFL's existing external audit firm, KPMG LLP within the previous 12 months prior to their appointment to the AC, and none of the AC members have any financial interest in KPMG LLP.

The AC has written terms of reference which clearly set out its authority and duties. The function of the AC is to assist the Board in fulfilling its responsibilities in providing an independent review of the effectiveness of the financial reporting process and internal control system.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The principal activities of the AC during FY2018 can be summarised as follows:

- Reviewing with Management and the external auditor the financial statements issued by the Group to ensure their completeness, accuracy and fairness;
- Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the Group's financial statements and announcements relating to the Group's financial performance;
- Reviewing and reporting to the Board the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls;
- Reviewing the scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditor; and the nature and extent of the non-audit services provided by the external auditor;
- Reviewing with Management, the results of the review of the Group's internal controls by the internal and external auditor;
- Making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- Reviewing the independence, effectiveness and adequacy of the resource of the internal auditors' function;
- Approving the appointment, resignation or dismissal of the internal auditors; and
- Reviewing related party and interested person transactions.

The AC keeps abreast of changes to accounting standards and issues which have a direct impact on financial statements during their engagement with the external and internal auditors. The AC meets with the external and internal auditors without the presence of Management at least twice during the year.

CORPORATE GOVERNANCE

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 AC also considered the clarity of disclosures on significant matters in the financial statements. Among other matters, the following key audit matters (KAMs) as reported by the external auditor for FY2018 on page 60 were reviewed and discussed by the AC with Management and the external auditor:

KAMs	How the AC reviewed these matters and what decisions were made
Allowance for impairment on loans and advances	In the implementation of the ECL model in relation to SFRS(I) 9 which took effect from 1 January 2018, the AC was regularly updated on the key technical decisions adopted by Management, including the modelling techniques and the staging criteria that would be used to determine the ECL requirements. An external consultant was engaged to advise and guide the Group to devise a SFRS(I) 9 compliant ECL model. The SFRS(I) 9 Committee ("SC") as disclosed under "Credit Risk" on page 47, has been set up to support the AC and the Board of the Group in achieving compliance with SFRS(I) 9. The AC has reviewed the Group's ECL Model Governance and Framework and the Impairment Allowance Policy. The AC was satisfied with the governing procedures and controls that have been put in place. The AC has also discussed with the external auditor and was satisfied that the underlying assumptions and methodologies were reasonable and fulfilled the requirements of SFRS(I) 9 based on the model validation performed by the external auditor. The AC has discussed with Management and the external auditor and was satisfied that the overall loan impairment allowances were reasonable and fair.

External Auditor

The AC also noted and reviewed the nature and extent of the non-audit services provided to the Group by the external auditor. The AC is of the opinion that the provision of such non-audit services did not affect the independence and objectivity of the external auditor. For details of the fees paid to the external auditor in respect of audit and non-audit services during FY2018, please refer to note 16 of the Notes to the Financial Statements.

The AC is satisfied that the external auditor has the requisite expertise and resources to perform their duties. Accordingly, the AC has nominated KPMG LLP for re-appointment as the external auditor at the forthcoming AGM. The external auditor has confirmed that it is registered with the Accounting and Corporate Regulatory Authority. The Company is thus in compliance with Rule 712 and Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the Group's auditors.

Whistle-Blowing Policy

In line with 2012 Code, the AC has reviewed the Company's comprehensive whistle-blowing policy whereby staff of the Company may, in confidence, bring to the attention of the AC any concern, suspected breach or fraud, or possible improprieties in matters of financial reporting or behaviour that may not be in compliance with the law and Code of Conduct of the Company. The AC is of the opinion that procedures are in place for the independent investigation of such matters and for appropriate follow up action.

Related Party and Interested Person Transactions

The Company has established policies and procedures on related party and interested persons transactions to ensure that such transactions are undertaken on an arm's length basis, on normal commercial terms consistent with the Company's usual business practices and policies, and are not prejudicial to the interest of the Company and its minority shareholders. The AC reviews all related party and interested persons transactions on a quarterly basis.

CORPORATE GOVERNANCE

The interested person transactions and the aggregate value of interested person transactions disclosed as required under Rule 907 of the SGX-ST Listing Manual during FY2018 are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
High Luck Pte Ltd	$986,242.28	NIL

The transaction above relates to a 2-year tenancy agreement entered into with High Luck Pte Ltd by the Company in the financial year ended 31 December 2017 in respect of the premises at 150 Cecil Street, #01-00, Singapore 069543 which are used for the Company's operations.

Both Executive Chairman Mr Teo Chiang Long and CEO Mr Jamie Teo Miang Yeow is each deemed to have control over, and a substantial interest in, High Luck Pte Ltd.

The transaction was carried out on normal commercial terms which are not prejudicial to the interest of the Company and its minority shareholders.

Material Contracts
Save for the tenancy agreement entered into by the Company with High Luck Pte Ltd as disclosed in the preceding section entitled "Related Party and Interested Person Transactions", there were no other material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.

Internal Audit
Principle 13: Effective and independent internal audit function that is adequately resourced

Internal Audit Department
The Group has a well-established internal audit function with formal procedures for the internal auditors to report their audit findings directly to the AC. The internal auditors report to the Chairman of the AC on audit issues and to the CEO on administrative matters.

In carrying out its function, our internal auditor is guided by the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Staffed by suitably qualified executives with relevant qualifications and experience, the primary role of the Internal Audit function is to assist the Board to evaluate the reliability, adequacy and effectiveness of internal controls and risk management processes of the Company. The AC reviews the adequacy of the internal audit function through a review of the internal auditor's programmes on a quarterly basis and ensures that the internal audit function has adequate resources and appropriate authority to perform its functions properly. The AC is also responsible for approving the appointment, remuneration, evaluation, resignation or dismissal of the Head of Internal Audit Department.

The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC has appointed Ernst & Young LLP (Singapore) to perform the internal audit functions for the Information Technology Services Department of the Group.

Based on its assessment, the Board, with the concurrence of the Audit Committee, is of the opinion that the internal audit function was independent, effective and adequately resourced during FY2018.

The Group has a separate compliance function to help ensure adherence with applicable legislation, rules and regulations in the conduct of its business.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES
Shareholder Rights
Principle 14: Fair and equitable treatment of shareholders

The Company treats all shareholders fairly and equitably. Shareholders are informed of any changes in the Company which are likely to materially affect the price or value of the Company's shares via SGXNET announcements on a timely basis.

All shareholders are entitled to attend and vote at general meetings in person or by proxy, and are informed of the rules, including voting procedures, that govern general meetings of shareholders.

Communication with Shareholders
Principle 15: Regular, effective and fair communication with shareholders

The Company has in place an Investor Relations Policy which defines when and how the Company engage and communicate with shareholders. Enquiries from shareholders, analysts and the press are handled by specifically designated personnel in lieu of a dedicated investor relations team.

The Company endeavours to communicate regularly and effectively with its shareholders. The Company announces its quarterly and full-year results within the mandatory period.

The Company does not practise selective disclosure. Material and price-sensitive announcements are released to the public via SGXNET and such information is also posted on the Company's website at www.singapurafinance.com.sg.

Shareholders and investors may provide feedback or express their views via the enquiry or feedback platform at the Company's website.

The Company has a dividend policy, which is set out on page 16. In line with our dividend policy which aims to provide shareholders with a predictable and sustainable dividend return over the long term by balancing growth with prudent capital management, the Company is proposing a first and final dividend of 2 cents per share and a special dividend of 2 cents per share for FY2018.

Conduct of Shareholder Meetings
Principle 16: Greater shareholder participation at general meetings

The Board regards the AGM as a key opportunity to communicate directly with the shareholders, which include institutional and retail investors, and encourages attendance and participation in dialogue. The notice of AGM is dispatched to shareholders, together with explanatory notes on items of special business, at least 14 days before the meeting. The notice, first disseminated via SGXNET, is also published in newspapers.

Shareholders can vote in person or appoint not more than two proxies to attend, speak and vote on their behalf at general meetings of shareholders, with the exception that shareholders, such as nominee companies which provide custodial services for securities, are able to appoint more than two proxies to attend, speak and vote at general meetings, including the forthcoming AGM, notwithstanding the Company's Constitution does not differentiate between the number of proxies which may be appointed by individual shareholders and by nominee companies. As the authentication of shareholder identity information and the integrity of the information transmitted is a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

CORPORATE GOVERNANCE

The Board and Management attending the AGM are available to answer questions from shareholders who are present. The external auditor is also present to assist Directors in addressing relevant queries by shareholders.

Separate resolutions on each distinct issue are tabled at the AGM. Detailed information on each resolution is provided in the explanatory notes to the notice of AGM in the Annual Report.

The Company is required by the Listing Rules to conduct the voting of all resolutions put to general meetings by poll. The Chairman of the Meeting will be exercising his rights under Article 62(a) of the Company's Constitution for all resolutions proposed at the Company's forthcoming AGM on 26 April 2019 and at any adjournment thereof to be put to the vote by way of poll. Accordingly, each resolution at the AGM will be voted by way of a poll.

In the spirit of greater transparency in the voting process, the Company implements electronic poll voting at general meetings. With electronic poll voting, shareholders present in person or represented by proxy at the AGM will be entitled to vote on a 'one-share, one-vote' basis. The voting results of all votes cast in respect of each resolution will also be instantaneously displayed at the meeting and announced via SGXNET after the AGM.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. The minutes are available to shareholders upon their request. Such request may be made after one month from the date of the general meetings.

SUSTAINABILITY REPORT

The Company's Sustainability Report which was prepared based on the Global Reporting Initiative Standards 2016, can be found on pages 21 to 35.

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages 63 to 122 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 year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

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

Teo Chiang Long
Phua Bah Lee
Teoh Eng Hong
Yu-Foo Yee Shoon
Tan Hui Keng, Martha
Jamie Teo Miang Yeow
William Ho Ah Seng
Tan Chin Han, Adam
Khoo Chi Siang, Terence (Appointed on 2 July 2018)

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company are as follows:

	Shareholdings registered in the name of directors		Other shareholdings in which the directors are deemed to have an interest	
	Holdings at beginning of the year	Holdings at end of the year	Holdings at beginning of the year	Holdings at end of the year
Singapura Finance Ltd – ordinary shares				
Teo Chiang Long	5,622	5,622	82,933,496	82,933,496
Phua Bah Lee	164,500	164,500	15,960	15,960
Yu-Foo Yee Shoon	9,000	9,000	10,010	10,010
William Ho Ah Seng	7,250	7,250	–	–

By virtue of Section 7 of the Act, Mr. Teo Chiang Long is deemed to have an interest in the other subsidiaries of Singapura Finance Ltd, all of which are wholly-owned, at the beginning and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or 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.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

WARRANTS AND SHARE OPTIONS

Warrants

At the end of the financial year, there were no warrants granted in respect of unissued ordinary shares in the Company.

DIRECTORS' STATEMENT

SHARE OPTIONS

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options.

AUDIT COMMITTEE

The members of the Audit Committee during the financial year and at the date of this statement are:

Tan Hui Keng, Martha, (Chairman) independent, non-executive director
Phua Bah Lee, independent, non-executive director
Teoh Eng Hong, independent, non-executive director
Yu-Foo Yee Shoon, independent, non-executive director
Tan Chin Han, Adam, independent, non-executive director
Khoo Chi Siang, Terence, independent, non-executive director (Appointed on 2 July 2018)

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

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

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;

- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Teo Chiang Long
Director

Tan Hui Keng, Martha
Director

22 February 2019

INDEPENDENT AUDITORS' REPORT

Members of the Company
Singapura Finance Ltd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Singapura Finance Ltd ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 122.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

Members of the Company
Singapura Finance Ltd

Loan impairment losses amounting to $8,324,000 (Refer to Note 6 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group's loans and advances to customers represent 68% of its total assets. SFRS(I) 9 "Financial Instruments", effective 1 January 2018, introduces the concept of expected credit loss ("ECL"), which is a probability-weighted estimate of the: (i) 12-month ECLs for financial assets where credit risk has not increased significantly since initial recognition or if there is no longer a significant increase in credit risk ("Stage 1 ECLs"); or (ii) Lifetime ECLs for financial assets where there has been a significant increase in credit risk since initial recognition ("Stage 2 ECLs") or are credit impaired ("Stage 3 ECLs"). Judgement is involved in determining the methodology and assumptions used on the ECL assessment.	We tested the design, implementation and operating effectiveness of the key controls in place over the credit approval and review processes. We performed sample checks of credit reviews on loans and advances to critically assess the appropriateness of the credit grading and any objective evidence of impairment. For credit impaired exposures, we assessed the reasonableness of management estimates of expected future cashflows, including the realisable value of collaterals if relevant. For non-credit impaired exposures, we reviewed the appropriateness of the ECL methodology and management's assumptions used in the ECL model, including key assumptions such as probability of default term structure, loss given default and exposure at default. We also tested the accuracy of key inputs into the ECL models for a sample of exposures as at year-end by checking them against source systems. We independently re-calculated the ECL allowance for a sample of credit exposures to test the mathematical accuracy of the calculations produced by the ECL model.
Our findings We found that the methodology and management's assumptions used in the ECL model were appropriate and the ECL allowances computation was consistent with the ECL model.	

Other information

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

Members of the Company
Singapura Finance Ltd

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

Members of the Company
Singapura Finance Ltd

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
22 February 2019

BALANCE **SHEETS**

As at 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	Group 1 Jan 2017 $'000	Company 2018 $'000	Company 2017 $'000	Company 1 Jan 2017 $'000
Assets							
Cash and cash equivalents	4	**115,519**	137,628	136,789	**115,348**	137,434	136,627
Statutory deposit with the Monetary Authority of Singapore		**18,641**	20,778	22,180	**18,641**	20,778	22,180
Investments	5	**172,753**	161,013	116,098	**172,753**	161,013	116,098
Loans and advances	6	**680,441**	746,689	838,384	**680,441**	746,689	838,384
Other receivables, deposits and prepayments	8	**1,597**	2,063	3,076	**1,593**	2,058	3,072
Subsidiaries	9	**–**	–	–	**125**	125	125
Property, plant and equipment	10	**7,937**	7,902	8,246	**7,937**	7,902	8,246
Deferred tax assets	15	**45**	27	–	**45**	27	–
Total assets		**996,933**	1,076,100	1,124,773	**996,883**	1,076,026	1,124,732
Equity							
Share capital	11	**168,896**	168,896	168,896	**168,896**	168,896	168,896
Reserves	11	**88,587**	85,100	82,989	**86,465**	83,074	81,014
Total equity attributable to owners of the Company		**257,483**	253,996	251,885	**255,361**	251,970	249,910
Liabilities							
Deposits and savings accounts of customers	12	**726,519**	808,278	856,928	**728,826**	810,445	859,095
Trade and other payables	13	**9,243**	10,548	12,867	**9,014**	10,336	12,640
Current tax liabilities		**2,223**	1,910	1,724	**2,217**	1,907	1,718
Staff retirement gratuities	14	**1,465**	1,368	1,276	**1,465**	1,368	1,276
Deferred tax liabilities	15	**–**	–	93	**–**	–	93
Total liabilities		**739,450**	822,104	872,888	**741,522**	824,056	874,822
Total equity and liabilities		**996,933**	1,076,100	1,124,773	**996,883**	1,076,026	1,124,732

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Interest income and hiring charges		**27,766**	30,766
Interest expense		**(7,808)**	(9,642)
Net interest and hiring charges		**19,958**	21,124
Fee and commission income		**719**	1,191
Dividend income		**15**	200
Other operating income		**609**	821
Income before operating expenses		**21,301**	23,336
Staff costs		**(8,184)**	(7,770)
Depreciation of property, plant and equipment	10	**(782)**	(665)
Other operating expenses		**(4,354)**	(5,466)
Profit from operations before allowances	16	**7,981**	9,435
Impairment losses (net)	6	**1,006**	(3,530)
Profit before tax		**8,987**	5,905
Tax expense	17	**(1,270)**	(998)
Profit for the year		**7,717**	4,907
Earnings per share			
Basic earnings per share (cents)	18	**4.86**	3.09
Diluted earnings per share (cents)	18	**4.86**	3.09

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Group	
	2018	2017
	$'000	$'000
Profit for the year	**7,717**	4,907
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Net change in fair value of debt investments measured at FVOCI	**(139)**	–
Net change in fair value of available-for-sale investments	**–**	927
Net change in fair value of available-for-sale investments reclassified to profit or loss on disposal	**–**	(471)
Related tax	**24**	(78)
Other comprehensive income for the year, net of tax	**(115)**	378
Total comprehensive income for the year	**7,602**	5,285

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

		Attributable to equity holders of the Company							
Group	Note	Share capital $'000	Capital reserve $'000	Regulatory loss allowance reserve $'000	Statutory reserve $'000	Fair value reserve $'000	General reserve $'000	Accumulated profits $'000	Total $'000
At 1 January 2017		168,896	1,353	–	63,058	(69)	730	17,917	251,885
Total comprehensive income for the year									
Profit for the year		–	–	–	–	–	–	4,907	4,907
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss:									
Net change in fair value of available-for-sale investments		–	–	–	–	927	–	–	927
Net change in fair value of available-for-sale investments reclassified to profit or loss: – on disposal		–	–	–	–	(471)	–	–	(471)
Tax relating to items that may be reclassified subsequently to profit or loss		–	–	–	–	(78)	–	–	(78)
Total other comprehensive income		–	–	–	–	378	–	–	378
Total comprehensive income for the year		–	–	–	–	378	–	4,907	5,285
Transaction with owners, recorded directly in equity									
Contributions by and Distribution to owners									
Dividends declared and paid	11	–	–	–	–	–	–	(3,174)	(3,174)
Total transactions with owners		–	–	–	–	–	–	(3,174)	(3,174)
Transfer from profit for the year to statutory reserve		–	–	–	2,430	–	–	(2,430)	–
At 31 December 2017		168,896	1,353	–	65,488	309	730	17,220	253,996

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

Group	Note	Attributable to equity holders of the Company							
		Share capital $'000	Capital reserve $'000	Regulatory loss allowance reserve $'000	Statutory reserve $'000	Fair value reserve $'000	General reserve $'000	Accumulated profits $'000	Total $'000
At 1 January 2018		168,896	1,353	–	65,488	309	730	17,220	253,996
Adjustment on initial application of SFRS(I)-9		–	–	–	–	–	–	646	646
Adjusted balance as at 1 January 2018		168,896	1,353	–	65,488	309	730	17,866	254,642
Total comprehensive income for the year									
Profit for the year		–	–	–	–	–	–	7,717	7,717
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss:									
Net change in fair value of debt investments measured at FVOCI		–	–	–	–	(139)	–	–	(139)
Tax relating to items that may be reclassified subsequently to profit or loss		–	–	–	–	24	–	–	24
Total other comprehensive income		–	–	–	–	(115)	–	–	(115)
Total comprehensive income for the year		–	–	–	–	(115)	–	7,717	7,602
Transaction with owners, recorded directly in equity									
Contributions by and Distribution to owners									
Dividends declared and paid	11	–	–	–	–	–	–	(4,761)	(4,761)
Total transactions with owners		–	–	–	–	–	–	(4,761)	(4,761)
Transfer from profit for the year to statutory reserve		–	–		3,820	–	–	(3,820)	–
Transfer from profit for the year to regulatory loss allowance reserve		–	–	1,854	–	–	–	(1,854)	–
At 31 December 2018		168,896	1,353	1,854	69,308	194	730	15,148	257,483

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

Company	Note	Share capital $'000	Capital reserve $'000	Regulatory loss allowance reserve $'000	Statutory reserve $'000	Fair value reserve $'000	General reserve $'000	Accumulated profits $'000	Total $'000
At 1 January 2017		168,896	1,353	–	63,058	(69)	730	15,942	249,910
Total comprehensive income for the year									
Profit for the year		–	–	–	–	–	–	4,856	4,856
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss:									
Net change in fair value of available-for-sale investments		–	–	–	–	927	–	–	927
Net change in fair value of available-for-sale investments reclassified to profit or loss: – on disposal		–	–	–	–	(471)	–	–	(471)
Tax relating to items that may be reclassified subsequently to profit or loss		–	–	–	–	(78)	–	–	(78)
Total other comprehensive income		–	–	–	–	378	–	–	378
Total comprehensive income for the year		–	–	–	–	378	–	4,856	5,234
Transaction with owners, recorded directly in equity									
Contributions by and Distribution to owners									
Dividends declared and paid	11	–	–	–	–	–	–	(3,174)	(3,174)
Total transactions with owners		–	–	–	–	–	–	(3,174)	(3,174)
Transfer from profit for the year to statutory reserve		–	–	–	2,430	–	–	(2,430)	–
At 31 December 2017		168,896	1,353	–	65,488	309	730	15,194	251,970

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

Company	Note	Share capital $'000	Capital reserve $'000	Regulatory loss allowance reserve $'000	Statutory reserve $'000	Fair value reserve $'000	General reserve $'000	Accumulated profits $'000	Total $'000
At 1 January 2018		168,896	1,353	–	65,488	309	730	15,194	251,970
Adjustment on initial application of SFRS(I)-9		–	–	–	–	–	–	646	646
Adjusted balance as at 1 January 2018		168,896	1,353	–	65,488	309	730	15,840	252,616
Total comprehensive income for the year									
Profit for the year		–	–	–	–	–	–	7,621	7,621
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss:									
Net change in fair value of debt investments measured at FVOCI		–	–	–	–	(139)	–	–	(139)
Tax relating to items that may be reclassified subsequently to profit or loss		–	–	–	–	24	–	–	24
Total other comprehensive income		–	–	–	–	(115)	–	–	(115)
Total comprehensive income for the year		–	–	–	–	(115)	–	7,621	7,506
Transaction with owners, recorded directly in equity									
Contributions by and Distribution to owners									
Dividends declared and paid	11	–	–	–	–	–	–	(4,761)	(4,761)
Total transactions with owners		–	–	–	–	–	–	(4,761)	(4,761)
Transfer from profit for the year to statutory reserve		–	–	–	3,820	–	–	(3,820)	–
Transfer from profit for the year to regulatory loss allowance reserve		–	–	1,854	–	–	–	(1,854)	–
At 31 December 2018		168,896	1,353	1,854	69,308	194	730	13,026	255,361

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit for the year		**7,717**	4,907
Adjustments for:			
Depreciation of property, plant and equipment		**782**	665
Bad debts written off		**44**	2
Property, plant and equipment written off		**16**	–
Impairment losses (net)		**(1,006)**	3,530
Gain on sale of investments		**–**	(471)
Staff retirement gratuities		**97**	92
Dividend income		**(15)**	(200)
Tax expense		**1,270**	998
		8,905	9,523
Changes in working capital:			
Statutory deposit with the Monetary Authority of Singapore		**2,137**	1,402
Loans and advances		**67,856**	88,163
Other receivables, deposits and prepayments		**466**	1,013
Deposits and savings accounts of customers		**(81,759)**	(48,650)
Trade and other payables		**(1,305)**	(2,319)
Cash (used in)/generated from operations		**(3,700)**	49,132
Taxes paid		**(951)**	(1,010)
Net cash (used in)/generated operating activities		**(4,651)**	48,122
Cash flows from investing activities			
Purchase of property, plant and equipment		**(833)**	(321)
Dividends received		**15**	200
Purchase of investments		**(652,777)**	(437,574)
Proceeds from sale and maturity of investments		**640,898**	393,586
Net cash used in investing activities		**(12,697)**	(44,109)
Cash flows from financing activity			
Dividends paid		**(4,761)**	(3,174)
Net cash used in financing activity		**(4,761)**	(3,174)
Net (decrease)/increase in cash and cash equivalents		**(22,109)**	839
Cash and cash equivalents at 1 January		**137,628**	136,789
Cash and cash equivalents at 31 December	4	**115,519**	137,628

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 22 February 2019.

1 DOMICILE AND ACTIVITIES

Singapura Finance Ltd (the Company) is incorporated in the Republic of Singapore and has its registered office at 150 Cecil Street, #01-00 Singapore 069543.

The principal activities of the Company are those relating to finance companies operating under the Finance Companies Act, Chapter 108. The principal activities of the subsidiaries are set out in note 9 to the financial statements.

The financial statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* have affected the reported financial position, financial performance and cash flows is provided in note 26.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair values.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Group's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in note 3.4 Impairment.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statement of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

3.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Accounting for subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses.

3.2 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment (Continued)

(i) Recognition and measurement (Continued)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Freehold land and buildings	40 years
Leasehold land and buildings	40 years
Furniture and office equipment	Between 5 and 8 years
Motor vehicles	4 years
Computers	Between 3 and 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets or financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

(ii) Classification, subsequent measurement and gains and losses

Non-derivative financial assets – Policy applicable from 1 January 2018

Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investments; FVOCI – equity investments; or fair value through profit or loss ("FVTPL").

The classification is based on two criteria:

- the Group's business model for managing the assets; and
- whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification, subsequent measurement and gains and losses (Continued)

Debt investments at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification, subsequent measurement and gains and losses (Continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification, subsequent measurement and gains and losses (Continued)

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 January 2018

Classification, subsequent measurement and gains and losses

The Group has the following non-derivative financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise loans and advances, other receivables and deposits, cash and cash equivalents and statutory deposit with the Monetary Authority of Singapore.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3.4(i)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise quoted equity securities and Singapore Government Securities.

Non-derivative financial liabilities

Subsequent to initial recognition, all our financial liabilities which comprised deposits and savings accounts of customers and trade and other payables, are measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(iii) Derecognition

Non-derivative financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Non-derivative financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(v) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3.4 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised costs; and
- debt investments measured at FVOCI.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a financial guarantee to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The Group considers Singapore Government securities and bank deposits to have low credit risk when their credit risk rating is equivalent to "investment grade" assigned by internationally recognised external credit rating agencies.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

For debt investments at FVOCI, no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowances is disclosed and recognised in the fair value reserve.

Loss allowances for financial guarantee are recognised as a financial liability to the extent that they exceed the initial carrying amount of the financial guarantee less the cumulated income recognised.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity investments) were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment. The Group considered a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables

The Group considered evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest rate method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Impairment (Continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of the CGU (group of CGUs) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Other long-term benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is accrued annually at a specified rate based on salaries paid to employees during the period. Benefits are only applicable to employees who joined before 28 December 2002 and completed 12 years of continuous service.

Short-term benefits

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.7 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial assets and is not revised subsequently unless contractually adjusted.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the income statement include interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

Where charges are added to the principal financed at the commencement of the period, the general principle adopted for crediting income to 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:–

Interest income on loans and advances

In general, the basis adopted for crediting income from loans to profit or loss is to spread the interest over the period in which the repayments are due. Interest on mortgage loans is charged on the annual/monthly/daily rest basis and credited to profit or loss in the period to which it relates.

Interest rebate on hire purchase

Term charges on hire purchase and leasing 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.

Interest income from Singapore Government Securities

Interest income from Singapore Government Securities is recognised in profit or loss as it accrues using the effective interest method.

Interest income from bank deposits

Interest income from bank deposits is recognised in profit or loss as it accrues using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Dividend income

Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3.9 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Lease payments

Payments made under the operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.11 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.12 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 27.

4 CASH AND CASH EQUIVALENTS

	Group			Company		
	2018	**2017**	**1 Jan 2017**	**2018**	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash at banks and in hand	**47,013**	47,587	52,849	**46,842**	47,393	52,687
Fixed deposits with banks	**68,506**	90,041	83,940	**68,506**	90,041	83,940
	115,519	137,628	136,789	**115,348**	137,434	136,627

5 INVESTMENTS

	Group and Company		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Singapore Government Securities	**172,753**	156,010	111,077
Quoted equity securities	**–**	5,003	5,021
	172,753	161,013	116,098

Interest-bearing financial assets of the Group and the Company measured at FVOCI with a carrying amount of $172,753,000 as at 31 December 2018 (2017: $156,010,000; 1 Jan 2017: $111,077,000) have stated interest rates of 1.25% to 3.50% (2017: 0.50% to 4.00%; 1 Jan 2017: 0.50% to 4.00%) and with a maturity of 1 month to 18 years from date of issue.

The credit rating of Singapore Government Securities held at the reporting date accorded by various international credit rating agencies is AAA (2017: AAA; 1 Jan 2017: AAA).

During the year, the Group recognised loss allowance of $Nil (2017: $Nil; 1 Jan 2017: $740,000) on its debt instruments at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

6 LOANS AND ADVANCES

	Note	Group and Company 2018 $'000	2017 $'000	1 Jan 2017 $'000
Mortgage and other secured loans		**536,556**	585,656	638,698
Hire purchase receivables	7	**164,635**	186,476	226,395
		701,191	772,132	865,093
Unearned charges and interest		**(12,426)**	(11,688)	(13,505)
		688,765	760,444	851,588
Allowances for loan losses		**(8,324)**	(13,755)	(13,204)
		680,441	746,689	838,384
These comprise balances:				
Due within 12 months		**58,712**	38,513	59,426
Due after 12 months		**621,729**	708,176	778,958
		680,441	746,689	838,384

As at 31 December 2018, secured loans to directors (including immediate family members) of the Group and Company amounted to $152,000 (2017: $18,000; 1 Jan 2017: $66,000).

	Group and Company		
	Individual impairments $'000	Collective impairments $'000	Total $'000
At 1 January 2017 per FRS 39	4,733	8,471	13,204
Charge/(Write-back) during the year	4,457	(927)	3,530
Amount written off against allowances	(2,979)	–	(2,979)
At 31 December 2017 per FRS 39	6,211	7,544	13,755

	Group and Company		
	12-month and Lifetime ECL – not credit impaired $'000	Lifetime ECL – credit impaired $'000	Total $'000
At 1 January 2018 per FRS 39	7,544	6,211	13,755
Adjustment on initial application of SFRS(I) 9	(2,598)	1,952	(646)
At 1 January 2018 per SFRS(I) 9	4,946	8,163	13,109
(Write-back)/charge during the year	(3,001)	1,995	(1,006)
Amounts written off	–	(3,779)	(3,779)
At 31 December 2018 per SFRS(I) 9	1,945	6,379	8,324

NOTES TO THE FINANCIAL STATEMENTS

6 LOANS AND ADVANCES (CONTINUED)

		Group and Company 2018			
	Note	12-month ECL $'000	Lifetime ECL – not credit impaired $'000	Lifetime ECL – credit impaired $'000	Total $'000
Balance as at 1 January per FRS 39		–	–	–	13,755
Adjustments on initial application of SFRS(I) 9	26(ii)	–	–	–	(646)
Balance as at 1 January per SFRS(I) 9		1,061	3,885	8,163	13,109
Transferred to 12-month ECL not credit impaired		3	(3)	–	–
Transferred to Lifetime ECL not credit impaired		(38)	38	–	–
Transferred to Lifetime ECL credit impaired		(35)	(2,293)	2,328	–
Changes in PD/LGD/EAD		(357)	45	195	(117)
Financial assets repaid		(359)	(418)	(566)	(1,343)
New financial assets originated or purchased		299	117	38	454
Amounts written off		–	–	(3,779)	(3,779)
Balance as at 31 December		574	1,371	6,379	8,324

7 HIRE PURCHASE RECEIVABLES

	2018			2017			1 Jan 2017		
	Gross $'000	Interest $'000	Principal $'000	Gross $'000	Interest $'000	Principal $'000	Gross $'000	Interest $'000	Principal $'000
Group and Company									
Within 1 year	**9,388**	**139**	**9,250**	12,003	181	11,822	11,426	178	11,248
Between 1 year and 5 years	**137,982**	**8,066**	**129,915**	162,155	9,160	152,995	206,153	11,673	194,480
After 5 years	**17,265**	**2,032**	**15,233**	12,318	1,560	10,758	8,816	1,160	7,656
	164,635	**10,237**	**154,398**	186,476	10,901	175,575	226,395	13,011	213,384

NOTES TO THE FINANCIAL STATEMENTS

8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Interest receivable	**497**	522	395	**497**	522	395
Deposits	**329**	316	342	**329**	316	342
Other receivables	**240**	685	1,945	**236**	680	1,941
	1,066	1,523	2,682	**1,062**	1,518	2,678
Prepayments	**531**	540	394	**531**	540	394
	1,597	2,063	3,076	**1,593**	2,058	3,072

Other receivables include repayments made by customers using electronic payments and have yet to be received by the Company at the reporting date.

9 SUBSIDIARIES

	Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Equity investments, at cost	**125**	125	125

Details of the subsidiaries are as follows:

			Ownership interest		
Name of subsidiaries	**Principal activities**	**Country of incorporation**	**2018 %**	**2017 %**	**1 Jan 2017 %**
SBS Nominees Private Limited	Provision of nominee services	Singapore	**100**	100	100
SBS Realty Services (Private) Limited	Provision of estate agency and management services	Singapore	**100**	100	100

The subsidiaries are audited by KPMG LLP Singapore.

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings $'000	Leasehold land and buildings $'000	Furniture and office equipment $'000	Motor vehicles $'000	Computers $'000	Total $'000
Group and Company						
Cost						
At 1 January 2017	2,263	9,119	2,764	488	4,654	19,288
Additions	–	–	22	–	299	321
Disposals	–	–	(1)	–	–	(1)
Written off	–	–	(19)	–	(230)	(249)
At 31 December 2017	2,263	9,119	2,766	488	4,723	19,359
Additions	–	–	96	–	737	833
Written off	–	–	(89)	–	(4)	(93)
At 31 December 2018	2,263	9,119	2,773	488	5,456	20,099
Accumulated depreciation						
At 1 January 2017	1,228	2,715	2,453	230	4,416	11,042
Depreciation charge for the period	32	228	97	122	186	665
Disposals	–	–	(1)	–	–	(1)
Written off	–	–	(19)	–	(230)	(249)
At 31 December 2017	1,260	2,943	2,530	352	4,372	11,457
Depreciation charge for the year	31	228	92	99	332	782
Written off	–	–	(73)	–	(4)	(77)
At 31 December 2018	1,291	3,171	2,549	451	4,700	12,162
Carrying amounts						
At 1 January 2017	1,035	6,404	311	258	238	8,246
At 31 December 2017	1,003	6,176	236	136	351	7,902
At 31 December 2018	972	5,948	224	37	756	7,937

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties held by the Group and the Company are as follows:

Location	Description	Tenure	Carrying amounts 2018 $'000	Carrying amounts 2017 $'000	Carrying amounts 1 Jan 2017 $'000
212 East Coast Road Singapore 428911	2-storey shophouse used as branch premises	Freehold	**856**	873	891
203 Henderson Road #02-07 Singapore 159546	Warehouse	Freehold	**116**	130	144
Total freehold properties			**972**	1,003	1,035
Blk 202 Bedok North Street 1 #01-471/473/475/477 Singapore 460202	3 units of office space used as branch premises and 1 unit leased out	86-year lease commencing July 1992	**747**	803	858
Blk 101 Towner Road #01-230 Singapore 322101	1 unit of 2 storey HDB shop house used as office	89-year lease commencing January 1993	**224**	241	257
Blk 711 Ang Mo Kio Avenue 8 #01-3501D Singapore 560711	1 unit of office space used as branch premises	86-year lease commencing July 1993	**188**	201	214
Blk 302 Woodlands Street 31 #01-271 Singapore 730302	1 unit of 2 storey HDB shop house used as branch premises	99-year lease commencing Oct 1992	**1,541**	1,589	1,639
Blk 130 Jurong Gateway Road #01-227 Singapore 600130	1 unit of 2 storey HDB shop house used as branch premises	91-year lease commencing Apr 1993	**3,248**	3,342	3,436
Total leasehold properties			**5,948**	6,176	6,404
			6,920	7,179	7,439

11 CAPITAL AND RESERVES

Share capital

	Group and Company 2018 No. of shares ('000)	Group and Company 2017 No. of shares ('000)	Group and Company 1 Jan 2017 No. of shares ('000)
Fully paid ordinary shares, with no par value:			
At beginning and end of financial year	**158,686**	158,686	158,686

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 regards to the Company's residual assets.

11 CAPITAL AND RESERVES (CONTINUED)

Reserves

	Group			Company		
	2018	**2017**	**1 Jan 2017**	**2018**	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Capital reserve	**1,353**	1,353	1,353	**1,353**	1,353	1,353
Statutory reserve	**69,308**	65,488	63,058	**69,308**	65,488	63,058
Regulatory loss allowance reserve	**1,854**	–	–	**1,854**	–	–
Fair value reserve	**194**	309	(69)	**194**	309	(69)
Revenue reserve:						
– General	**730**	730	730	**730**	730	730
– Accumulated profits	**15,148**	17,220	17,917	**13,026**	15,194	15,942
	88,587	85,100	82,989	**86,465**	83,074	81,014

Capital reserve

The capital reserve comprises gain on disposal of property, plant and equipment.

Statutory reserve

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

Regulatory loss allowance reserve

The regulatory loss allowance reserve comprises the shortfall between ECL computed under SFRS(I) 9 and MAS 811 Notice Minimum Regulatory Loss Allowance ("MRLA") (i.e. 1.5% on gross carrying amount on selected credit exposures net of eligible collaterals).

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of debt instruments at FVOCI financial assets until the investments are derecognised.

Dividends

The following exempt (one-tier) dividends were declared and paid by the Group and Company:

	Group and Company		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Paid by the Company to owners of the Company			
First and final			
2 cents per qualifying ordinary share (2017: 2 cents)	**3,174**	3,174	3,174
Special			
1 cent per qualifying ordinary share (2017: Nil)	**1,587**	–	–
	4,761	3,174	3,174

NOTES TO THE FINANCIAL STATEMENTS

11 CAPITAL AND RESERVES (CONTINUED)

Reserves (Continued)

Dividends (Continued)

After the respective reporting dates, the following exempt (one-tier) dividends were proposed by the directors. These exempt (one-tier) dividends have not been provided for.

	Group and Company		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
First and final			
2 cents per ordinary share (2017: 2 cents)	**3,174**	3,174	3,174
Special			
2 cents per ordinary share (2017: 1 cent)	**3,173**	1,587	–
	6,347	4,761	3,174

12 DEPOSITS AND SAVINGS ACCOUNTS OF CUSTOMERS

These include deposits placed by subsidiaries amounting to $2,307,000 (2017: $2,167,000; 1 Jan 2017: $2,167,000) in the Company and $216,896,000 (2017: $225,347,000; 1 Jan 2017: $214,468,000) placed by related parties of the Group and the Company, accepted in the ordinary course of business.

13 TRADE AND OTHER PAYABLES

	Group			Company		
	2018	**2017**	**1 Jan 2017**	**2018**	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Accrued interest payable	**3,734**	4,315	6,878	**3,733**	4,331	6,878
Accrued operating expenses	**2,123**	2,124	1,573	**2,118**	2,118	1,567
Deposits for safe deposit boxes and rental deposits	**127**	127	115	**127**	127	115
Unclaimed dividends	**451**	458	453	**451**	458	453
Others	**2,808**	3,524	3,848	**2,585**	3,302	3,627
	9,243	10,548	12,867	**9,014**	10,336	12,640
These comprise balances:						
Due within 12 months	**9,202**	10,537	12,861	**8,973**	10,325	12,634
Due after 12 months	**41**	11	6	**41**	11	6
	9,243	10,548	12,867	**9,014**	10,336	12,640

14 STAFF RETIREMENT GRATUITIES

	Group and Company		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
At 1 January	**1,368**	1,276	1,350
Provision made during the year	**97**	92	155
Utilised	**–**	–	(229)
At 31 December	**1,465**	1,368	1,276

NOTES TO THE FINANCIAL STATEMENTS

15 DEFERRED TAX (ASSETS)/LIABILITIES

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

	Balance as at 1 January 2017 $'000	Recognised in profit or loss (note 17) $'000	Recognised in other comprehensive income $'000	Balance as at 31 December 2017 $'000	Recognised in profit or loss (note 17) $'000	Recognised in other comprehensive income $'000	Balance as at 31 December 2018 $'000
Group and Company							
Deferred tax (assets)/ liabilities							
Property, plant and equipment	56	35	–	91	65	–	**156**
Other receivables	268	(217)	–	51	(43)	–	**8**
Staff retirement gratuities	(217)	(16)	–	(233)	(16)	–	**(249)**
Investments	(14)	–	78	64	–	(24)	**40**
	93	(198)	78	(27)	6	(24)	**(45)**

16 PROFIT FROM OPERATIONS BEFORE ALLOWANCES

The following items have been included in arriving at profit from operations before allowances:

	Group 2018 $'000	Group 2017 $'000
Interest income and hiring charges		
Interest income on:		
– loans and advances	**24,000**	27,424
– bank deposits	**1,307**	1,378
– Singapore Government Securities	**2,459**	1,964
	27,766	30,766
Interest expense		
Interest expense on customer deposits	**7,808**	9,642
	7,808	9,642
Dividend income		
Quoted equity investments	**15**	200
Other operating income		
Gain on sale of investments	**–**	471
Bad debts recovered	**143**	20
Others	**466**	330
	609	821
Staff costs		
Salaries and other benefits	**7,310**	6,987
Contributions to defined contribution plans	**874**	783
	8,184	7,770

All interest income and hiring charges relates to financial assets that are not fair value through profit or loss.

All interest expense relates to financial liabilities that are not fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

16 PROFIT FROM OPERATIONS BEFORE ALLOWANCES (CONTINUED)

	Group 2018 $'000	Group 2017 $'000
Other operating expenses		
Audit fees paid to auditors		
– provision in respect of current year	**173**	144
Non-audit fees paid to auditors of the Company	**155**	111
Property, plant and equipment written-off	**16**	4
Operating lease expense paid to:		
– related corporations	**879**	879
– third parties	**–**	102
Other operating expense paid to:		
– related corporations	**43**	43
– third parties	**3,088**	4,183
	4,354	5,466

17 TAX EXPENSE

	Note	Group 2018 $'000	Group 2017 $'000
Tax expense			
Current year		**1,511**	1,196
Overprovision in respect of prior year		**(247)**	–
		1,264	1,196
Deferred tax expense			
Origination and reversal of temporary differences	15	**6**	(198)
		1,270	998
Reconciliation of effective tax rate			
Profit before tax		**8,987**	5,905
Tax using Singapore tax rate of 17% (2017: 17%)		**1,528**	1,004
Income not subject to tax		**(38)**	(65)
Non-deductible expenses		**184**	207
Tax incentive		**–**	(77)
Tax rebate		**(12)**	(26)
Overprovision in respect of prior year		**(247)**	–
Others		**(145)**	(45)
		1,270	998

The tax incentive which has been discontinued from 1 January 2018, pertains mainly to enhanced capital allowance for qualifying expenditure incurred on acquisition of automation equipment and training of employees under the Productivity and Innovative Credit Scheme.

NOTES TO THE **FINANCIAL STATEMENTS**

18 EARNINGS PER SHARE

	Group	
	2018	**2017**
	$'000	**$'000**
Basic and diluted earnings per share is based on:		
Net profit attributable to ordinary shareholders	**7,717**	4,907

	No. of shares	
	2018	**2017**
	('000)	**('000)**
Weighted average number of ordinary shares	**158,686**	158,686

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

19 RELATED PARTIES

Key management personnel compensation

Compensation payable to key management personnel comprise:

	Group	
	2018	**2017**
	$'000	**$'000**
Directors' fees	**470**	440
Short-term employee benefits	**1,454**	1,392
Post-employment benefits	**83**	92

Directors' remuneration included in key management personnel compensation amounted to $2,006,000 (2017: $1,749,000). Key management personnel refer to the Board of Directors and senior management of the Group.

Other transactions with related corporations

Other than transactions with related corporations separately disclosed in the financial statements, the following related party transaction was carried out in the normal course of business on terms agreed between the parties during the financial year:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Interest on deposits paid to subsidiaries	–	–	17	16
Interest on deposits paid to related parties	**1,911**	1,797	**1,911**	1,797

NOTES TO THE FINANCIAL STATEMENTS

20 CONTINGENT LIABILITIES

These are commitments entered into by the Group and the Company on behalf of customers for which customers have corresponding obligations under their contracts with the Group and the Company, and are in respect of the following:

	Group and Company	
	2018	2017
	$'000	$'000
Guarantees	**100**	100

These contingent liabilities are not secured on any of the Group's assets.

21 COMMITMENTS

Lease commitments

At 31 December 2018, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group and Company	
	2018	2017
	$'000	$'000
Within one year	**256**	879
Between one year and five years	**–**	257
	256	1,136

Other commitments

	Group and Company	
	2018	2017
	$'000	$'000
Undrawn credit lines and other commitments to extend credit	**149,129**	102,326

22 FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk

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.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Overview (Continued)

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee (RMC), which is responsible for developing and monitoring the Group's risk management policies. The RMC reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All major policy decisions and approval on risk exposures including loan limits are approved by the Board of Directors upon concurrence by the RMC. In addition, internal audits are conducted on an on-going basis to confirm that these policies and procedures are functioning effectively and any deviations are duly highlighted for special attention.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to the RMC, which in turn appoints the Credit Control Committee and Credit Portfolio Committee to assist in the management of credit risk. The Credit Control Committee develops the credit risk management framework, policies and procedures for review and concurrence by RMC and approval by the Board of Directors. The Credit Control Committee also reviews delinquent accounts and makes decisions on recovery actions.

Credit reviews are conducted regularly to monitor the health of the loan portfolio and to detect early signs of weaknesses and deviations.

The Credit Portfolio Committee manages risk on a portfolio-wide basis and recommends alternative portfolio strategies, analyses results of portfolio management actions, and develops portfolio limits for each portfolio segment for approval by the RMC. Credit risk concentration is addressed by setting a credit portfolio mix limit and monitoring the limit on a regular basis.

Credit stress tests are also conducted periodically to determine the impact of security values and other stress parameters on the loan portfolio. This allows the Group to assess the potential financial impact of losses arising from plausible adverse scenarios on the Group's loan portfolio.

The Group has set up the SFRS(I) 9 Committee ("SC") on 23 April 2018 with the main objective to support the Audit Committee and the Board of the Group in achieving compliance with SFRS(I) 9.

The SC works closely with Credit Portfolio Committee and Credit Control Committee to ensure that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's policies and procedures relating to impairment allowances and applicable accounting framework under SFRS(I) 9.The SC also reviews and recommends updates to the Governance & Control Framework of ECL Model as well as the Impairment Allowance Policy at least on an annual basis. Any material changes to the ECL framework, methodology and policies are reviewed by SC before recommendation to the Audit Committee for concurrence and approval.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Inputs, assumptions and techniques used for estimating impairment

Assessment of significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information. The Group considers significant increase in credit risk occurs when an asset is more than 30 days past due.

Calculation of expected credit losses

Expected credit losses are calculated using three main components

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

These components are generally derived from internally developed statistical models using historical, current and forward-looking macro-economic data such as GDP, unemployment and inflation.

Probability of default

The 12-month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

The PD is derived using Delinquency Roll Rate Model which incorporates historical default rates over past 7 years, adjusted for forward-looking information and reflecting current portfolio composition and market data such as GDP, unemployment and inflation.

Loss given default

LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money.

Exposure at default

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations.

The 12-months ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the full remaining life multiplied by LGD and EAD.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the statements of financial position, reduced by the value of the collateral held.

The following table provides information about the exposure to credit risk and ECLs for loans and advances as at 31 December 2018:

	Note	Group and Company 2018 $'000
Non-credit impaired exposures that are		
– past due but not impaired		**25,967**
– neither past due nor impaired		**594,608**
Gross amount		**620,575**
Loss allowance for non-credit impaired exposures		**(1,945)**
Carrying amount		**618,630**
Credit-impaired		
Substandard (past due but fully secured)		**61,811**
Loss (fully provided for)		**6,379**
Gross amount		**68,190**
Loss allowance for credit impaired exposures		**(6,379)**
Carrying amount		**61,811**
Net carrying amount	6	**680,441**

Comparative information under FRS 39

	Note	Group and Company 2017 $'000	Group and Company 1 Jan 2017 $'000
Performing accounts that are			
– past due but not impaired		52,892	45,471
– neither past due nor impaired		662,070	781,278
Gross amount		714,962	826,749
Allowance for collective impairment		(7,544)	(8,471)
Carrying amount		707,418	818,278
Individually impaired			
Substandard (past due but fully secured)		39,271	20,106
Loss (fully provided for)		6,211	4,733
Gross amount		45,482	24,839
Allowance for individual impairment		(6,211)	(4,733)
Carrying amount		39,271	20,106
Net carrying amount	6	746,689	838,384

There are no loans and advances with renegotiated terms that are neither past due nor impaired as at 31 December 2018 (31 December 2017: $Nil; 1 January 2017: $Nil).

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk (Continued)

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 the security available and/or the stage of collection.

The Group writes off wholly or partially loan balances (together with any related allowances for impairment losses) when the Group determines that the debts are irrecoverable, e.g. borrower has been made bankrupt, or all actions have been exhausted.

The Group normally holds collateral against loans and advances to customers. These are in the form of mortgage interests over property and ownership or other registered interests over assets. Estimates of fair value of collateral are assessed in each accounting period prior to determination of individual impairment allowances.

The financial effect of collateral and other security enhancements held against loans and advances to customers is shown below:

	Group and Company		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Gross amount	**688,765**	760,444	851,588
Lifetime ECL on credit impaired exposures (2017: Specific allowances)	**(6,379)**	(6,211)	(4,733)
Carrying amount	**682,386**	754,233	846,855
Properties	**465,144**	508,285	552,762
Motor vehicles	**135,171**	151,533	179,320
Vessels	**37,436**	45,635	51,193
Equipment	**16,710**	19,904	30,988
Shares	**26,495**	26,688	30,835
Financial effect of collateral on maximum credit exposure	**680,956**	752,045	845,098
Net exposure	**1,430**	2,188	1,757

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 follow. Claims against such collateral are limited to the outstanding obligations.

	Group and Company		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Properties	**33,520**	1,600	1,830
Equipment	**–**	151	444
Shares	**–**	–	65
Motor vehicles	**–**	180	–
Vessels	**–**	10,038	–
	33,520	11,969	2,339

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk (Continued)

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

	Loans and advances to customers (Gross)		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Concentration by sector			
Hire purchase/block discounting	**154,398**	175,575	213,384
Housing loans secured by property	**123,224**	112,368	98,525
Other loans and advances:			
– Agriculture, mining and quarrying	**807**	1,389	1,927
– Manufacturing	**16,112**	26,238	34,612
– Building and construction	**110,414**	101,548	81,843
– General commerce	**34,356**	47,572	64,363
– Transport, storage and communication	**49,469**	51,266	52,501
– Investment and holding companies	**56,524**	74,257	99,712
– Professional and private individuals	**114,185**	133,768	159,690
– Others	**29,276**	36,463	45,031
	688,765	760,444	851,588

At the reporting date, there was no significant concentration of credit risk.

Debts Investments

The Group and the Company held Singapore Government Securities of $172,753,000 as at 31 December 2018 (2017: $156,010,000; 1 January 2017: $111,077,000). The credit rating of Singapore Government Securities held at the reporting date accorded by various international credit rating agencies is AAA (2017: AAA; 1 January 2017: AAA). Hence, the Group considers that its debt investments have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs to those used for loans and advances. The amount of the allowance on debt investments is negligible.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $115,519,000 and $115,348,000 respectively at 31 December 2018 (2017: $137,628,000 and $137,434,000; 1 January 2017: $136,789,000 and $136,627,000). The cash and cash equivalents are held with bank and financial institution counterparties which are rated AA- to AA+, based on various international credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for loans and advances. The amount of the allowance on cash and cash equivalents is negligible.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group is currently funded from equity and deposit liabilities. Liquidity risk arises from the management of the net funding position after accounting for the ongoing cash flows from the loan assets, the deposit liabilities and the interest-bearing placements at various points in time.

Liquidity risk is managed in accordance to the Group's liquidity framework of policies, contingency funding plan, controls and limits approved by the Asset and Liability Committee (ALCO). This framework ensures that liquidity risk is monitored and managed in a manner that ensures sufficient sources of funds are available over a range of market conditions. Stress testing is conducted under the named specific crisis and general market crisis scenarios. This is undertaken to assess and plan for the impact of the scenarios which may put the Group's liquidity at risk.

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

Maturity analysis of financial liabilities

The following are the contractual maturities of the Group's and Company's non-derivatives financial liabilities, loan commitments and contingent liabilities at the reporting date, which are based on contractual undiscounted cash flows (including interest payments) at the earliest date the Group and Company can be required to pay.

The expected cash flows on these instruments may vary significantly from this analysis. In particular, deposits from customers are expected to maintain a stable balance; and undrawn loan commitments are not all available to be drawn down immediately upon finalisation of legal documentation due to factors like the progressive nature of the facility to be based on the stage of completion of work in progress.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis of financial liabilities (Continued)

	Carrying amount $'000	Gross nominal inflow/ (outflow) $'000	On demand/ less than 1 month $'000	Within 3 months $'000	3 months to 1 year $'000	1 to 3 years $'000	More than 3 years $'000
Group							
31 December 2018							
Deposits and savings accounts of customers	**726,519**	**(735,008)**	**(90,127)**	**(200,893)**	**(378,868)**	**(65,115)**	**(5)**
Other liabilities*	**5,509**	**(5,509)**	**(4,534)**	**(236)**	**(698)**	**(41)**	**–**
	732,028	**(740,517)**	**(94,661)**	**(201,129)**	**(379,566)**	**(65,156)**	**(5)**
Undrawn loan commitments	**–**	**(149,129)**	**(149,129)**	**–**	**–**	**–**	**–**
Contingent liabilities	**–**	**(100)**	**(100)**	**–**	**–**	**–**	**–**
	732,028	**(889,746)**	**(243,890)**	**(201,129)**	**(379,566)**	**(65,156)**	**(5)**
31 December 2017							
Deposits and savings accounts of customers	808,278	(816,415)	(129,899)	(256,629)	(371,585)	(58,267)	(35)
Other liabilities*	6,233	(6,233)	(5,340)	(151)	(731)	(11)	–
	814,511	(822,648)	(135,239)	(256,780)	(372,316)	(58,278)	(35)
Undrawn loan commitments	–	(102,326)	(102,326)	–	–	–	–
Contingent liabilities	–	(100)	(100)	–	–	–	–
	814,511	(925,074)	(237,665)	(256,780)	(372.316)	(58,278)	(35)
1 January 2017							
Deposits and savings accounts of customers	856,928	(869,402)	(142,625)	(221,180)	(463,063)	(42,466)	(68)
Other liabilities*	5,989	(5,989)	(5,092)	(147)	(744)	(6)	–
	862,917	(875,391)	(147,717)	(221,327)	(463,807)	(42,472)	(68)
Undrawn loan commitments	–	(97,348)	(97,348)	–	–	–	–
Contingent liabilities	–	(200)	(200)	–	–	–	–
	862,917	(972,939)	(245,265)	(221,327)	(463,807)	(42,472)	(68)

* Excludes accrued interest payable

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis of financial liabilities (Continued)

	Carrying amount $'000	Gross nominal inflow/ (outflow) $'000	On demand/ less than 1 month $'000	Within 3 months $'000	3 months to 1 year $'000	1 to 3 years $'000	More than 3 years $'000
Company							
31 December 2018							
Deposits and savings accounts of customers	**728,826**	**(737,332)**	**(90,127)**	**(200,893)**	**(381,192)**	**(65,115)**	**(5)**
Other liabilities*	**5,281**	**(5,281)**	**(4,311)**	**(231)**	**(698)**	**(41)**	**–**
	734,107	**(742,613)**	**(94,438)**	**(201,124)**	**(381,890)**	**(65,156)**	**(5)**
Undrawn loan commitments	**–**	**(149,129)**	**(149,129)**	**–**	**–**	**–**	**–**
Contingent liabilities	**–**	**(100)**	**(100)**	**–**	**–**	**–**	**–**
	734,107	**(891,842)**	**(243,667)**	**(201,124)**	**(381,890)**	**(65,156)**	**(5)**
31 December 2017							
Deposits and savings accounts of customers	810,445	(818,581)	(132,065)	(256,629)	(371,585)	(58,267)	(35)
Other liabilities*	6,005	(6,005)	(5,118)	(145)	(731)	(11)	–
	816,450	(824,586)	(137,183)	(256,774)	(372,316)	(58,278)	(35)
Undrawn loan commitments	–	(102,326)	(102,326)	–	–	–	–
Contingent liabilities	–	(100)	(100)	–	–	–	–
	816,450	(927,012)	(239,609)	(256,774)	(372,316)	(58,278)	(35)
1 January 2017							
Deposits and savings accounts of customers	859,095	(871,568)	(142,625)	(221,180)	(465,229)	(42,466)	(68)
Other liabilities*	5,762	(5,762)	(4,870)	(142)	(744)	(6)	–
	864,857	(877,330)	(147,495)	(221,322)	(465,973)	(42,472)	(68)
Undrawn loan commitments	–	(97,348)	(97,348)	–	–	–	–
Contingent liabilities	–	(200)	(200)	–	–	–	–
	864,857	(974,878)	(245,043)	(221,322)	(465,973)	(42,472)	(68)

* Excludes accrued interest payable

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

Foreign currency risk is the risk that the value of financial assets or liabilities will fluctuate due to changes in foreign exchange rates. The Group is not exposed to foreign currency risk.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the value of the Group's financial assets and/or financial liabilities changes because of changes in interest rates. Interest rate risk arises primarily from the fact that financial assets and financial liabilities typically reprice at different points in time.

Risk management policy

The overall objective of interest rate risk management is to manage current and future earnings sensitivity arising from various interest rate exposures. Interest rate risk exposures are measured using a combination of repricing gap, present value of 1 basis point reports and simulation modelling. The ALCO meets periodically to review the risk profile of the Group against the prevailing business and economic conditions, focusing on market and interest rate risks. The Committee relates structure of assets and liabilities to funding mismatches and interest rate repricing risks and ensures compliance with ratios, limits and guidelines set by the Board.

Exposure to interest rate risk

The Group does not hold a trading portfolio. The principal risk to which its non-trading portfolio is exposed arises from the risk of fluctuations in the future cash flows or fair values of financial instruments because of changes in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

The Group's exposure to interest rate risk relates primarily to the Group's loan and investment portfolios as well as deposit liabilities. Interest rate risk will arise when these assets and liabilities mature or reprice at different times or in differing amounts, or when market conditions dictate the extent of repricing possible. The Group manages this risk through diversity in its loan portfolio and to a lesser extent in its deposit portfolio.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

A summary of the Group's and Company's interest rate gap position on its non-trading portfolios is as follows:

	Carrying amount $'000	Non-interest sensitive $'000	Less than 3 months $'000	3 months to 1 year $'000	1 to 3 years $'000	More than 3 years $'000	Total $'000
Group							
31 December 2018							
Cash and cash equivalents	**115,519**	**8,422**	**102,008**	**5,089**	**–**	**–**	**115,519**
Statutory deposit with the Monetary Authority of Singapore	**18,641**	**18,641**	**–**	**–**	**–**	**–**	**18,641**
Investments	**172,753**	**–**	**108,833**	**–**	**19,660**	**44,260**	**172,753**
Loans and advances	**680,441**	**62,900**	**474,667**	**47,362**	**70,150**	**25,362**	**680,441**
Other receivables and deposits*	**1,066**	**1,066**	**–**	**–**	**–**	**–**	**1,066**
	988,420	**91,029**	**685,508**	**52,451**	**89,810**	**69,622**	**988,420**
Deposits and savings accounts of customers	**726,519**	**1,402**	**285,610**	**375,858**	**63,644**	**5**	**726,519**
Other liabilities	**9,243**	**9,243**	**–**	**–**	**–**	**–**	**9,243**
	735,762	**10,645**	**285,610**	**375,858**	**63,644**	**5**	**735,762**
31 December 2017							
Cash and cash equivalents	137,628	6,918	102,980	27,730	–	–	137,628
Statutory deposit with the Monetary Authority of Singapore	20,778	20,778	–	–	–	–	20,778
Investments	161,013	5,003	86,842	8,020	–	61,148	161,013
Loans and advances	746,689	–	543,638	89,350	81,949	31,752	746,689
Other receivables and deposits*	1,523	1,523	–	–	–	–	1,523
	1,067,631	34,222	733,460	125,100	81,949	92,900	1,067,631
Deposits and savings accounts of customers	808,278	1,475	382,189	367,301	57,279	34	808,278
Other liabilities	10,548	10,548	–	–	–	–	10,548
	818,826	12,023	382,189	367,301	57,279	34	818,826

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Carrying amount $'000	Non-interest sensitive $'000	Less than 3 months $'000	3 months to 1 year $'000	1 to 3 years $'000	More than 3 years $'000	Total $'000
Group							
1 January 2017							
Cash and cash equivalents	136,789	9,571	122,180	5,038	–	–	136,789
Statutory deposit with the Monetary Authority of Singapore	22,180	22,180	–	–	–	–	22,180
Investments	116,098	5,021	33,976	41,980	5,115	30,006	116,098
Loans and advances	838,384	–	454,074	259,199	102,235	22,876	838,384
Other receivables and deposits*	2,682	2,682	–	–	–	–	2,682
	1,116,133	39,454	610,230	306,217	107,350	52,882	1,116,133
Deposits and savings accounts of customers	856,928	1,231	359,007	455,750	40,874	66	856,928
Other liabilities	12,867	12,867	–	–	–	–	12,867
	869,795	14,098	359,007	455,750	40,874	66	869,795

* Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Carrying amount $'000	Non-interest sensitive $'000	Less than 3 months $'000	3 months to 1 year $'000	1 to 3 years $'000	More than 3 years $'000	Total $'000
Company							
31 December 2018							
Cash and cash equivalents	**115,348**	**8,251**	**102,008**	**5,089**	**–**	**–**	**115,348**
Statutory deposit with the Monetary Authority of Singapore	**18,641**	**18,641**	**–**	**–**	**–**	**–**	**18,641**
Investments	**172,753**	**–**	**108,833**	**–**	**19,660**	**44,260**	**172,753**
Loans and advances	**680,441**	**62,900**	**474,667**	**47,362**	**70,150**	**25,362**	**680,441**
Other receivables and deposits*	**1,062**	**1,062**	**–**	**–**	**–**	**–**	**1,062**
	988,245	**90,854**	**685,508**	**52,451**	**89,810**	**69,622**	**988,245**
Deposits and savings accounts of customers	**728,826**	**1,402**	**287,917**	**375,858**	**63,644**	**5**	**728,826**
Other liabilities	**9,014**	**9,014**	**–**	**–**	**–**	**–**	**9,014**
	737,840	**10,416**	**287,917**	**375,858**	**63,644**	**5**	**737,840**
31 December 2017							
Cash and cash equivalents	137,434	6,723	102,980	27,731	–	–	137,434
Statutory deposit with the Monetary Authority of Singapore	20,778	20,778	–	–	–	–	20,778
Investments	161,013	5,003	86,842	8,020	–	61,148	161,013
Loans and advances	746,689	–	543,638	89,350	81,949	31,752	746,689
Other receivables and deposits*	1,518	1,518	–	–	–	–	1,518
	1,067,432	34,022	733,460	125,101	81,949	92,900	1,067,432
Deposits and savings accounts of customers	810,445	1,475	384,356	367,301	57,279	34	810,445
Other liabilities	10,336	10,336	–	–	–	–	10,336
	820,781	11,811	384,356	367,301	57,279	34	820,781

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Carrying amount $'000	Non-interest sensitive $'000	Less than 3 months $'000	3 months to 1 year $'000	1 to 3 years $'000	More than 3 years $'000	Total $'000
Company							
1 January 2017							
Cash and cash equivalents	136,627	9,409	122,180	5,038	–	–	136,627
Statutory deposit with the Monetary Authority of Singapore	22,180	22,180	–	–	–	–	22,180
Investments	116,098	5,021	33,976	41,980	5,115	30,006	116,098
Loans and advances	838,384	–	454,074	259,199	102,235	22,876	838,384
Other receivables and deposits*	2,678	2,678	–	–	–	–	2,678
	1,115,967	39,288	610,230	306,217	107,350	52,882	1,115,967
Deposits and savings accounts of customers	859,095	1,231	359,007	457,917	40,874	66	859,095
Other liabilities	12,640	12,640	–	–	–	–	12,640
	871,735	13,871	359,007	457,917	40,874	66	871,735

* Excludes prepayments

Sensitivity analysis

Interest rate risk

Interest rate sensitivity analyses are performed under various interest rate scenarios using simulation modelling where the sensitivity of projected net interest income is measured against changes in market interest rates.

The projected impact on future net interest income before tax over the next twelve months from the close of the year is simulated under various interest rate assumptions. Based on a 100 basis point parallel rise in yield curves applied to the reporting date position, net interest income is estimated to increase by $1,785,000 (2017: decrease by $52,000). The corresponding impact from a 100 basis point fall is an estimated reduction of $2,713,000 (2017: $1,703,000) in net interest income.

The sensitivity analysis of the Group is illustrative only. It assumes that interest rates of all tenors move by the same amount and does not reflect the potential impact on net interest income of some rates changing while others remained unchanged. The analysis also assumes that all financial assets and liabilities run to contractual maturity without action by the Group to mitigate any impact of such changes.

Portfolio price risk

Portfolio price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to the individual security or factors that affect all instruments in the market.

At the reporting date, the Group has FVOCI-debt instruments on Singapore Government Securities of approximately $173 million (2017: $156 million). A 1% increase in prices at the reporting date would have increased equity by $1.7 million (2017: $1.6 million). An equal change in the opposite direction would have decreased equity by $1.7 million (2017: $1.6 million). The analysis is performed on the same basis for 2017.

At the reporting date, the Group has equity securities at FVOCI of approximately $Nil million (2017: $5 million). A 10% increase in prices at the reporting date would have increased equity by $Nil million (2017: $0.5 million). An equal change in the opposite direction would have decreased equity by $Nil million (2017: $0.5 million) and profit for the year by $Nil million (2017: $Nil million). The analysis is performed on the same basis for 2017.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

The sensitivity analysis is based on management's best estimate of the sensitivity to a reasonable possible change. In practice, the actual results will differ from the sensitivity analysis and the differences could be material.

Capital management

Regulatory capital

The Group maintains a capital adequacy ratio ("CAR") in excess of the prescribed ratio, which is expressed as a percentage of adjusted regulatory capital to total risk weighted assets.

(1) The Group's adjusted regulatory capital includes share capital, capital reserve, statutory reserve, general reserve, fair value reserve relating to unrealised losses on equity securities classified as FVOCI and accumulated profits.

The fair value reserve relating to unrealised gains/losses on Singapore Government Securities and unrealised gains on equity securities classified as FVOCI-debts instruments are excluded from the Group's adjusted regulatory capital.

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

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

	2018 $'000	2017 $'000	1 Jan 2017 $'000
Share capital	**168,896**	168,896	168,896
Disclosed reserves	**86,539**	84,782	83,058
Regulatory capital	**255,435**	253,678	251,954
Risk-weighted assets	**764,451**	810,740	875,925
Capital adequacy ratio	**33.41%**	31.29%	28.76%

The Group has complied with all externally imposed capital requirements.

Accounting classifications

The following table shows the classification of financial instruments.

	Financial Assets at amortised cost $'000	FVOCI-debt Instruments $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
31 December 2018				
Financial assets				
Cash and cash equivalents	**115,519**	**–**	**–**	**115,519**
Statutory deposit with the Monetary Authority of Singapore	**18,641**	**–**	**–**	**18,641**
Investments	**–**	**172,753**	**–**	**172,753**
Loans and advances	**680,441**	**–**	**–**	**680,441**
Other receivables and deposits*	**1,066**	**–**	**–**	**1,066**
	815,667	**172,753**	**–**	**988,420**

* Excludes prepayments

NOTES TO THE **FINANCIAL STATEMENTS**

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Financial assets at amortised cost $'000	FVOCI-debt instruments $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
31 December 2018				
Financial liabilities				
Deposits and savings accounts of customers	**–**	**–**	**726,519**	**726,519**
Trade and other payables	**–**	**–**	**9,243**	**9,243**
	–	**–**	**735,762**	**735,762**

	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
31 December 2017				
Financial assets				
Cash and cash equivalents	137,628	–	–	137,628
Statutory deposit with the Monetary Authority of Singapore	20,778	–	–	20,778
Investments	–	161,013	–	161,013
Loans and advances	746,689	–	–	746,689
Other receivables and deposits*	1,523	–	–	1,523
	906,618	161,013	–	1,067,631
Financial liabilities				
Deposits and savings accounts of customers	–	–	808,278	808,278
Trade and other payables	–	–	10,548	10,548
	–	–	818,826	818,826
1 January 2017				
Financial assets				
Cash and cash equivalents	136,789	–	–	136,789
Statutory deposit with the Monetary Authority of Singapore	22,180	–	–	22,180
Investments	–	116,098	–	116,098
Loans and advances	838,384	–	–	838,384
Other receivables and deposits*	2,682	–	–	2,682
	1,000,035	116,098	–	1,116,133
Financial liabilities				
Deposits and savings accounts of customers	–	–	856,928	856,928
Trade and other payables	–	–	12,867	12,867
	–	–	869,795	869,795

* Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classifications

	Financial assets at amortised cost $'000	FVOCI-debt instruments $'000	Other financial liabilities $'000	Total carrying amount $'000
Company				
31 December 2018				
Financial assets				
Cash and cash equivalents	**115,348**	**–**	**–**	**115,348**
Statutory deposit with the Monetary Authority of Singapore	**18,641**	**–**	**–**	**18,641**
Investments	**–**	**172,753**	**–**	**172,753**
Loans and advances	**680,441**	**–**	**–**	**680,441**
Other receivables and deposits*	**1,062**	**–**	**–**	**1,062**
	815,492	**172,753**	**–**	**988,245**
Financial liabilities				
Deposits and savings accounts of customers	**–**	**–**	**728,826**	**728,826**
Trade and other payables	**–**	**–**	**9,014**	**9,014**
	–	**–**	**737,840**	**737,840**

	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total carrying amount $'000
Company				
31 December 2017				
Financial assets				
Cash and cash equivalents	137,434	–	–	137,434
Statutory deposit with the Monetary Authority of Singapore	20,778	–	–	20,778
Investments	–	161,013	–	161,013
Loans and advances	746,689	–	–	746,689
Other receivables and deposits*	1,518	–	–	1,518
	906,419	161,013	–	1,067,432
Financial liabilities				
Deposits and savings accounts of customers	–	–	810,445	810,445
Trade and other payables	–	–	10,336	10,336
	–	–	820,781	820,781

* Excludes prepayments

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total carrying amount $'000
Company				
1 January 2017				
Financial assets				
Cash and cash equivalents	136,627	–	–	136,627
Statutory deposit with the Monetary Authority of Singapore	22,180	–	–	22,180
Investments	–	116,098	–	116,098
Loans and advances	838,384	–	–	838,384
Other receivables and deposits*	2,678	–	–	2,678
	999,869	116,098	–	1,115,967
Financial liabilities				
Deposits and savings accounts of customers	–	–	859,095	859,095
Trade and other payables	–	–	12,640	12,640
	–	–	871,735	871,735

* Excludes prepayments

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

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 each reporting date.

Although management have employed their best judgement in the estimation of fair values, there is inevitably a significant element of subjectivity involved in the calculations. Therefore, the fair value estimates presented below are not necessarily indicative of the amounts the Group could have realised in a sales transaction at the reporting date.

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

Financial instruments for which fair value approximates the carrying amount

The carrying values of statutory deposit with the Monetary Authority of Singapore, other receivables and deposits, cash and cash equivalents and trade and other payables, approximate their fair values as these balances are short-term in nature or are receivable or payable on demand.

Investment in Singapore Government Securities and equity securities

The fair values of FVOCI-debt instruments are determined by reference to their quoted closing bid prices at the reporting date.

Loans and advances

The fair value of loans and advances that mature or reprice within six months of the reporting date is assumed to equate to the carrying value. The fair value of all other loans and advances was calculated using discounted cash flow models based on the maturity of the loans. The discount rates applied in this exercise were based on the current interest rates of similar types of loans.

NOTES TO THE FINANCIAL STATEMENTS

23 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Deposits and savings accounts of customers

The fair value of deposits and savings accounts of customers which mature or reprice within six months is estimated to be the carrying value at the reporting date. The fair value of other term deposits was calculated using discounted cash flow models, based on the deposit type and its related maturity. The discount rates applied in this exercise were based on the current interest rates of similar types of deposits.

Financial instruments not carried at fair value

	2018		2017		1 Jan 2017	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Group						
Financial assets						
Loans and advances	**680,441**	**684,281**	746,689	752,634	838,384	843,130
Financial liabilities						
Deposits and savings account of customer	**726,519**	**728,404**	808,278	809,231	856,928	858,871
Company						
Financial assets						
Loans and advances	**680,441**	**684,281**	746,689	752,634	838,384	843,130
Financial liabilities						
Deposits and savings account of customer	**728,826**	**730,711**	810,445	811,397	859,095	861,038

Fair value hierarchy

The table below analyses fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined as follows:

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

NOTES TO THE **FINANCIAL STATEMENTS**

23 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Deposits and savings accounts of customers (Continued)

Financial instruments carried at fair value

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group and Company					
31 December 2018					
Financial assets					
Investments	5	**172,753**	**–**	**–**	**172,753**
31 December 2017					
Financial assets					
Investments	5	161,013	–	–	161,013
1 January 2017					
Financial assets					
Investments	5	116,098	–	–	116,098

*Financial instruments not carried at fair value but for which fair values are disclosed**

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group					
31 December 2018					
Financial assets					
Loans and advances	6	**–**	**–**	**684,281**	**684,281**
Financial liabilities					
Deposits and savings accounts of customers	12	**–**	**728,404**	**–**	**728,404**
31 December 2017					
Financial assets					
Loans and advances	6	–	–	752,634	752,634
Financial liabilities					
Deposits and savings accounts of customers	12	–	809,231	–	809,231
1 January 2017					
Financial assets					
Loans and advances	6	–	–	843,130	843,130
Financial liabilities					
Deposits and savings accounts of customers	12	–	858,871	–	858,871

NOTES TO THE FINANCIAL STATEMENTS

23 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Deposits and savings accounts of customers (Continued)

*Financial instruments not carried at fair value but for which fair values are disclosed** (Continued)

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company					
31 December 2018					
Financial assets					
Loans and advances	6	**–**	**–**	**684,281**	**684,281**
Financial liabilities					
Deposits and savings accounts of customers	12	**–**	**730,711**	**–**	**730,711**
31 December 2017					
Financial assets					
Loans and advances	6	–	–	752,634	752,634
Financial liabilities					
Deposits and savings accounts of customers	12	–	811,397	–	811,397
1 January 2017					
Financial assets					
Loans and advances	6	–	–	843,130	843,130
Financial liabilities					
Deposits and savings accounts of customers	12	–	861,038	–	861,038

* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

24 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group operates in only one segment. Its activities relate to financing business. All activities are carried out in the Republic of Singapore. Revenue in respect of these activities is disclosed in the financial statements accordingly.

25 NON-CURRENT ASSETS AND LIABILITIES

Assets and liabilities other than those disclosed below are current.

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Investments	**63,920**	66,151	40,142	**63,920**	66,151	40,142
Loans and advances	**621,729**	708,176	778,958	**621,729**	708,176	778,958
Other receivables, deposits and prepayments	**337**	349	580	**337**	337	580
Subsidiaries	**–**	–	–	**125**	125	125
Property, plant and equipment	**7,937**	7,902	8,246	**7,937**	7,902	8,246
Deferred tax assets	**45**	27	–	**45**	27	–
	693,968	782,605	827,926	**694,093**	782,718	828,051
Liabilities						
Deposits and savings accounts of customers	**63,649**	57,313	40,940	**63,649**	57,313	40,940
Trade and other payables	**41**	11	6	**41**	11	6
Staff retirement gratuities	**1,372**	1,368	1,276	**1,372**	1,368	1,276
Deferred tax liabilities	**–**	–	93	**–**	–	93
	65,062	58,692	42,315	**65,062**	58,692	42,315

26 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has not adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

NOTES TO THE FINANCIAL STATEMENTS

26 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 9.

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group initially applied SFRS(I) 15 on 1 January 2018 retrospectively without any practical expedients. The timing or amount of the Group’s fee and commission income from contracts with customers was not impacted by the adoption of SFRS(I) 15.

An explanation of how the transition from previous FRS to SFRS(I) and SFRS(I) 9 have affected the Company’s financial position, financial performance and cash flows, and the Company’s financial position is set out under the summary of quantitative impact and the accompanying notes.

Summary of quantitative impact

The Group applied SFRS(I) 9 retrospectively, with an initial application date of 1 January 2018. The Company has not restated comparative information which continues to be reported under FRS 39 and the disclosure requirements of FRS 107 Financial Instruments: Disclosures relating to items within the scope of FRS 39. The impact arising from SFRS (I) 9 adoption was included in the opening retained earnings and other components of equity at the date of initial application.

The following reconciliations summarise the impacts on initial application of SFRS(I) 9 on the Group and Company’s balance sheet as at 1 January 2018. There were no material adjustments to the Group and Company’s balance sheet, profit or loss, other comprehensive income and statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

26 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group and Company's equity

Balance sheet

		Group			Company		
	Note	31 Dec 2017 FRS framework $'000	SFRS(I) 9 $'000	1 Jan 2018 SFRS(I) framework $'000	31 Dec 2017 FRS framework $'000	SFRS(I) 9 $'000	1 Jan 2018 SFRS(I) framework $'000
Assets							
Cash and cash equivalents	(i)	137,628		137,628	137,434		137,434
Statutory deposit with the Monetary Authority of Singapore	(i)	20,778		20,778	20,778		20,778
Investments	(i)	161,013		161,013	161,013		161,013
Loans and advances	(i), (ii)	746,689	646	747,335	746,689	646	747,335
Other receivables, deposits and prepayments	(i)	2,063		2,063	2,058		2,058
Subsidiaries		–		–	125		125
Property, plant and equipment		7,902		7,902	7,902		7,902
Deferred tax assets		27		27	27		27
Total assets		1,076,100		1,076,746	1,076,026		1,076,672
Equity							
Share capital		168,896		168,896	168,896		168,896
Reserves		85,100	646	85,746	83,074	646	83,720
Total equity attributable to owners of the Company		253,996		254,642	251,970		252,616
Liabilities							
Deposits and savings accounts of customers		808,278		808,278	810,445		810,445
Trade and other payables		10,548		10,548	10,336		10,336
Current tax liabilities		1,910		1,910	1,907		1,907
Staff retirement gratuities		1,368		1,368	1,368		1,368
Total liabilities		822,104		822,104	824,056		824,056
Total equity and liabilities		1,076,100		1,076,746	1,076,026		1,076,672

NOTES TO THE FINANCIAL STATEMENTS

26 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations

(i) Classification of financial assets and financial liabilities

Under SFRS(I) 9, on initial recognition, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Company classifies and measures financial assets and related gains and losses under SFRS(I) 9, see note 3.3(ii).

The adoption of SFRS(I) 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Company's financial assets as at 1 January 2018.

	Note	Original classification under FRS 39	New classification under SFRS(I) 9	1 January 2018 Original carrying amount under FRS 39 $'000	New carrying amount under SFRS(I) 9 $'000
Financial assets					
Investments					
Debt investments	(a)	Available-for-sale	FVOCI – debt instrument	156,010	156,010
Equity investments	(b)	Available-for-sale	FVOCI – equity instrument	5,003	5,003
				161,013	161,013
Statutory deposit with the Monetary Authority of Singapore		Loans and receivables	Amortised cost	20,778	20,778
Loans and advances		Loans and receivables	Amortised cost	746,689	747,335
Other receivables		Loans and receivables	Amortised cost	1,523	1,523
Cash and cash equivalents		Loans and receivables	Amortised cost	137,628	137,628
Total financial assets				1,067,631	1,068,277

(a) The debt investments categorised as available-for-sale under FRS 39 are held by the Group to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group consider that these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under SFRS(I) 9.

(b) The equity investments categorised as available-for-sale under FRS 39 are held by the Group's to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group have designated these investments at 1 January 2018 as measured at FVOCI under SFRS(I) 9.

26 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI, but not to equity investments.

The application of SFRS(I) 9 impairment requirements at 1 January 2018 results in a decrease in allowances for impairment as follows:

	$'000
Loss allowance at 31 December 2017 under FRS 39	13,755
Write-back of impairment recognised at 1 January 2018 on:	
Loans and advances as at 31 December 2017	(646)
Loss allowance at 1 January 2018 under SFRS(I) 9	13,109

Additional information about how the Group measure the allowance for impairment is described in note 3.4.

27 NEW STANDARDS AND INTERPRETATION NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing the new standards and amendments in preparing these financial statements.

The Company has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT FRS 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s (March 2018)	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS (I) 16 requires lessees to recognise most leases on the statement of financial position. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019.

At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

NOTES TO THE FINANCIAL STATEMENTS

27 NEW STANDARDS AND INTERPRETATION NOT YET ADOPTED (CONTINUED)

The Company plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Company expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Company plans to elect the following practical expedients:

(i) not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;

(ii) to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and

(iii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Company adopts SFRS(I) 16 in 2019. On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets of $0.8m and lease liabilities of $1.1m for its leases previously classified as operating leases, with a corresponding decrease of $0.3m in the opening retained earnings as of 1 January 2019.

ANALYSIS OF SHAREHOLDINGS

As at 11 March 2019

SUMMARY OF SHAREHOLDINGS BY SIZE AS AT 11 MARCH 2019

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1 to 99	138	4.56	2,570	0.00
100 to 1,000	381	12.57	265,396	0.17
1,001 to 10,000	1,423	46.96	7,471,825	4.71
10,001 to 1,000,000	1,078	35.58	53,264,060	33.56
1,000,001 AND ABOVE	10	0.33	97,682,039	61.56
TOTAL	**3,030**	**100.00**	**158,685,890**	**100.00**

TOP 20 SHAREHOLDERS AS AT 11 MARCH 2019

NO.	NAME OF SHAREHOLDERS	NUMBER OF SHARES	% OF TOTAL ISSUED SHARES
1	SEE HOY CHAN (1988) PTE LTD	74,442,000	46.91
2	TEO HANG SAM REALTY SDN BHD	8,379,000	5.28
3	DBS NOMINEES PTE LTD	4,300,594	2.71
4	MORPH INVESTMENTS LTD	2,630,000	1.66
5	LEE KHING YOONG VINCENT	1,970,166	1.24
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,567,094	0.99
7	SEE BENG LIAN JANICE	1,294,000	0.82
8	CITIBANK NOMINEES SINGAPORE PTE LTD	1,065,748	0.67
9	PEH CHIN CHIONG	1,031,000	0.65
10	PHILLIP SECURITIES PTE LTD	1,002,437	0.63
11	OU YANG YAN TE	958,800	0.60
12	OCBC NOMINEES SINGAPORE PTE LTD	851,539	0.54
13	ANG CHIAN POH	812,200	0.51
14	KOH GEOK HUAY MRS.TEO GEOK HUAY	800,000	0.50
15	RAFFLES NOMINEES (PTE) LIMITED	797,301	0.50
16	CHUAH BEE JIAT	742,000	0.47
17	LIM HUI KONG	619,000	0.39
18	LALCHAND JETHANAND DARYANANI	542,000	0.34
19	CHIAM TOON CHEW	510,600	0.32
20	TAY HWA LANG	500,000	0.32
	TOTAL	**104,815,479**	**66.05**

ANALYSIS OF SHAREHOLDINGS

As at 11 March 2019

SUBSTANTIAL SHAREHOLDERS AS AT 11 MARCH 2019

(As shown in the Company's Register of Substantial Shareholders)

	Number of Shares			
Name	Direct Interest	%	Deemed Interest	%
See Hoy Chan (1988) Pte Ltd	74,442,000	46.912	–	–
Teo Soo Chuan Pte Ltd	106,874	0.067	74,442,000[1]	46.912
Teo Hang Sam Realty Sdn Bhd	8,379,000	5.280	–	–
Teo Soo Chuan (M) Sdn Bhd	–	–	8,379,000[2]	5.280
Estate of Goh Siok Cheng, Deceased	142,500	0.090	82,927,874[3]	52.259
Teo Chiang Long	5,622	0.004	82,933,496[4]	52.263

1 Teo Soo Chuan Pte Ltd is deemed to be interested in the 74,442,000 Shares held by See Hoy Chan (1988) Pte Ltd

2 Teo Soo Chuan (M) Sdn Bhd is deemed to be interested in the 8,379,000 shares held by Teo Hang Sam Realty Sdn Bhd

3 Of the 82,927,874 Shares in which Estate of Goh Siok Cheng, deceased is deemed to be interested:
- (a) 74,442,000 Shares are held by See Hoy Chan (1988) Pte Ltd;
- (b) 8,379,000 Shares are held by Teo Hang Sam Realty Sdn Bhd; and
- (c) 106,874 Shares are held by Teo Soo Chuan Pte Ltd.

4 Of the 82,933,496 Shares in which Teo Chiang Long is deemed to be interested:
- (a) 74,442,000 Shares are held by See Hoy Chan (1988) Pte Ltd;
- (b) 8,379,000 Shares are held by Teo Hang Sam Realty Sdn Bhd;
- (c) 106,874 Shares are held by Teo Soo Chuan Pte Ltd; and
- (d) 5,622 Shares are held by his spouse, Lo Pia Leng

On the basis of the information available to the Company, approximately 47.51% of the issued ordinary shares were held by the public and therefore Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with, which requires at least 10% of a listed issuer's equity securities to be held by the public.

NOTICE OF **ANNUAL GENERAL MEETING**

SINGAPURA FINANCE LTD

NOTICE IS HEREBY GIVEN that the Forty-Ninth Annual General Meeting of Singapura Finance Ltd (the "Company") will be held at 391A Orchard Road, Tower A, #26-00, Ngee Ann City, Singapore 238873 on Friday, 26 April 2019 at 11.00 a.m. for the following purposes:

AS ROUTINE BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Auditors' Report.

(Resolution 1)

2. To declare a first and final dividend (one-tier tax-exempt) of 2 cents per share [FY2017: 2 cents per share] and a special (one-tier tax exempt) of 2 cents per share [FY2017: 1 cent per share] for the year ended 31 December 2018.

(Resolution 2)

3. To re-elect Mr Khoo Chi Siang Terence, who will cease to hold office pursuant to Article 103 of the Constitution of the Company and who, being eligible, offers himself for re-election, as a Director.

Mr Khoo will, upon re-election, continue as a member of the Audit, Nominating, Remuneration and Risk Management Committees, and will be considered independent.

(Resolution 3)

[See Explanatory Note (i)]

4. To re-elect the following Directors, who will retire by rotation pursuant to Article 97 of the Constitution of the Company and who, being eligible, offer themselves for re-election, as Directors:

Mr Phua Bah Lee **(Resolution 4(a))**

Mr Phua will, upon re-election, continue as Chairman of Remuneration Committee and as a member of the Audit and Nominating Committees, and will be considered independent.

Mr Teoh Eng Hong **(Resolution 4(b))**

Mr Teoh will, upon re-election, continue as Chairman of Risk Management Committee and as a member of the Audit, Nominating, Remuneration and Executive Committees, and will be considered independent.

Mdm Tan Hui Keng, Martha **(Resolution 4(c))**

Mdm Tan will, upon re-election, continue as Chairman of Audit Committee and as a member of the Nominating, Remuneration and Risk Management Committees, and will be considered independent.

[See Explanatory Note (ii)]

5. To approve the payment of Directors' fees of S$470,000 for the year ended 31 December 2018 [FY2017: S$440,000].

(Resolution 5)

NOTICE OF ANNUAL GENERAL MEETING

SINGAPURA FINANCE LTD

6. To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting. **(Resolution 7)**

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.

8. **Authority for Directors to issue shares and to make or grant convertible instruments**

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:

(a) (i) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

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

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) shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) (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 shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) (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 of the Company (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(b) any subsequent bonus issue, or consolidation or subdivision of shares

and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST 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) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (iii)]

(Resolution 8)

By Order of the Board
Ngiam May Ling
Company Secretary

Singapore
11 April 2019

NOTICE OF ANNUAL GENERAL MEETING

SINGAPURA FINANCE LTD

Notice of Books Closure and Dividend Payment Date

NOTICE IS ALSO HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on Monday, 6 May 2019 for the purpose of determining shareholders' entitlements to the proposed dividend.

Duly completed and stamped transfers in respect of ordinary shares of the Company received by the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902, up to 5.00 p.m. on Friday, 3 May 2019 will be registered before shareholders' entitlements to the proposed dividend are determined.

Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 p.m. on Friday, 3 May 2019 will rank for the proposed dividend.

Payment of the dividend, if approved by shareholders at the Annual General Meeting, will be paid on Friday, 10 May 2019.

Explanatory Notes:

(i) Ordinary Resolution 3 is for the re-election of Mr Khoo Chi Siang Terence, who joined the Board on 2 July 2018. For more information on Mr Khoo, please refer to the sections entitled "Board of Directors" and "Additional information on Directors seeking re-appointment" in the Annual Report 2018.

(ii) Ordinary Resolutions 4(a), 4(b) and 4(c) are for the re-election of Mr Phua Bah Lee, Mr Teoh Eng Hong and Mdm Tan Hui Keng, Martha, Directors of the Company who retire by rotation at the Annual General Meeting. For more information on Mr Phua, Mr Teoh and Mdm Tan, please refer to the sections entitled "Board of Directors" and "Additional information on Directors seeking re-appointment" in the Annual Report 2018.

(iii) Ordinary Resolution 8 is to empower the Directors, effective 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, or the date such authority is varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company, of which up to twenty per cent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) may be issued other than on a pro rata basis to shareholders.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) of the Company at the time that Ordinary Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares. As at 11 April 2019, the Company did not have any treasury shares or subsidiary holdings.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak 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's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 150 Cecil Street #01-00, Singapore 069543 not less than seventy-two (72) hours before the time appointed for holding the 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 Annual General Meeting 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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (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 or service providers), 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 or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

SINGAPURA FINANCE LTD
(Company Registration No. 196900340N)
(Incorporated in the Republic of Singapore)

IMPORTANT:
1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 and set out under Note 2 below) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in Singapura Finance Ltd, 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/SRS Operators if they have any queries regarding their appointment as proxies.

PROXY FORM
(Please see notes overleaf before completing this Form)

*I/We (Name), ______________________________ (NRIC/Passport/UEN No.) ____________________

of (Address) ____

being *a member/members of Singapura Finance Ltd (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Forty-Ninth Annual General Meeting (the "Meeting") as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the Meeting to be held at 391A Orchard Road, Tower A, #26-00, Ngee Ann City, Singapore 238873 on Friday, 26 April 2019 at 11.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	Number of Votes/ For(1)	Number of Votes/ Against(1)
Routine Business			
1	Adoption of Directors' Statement and Audited Financial Statements for the year ended 31 December 2018 together with the Auditors' Report		
2	Declaration of a first and final dividend (one-tier tax-exempt) of 2 cents per share and a special dividend (one-tier tax-exempt) of 2 cents per share for the year ended 31 December 2018		
3	Re-election of Mr Khoo Chi Siang, Terence as a Director of the Company		
4(a)	Re-election of Mr Phua Bah Lee as a Director of the Company		
4(b)	Re-election of Mr Teoh Eng Hong as a Director of the Company		
4(c)	Re-election of Mdm Tan Hui Keng, Martha as a Director of the Company		
5	Approval of Directors' fees of S$470,000 for the year ended 31 December 2018		
6	Re-appointment of Messrs KPMG LLP as Auditors and authorisation for the Directors to fix their remuneration		
7	To transact any other ordinary business which may properly be transacted at an Annual General Meeting		
Special Business			
8	Authority to issue shares and to make or grant instruments convertible into shares		

(1) Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________ day of ____________________ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Member(s)
or, Common Seal of Corporate Member

* Delete where inapplicable

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the 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's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289, and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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Singapura 富雅金融 FINANCE

Affix
Postage
Stamp

The Company Secretary
c/o Singapura Finance Ltd
150 Cecil Street #01-00
Singapore 069543

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3. A proxy need not be a member of the Company.

4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument appointing a proxy or proxies to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 150 Cecil Street #01-00, Singapore 069543 not less than 72 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy or proxies, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

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 set out in the Notice of Annual General Meeting dated 11 April 2019.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged 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 Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Singapura
富雅金融 FINANCE

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