Singapura
富雅金融 FINANCE

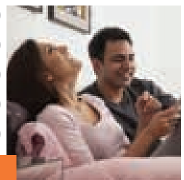
SERVING GENERATION

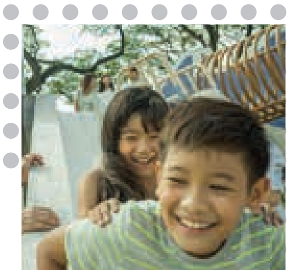
ANNUAL REPORT **2017**

FINANCIAL CALENDAR

15 MAY 2017	Announcement of Unaudited Financial Results for First Quarter ended 31 March 2017
11 AUGUST 2017	Announcement of Unaudited Financial Results for Second Quarter ended 30 June 2017
3 NOVEMBER 2017	Announcement of Unaudited Financial Results for Third Quarter ended 30 September 2017
23 FEBRUARY 2018	Announcement of Audited Financial Results for Financial Year ended 31 December 2017
12 APRIL 2018	Release of Annual Report
27 APRIL 2018	Annual General Meeting
8 MAY 2018	Books Closure Date for Dividend Entitlement (Subject to Shareholders' Approval at the AGM)
14 MAY 2018	Dividend Payment Date (Subject to Shareholders' Approval at the AGM)

TABLE OF CONTENTS





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 will continue to engage 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 existing 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.**

OUR CORE VALUES

At Singapura Finance, we believe that our values are our "guiding beacon" for organizational development and growth. At Singapura Finance, our core values are: Shareholder Value, People Development, Integrity, Customer Focus and Efficiency (S.P.I.C.E)

- **SHAREHOLDER VALUE (S)**
  We enhance our shareholder value by consistently delivering sustainable earnings in line with our prudent risk management framework.

- **PEOPLE DEVELOPMENT (P)**
  We value and develop our people and trust each other in delivering their best, fostering cooperativeness, teamwork and providing a supportive environment.

- **INTEGRITY (I)**
  We are open and fair in our dealings while maintaining highest integrity at all times. We strive for excellence and professionalism in what we do.

- **CUSTOMER FOCUS (C)**
  We build trust and long-term relationships by being responsive and relevant to our customers' needs.

- **EFFICIENCY (E)**
  We leverage on technology and process improvements for continual innovation, capabilities building and enhancement and operational efficiency.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 December 2017 ("FY2017").

PERFORMANCE REVIEW

The external operating environment for FY2017 continued to be challenging, against a background of modest growth for the Singapore's economy of 3.6% for the whole of 2017. Notwithstanding this difficult business environment, the Group recorded a profit after tax of $4.9 million for the financial year ended 31 December 2017, an improvement of 79.7% compared to $2.7 million for the same period last year. The stronger performance was mainly attributed to higher total income and lower total operating expenses.

Total income improved by $0.8 million or 3.7% as net interest income increased $1.3 million or 6.7% partly offset by lower non-interest income by $0.5 million or 18.6%. Net interest income increased as the decline in interest expense outweighed the drop in interest income while non-interest income dropped mainly due to decline in fees and commissions income. Total operating expenses were well managed, with the decline of $1.5 million or 9.7% coming largely from other operating expenses and depreciation charge on fixed assets.

The Group's total loan net of allowances dipped 10.9% to $747 million as at 31 December 2017 compared to $838 million as at 31 December 2016. In line with the lower loan balance, the Group has also actively managed the total deposits downwards by 5.7% to $808 million as at 31 December 2017. Net allowances for loan losses amounted to $3.5 million for the year ended 31 December 2017. For the same period last year, there was a net charge for loan allowances of $3.9 million. The Group continues to set aside adequate specific and collective allowances for the loan portfolio.

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 1 cents per share for FY2017. The total distribution of 3 cents per share for the year will amount to approximately $4.76 million.

OPERATIONS REVIEW

On 14 February 2017, Monetary Authority of Singapore ("MAS") announced that regulatory changes will be made to strengthen the resilience of finance companies and enhance their ability to provide financing to small and medium sized enterprises ("SMEs"). Some of the changes have since been introduced in December 2017.

The limits on a finance company's uncollateralised business loan in total and to a single borrower have been raised. This will better enable the Company to serve their SME customers, many of whom require unsecured credit for working capital needs.

Besides that, finance companies are now allowed to offer current account and chequing services to their business customers. They are also allowed to join electronic payment networks, including inter-bank GIRO, Fast and Secure Transfers ("FAST") and Electronic Funds Transfer at Point of Sale ("EFTPOS"). These changes will enable the Company to provide more comprehensive and deposit services to SMEs.

The Group welcomes the revisions and will explore any expanded business opportunities that accompanies the changes to fill a useful niche in SME financing, complementing the role of a bank.

In June 2016, SGX introduced sustainability reporting on a "comply or explain" basis. SGX-listed companies have up to 12 months from the end of the financial year to publish their first report. This takes effect for any financial year ending on, or after, 31 December 2017.

Sustainability reporting complements the financial reporting. Statements of financial position and comprehensive income provide a snapshot of the present and an account of the past year, while sustainability reports of environmental, social and governance factors ("ESG factors") show the risks and opportunities within sight, managed for future returns. Taken together, the combined financial and sustainability reports enable a better assessment of the issuer's financial prospects and quality of management. The Group is pleased to present its inaugural Sustainability Report on pages 12 to 26.

OUTLOOK

The external demand outlook for Singapore is expected to be slightly weaker in 2018 as compared to 2017 as its key trading partners enter a more mature phase of recovery. Furthermore, while global macroeconomic risks have receded to some extent since the end of 2017, some remain, including concerns over protectionist sentiment and trade policies, especially in the United States, as well as higher-than-expected inflation, which could prompt the US central bank to raise interest rates more quickly. This could in turn cause global financial conditions to tighten more than anticipated and potentially lead to sharp corrections in financial markets. Should this occur, regional economies with elevated debt levels could be disproportionately affected, and there could be some pullback in investment and consumption growth in these economies. Against this external backdrop, the pace of growth in the Singapore economy is expected to moderate in 2018 as compared to 2017, but remain firm. Barring the materialisation of any downside risks, the Ministry of Trade and Industry tipped the GDP growth in 2018 to come in slightly above the middle of the forecast range of "1.5% to 3.5%".

Given the expected rate hike by the US Federal Reserve in 2018, we foresee Singapore interest rates to continue to trend upwards in the coming financial year. This will have significant impact on our funding costs due to higher interest rates for our customers' deposits.

We also expect moderate growth in loan portfolio as current prudent measures taken by the Government especially on property financing will probably remain intact. 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 thank all our valued customers, shareholders and business partners for their unrelenting support. My appreciation also goes to my fellow Board members for their invaluable guidance and advice and to the Management as well as staff for their dedication and hard work during the past year.

Teo Chiang Long
Executive Chairman

Singapore
23 February 2018

BOARD OF DIRECTORS

TEO CHIANG LONG

EXECUTIVE CHAIRMAN

Mr. Teo Chiang Long joined the Board on 10 March 1981 as Director and was appointed as Managing Director & and Chief Executive Officer (CEO) 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-appointed as a Director at the Annual General Meeting of the Company on 28 April 2017.

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

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 management committee.

Mr. Teo is a Governor of 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 with Takashimaya Tokyo, as well as Ngee Ann-Adelaide Education Centre Pte. Ltd, which delivers post graduate tertiary courses offered by the University of Adelaide, Australia in Singapore.

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 Executive Director on 8 November 2002. Mr. Teo was appointed Deputy Chief Executive Officer 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 of the Annual General Meeting held on 21 October 2015.

Mr. Teo holds a Bachelor of Arts and a Masters in Business Administration from the University of Adelaide, Australia. Prior to joining the Company, he worked with Ernst & Young Consultants as a senior consultant. Currently he holds directorships in several private companies. He is the Vice President of Ngee Ann Kongsi Committee of Management, and represents Ngee Ann Kongsi as a member of the Ngee Ann Polytechnic Council. 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-appointed as a Director at the Annual General Meeting of the Company held on 28 April 2017.

Mr. Phua is the Lead Independent Director, Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

Mr. Phua is a Director of Metro Holdings Limited and Pan-United Corporation Ltd. He 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.

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

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-appointed 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. Mr. Teoh holds a Bachelor of Economics (1st class Honours) from the University of Adelaide, Australia. His other interest is in the education industry.

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 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-Executive and Non-Independent Director and as a member of the Risk Management Committee. After having ceased to be an employee of the Company for more than three financial years and having regard to the criteria for independence of directors as set out in the Code of Corporate Governance 2005 (which has been superseded and replaced by the Code of Corporate Governance 2012), and based on the Nominating Committee's assessment, Mr. Ho was considered to be an Independent Director with effect from 26 August 2011.

Mr. Ho was been last re-appointed 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. She 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.

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 Audit and Remuneration Committees. She was last re-elected as a Director at the Annual General Meeting held on 31 October 2014.

Mrs. Yu-Foo started her career with 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:

- ARA Trust Management (Suntec) Ltd (since 2017)
- KOP Limited – Independent Director (since 2014)
- Singapura Finance Ltd – Independent Non-Executive Director (since 2011)

She is currently advisor to:

- Hyflux Ltd – Senior Advisor – International Advisory Panel (since 2013)
- Nuri Holdings (S) Pte. Ltd – Advisor (since 2012)
- Dimensions International College Pte. Ltd – Advisor (since 2011)

Her present community/not-for-profit activities:

- The Justice of the Peace (since 2016)
- Traditional Chinese Medicine Practitioners Board – Chairman (since 2014)
- Heartware Network – Advisor (since 2012)
- Publicity and Outreach Committee of the Lee Kuan Yew Fund for Bilingualism – Chairman (since 2012)
- Hainan University – Member Executive Council (since 2012)
- Breast Cancer Foundation – Founding Patron (since 1997)

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, the 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 both the Chief Executive Officer and an Executive Director 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. Since 2000, Plasticscommerce Pte Ltd has invested in and operated manufacturing companies in Europe and Russia, equipment distribution companies in Europe, an industrial automation company and a technical training school in Asia at Agrimax Pte. Ltd. Mr. Tan is responsible for business development and operations.

Mr. Tan holds a B.Ac (Hons) from Nanyang Technological University, Singapore, and is a Chartered Accountant of Singapore (CA Singapore).

FINANCIAL HIGHLIGHTS

	Audited 12 months 31 Dec 2017 S$'000	Unaudited 12 months[(1)] 31 Dec 2016 S$'000	Audited 18 months 31 Dec 2016 S$'000	30 Jun 2015 S$'000	Audited 12 months 30 Jun 2014 S$'000	30 Jun 2013 S$'000
CAPITAL EMPLOYED						
Total assets	**1,076,100**	1,124,773	1,124,773	1,237,813	1,027,950	986,492
Net assets	**253,996**	251,885	251,885	248,579	170,271	166,226
Net assets per share (dollars)	**1.60**	1.59	1.59	1.57	2.15	2.10
SHARE CAPITAL						
Issued and fully paid	**168,896**	168,896	168,896	168,896	90,065	90,065
Number of shares issued (thousands)	**158,686**	158,686	158,686	158,686	79,343	79,343
LOANS AND DEPOSITS						
Loans before allowances	**760,444**	851,588	851,588	945,603	801,340	741,503
Deposits	**808,278**	856,928	856,928	978,143	847,330	797,738
PROFIT AND DIVIDEND PAYOUT						
Profit before tax	**5,905**	3,271	4,671	5,464	6,695	5,478
Profit after tax	**4,907**	2,730	3,900	4,543	5,795	5,260
Dividend	**4,761**	3,174	3,174	3,174	3,967	3,967
DIVIDEND AND EARNINGS PER SHARE						
Dividend per share (cents) – tax exempt one-tier	**3.0**	2.0	2.0	2.0	5.0	5.0
Earnings per share (cents)[(2)]	**3.1**	1.7	2.5	3.5	6.1	5.5

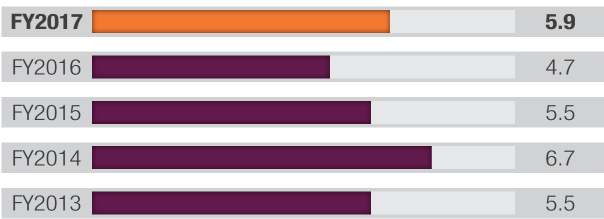
(1) The 12 month period results ended 31 Dec 2016, which is computed by deducting the results of the 6 month period ended 31 Dec 2015 (1 Jul 2015 to 31 Dec 2015) from that of 18 month period ended 31 December 2016, is presented for comparative purposes only. The previous audited financial statements were for the 18 months ended 31 Dec 2016.

(2) Earnings per share for 12 months ended 31 Dec 2017 are calculated based on profit after tax on weighted average of 158,685,890 shares in issue (12 months and 18 months ended 31 Dec 2016: 158,685,890 shares, 12 months ended 30 Jun 2015: 131,825,726 shares and FY2013 to FY2014: 95,839,993 shares).

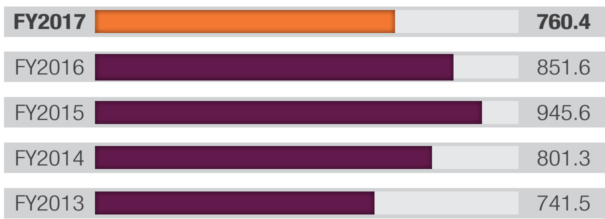
DIVIDEND POLICY

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.

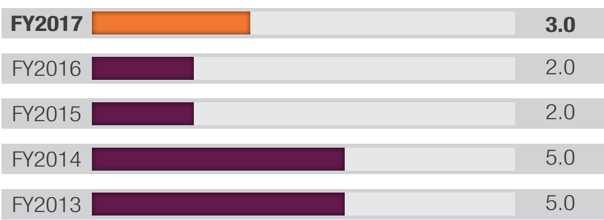
PROFIT BEFORE TAX S$ million



LOANS S$ million



NET DIVIDEND PER SHARE cents



DEPOSITS S$ million

FINANCIAL REVIEW

FINANCIAL SUMMARY	Audited 12 Months 31 Dec 2017 $'000	Unaudited 12 Months 31 Dec 2016[1] $'000	Variance %
SELECTED INCOME STATEMENT ITEMS			
Net interest income	21,124	19,797	6.7
Non-interest income	2,212	2,716	(18.6)
Total income	23,336	22,513	3.7
Operating expenses	(13,901)	(15,386)	(9.7)
Profit from operations before allowances	9,435	7,127	32.4
Allowances on loan losses	(3,530)	(3,856)	(8.5)
Profit before tax	5,905	3,271	80.6
Profit after tax attributable to shareholders	4,907	2,730	79.7
SELECTED BALANCE SHEET ITEMS			
Total equity	253,996	251,885	0.8
Total assets	1,076,100	1,124,773	(4.3)
Loans and advances (net of allowances)	746,689	838,384	(10.9)
Deposits and savings accounts of customers	808,278	856,928	(5.7)
KEY FINANCIAL RATIOS (%)			
Net interest margin	1.96	1.70	
Non-interest income ratio	9.5	12.1	
Cost-to-income ratio	59.6	68.3	
Loans-to-deposits ratio	92.4	97.8	
Non-performing loans ratio			
– Secured by collateral	5.1	2.4	
– Unsecured and fully provided for	1.1	0.6	
Return on equity[2]	1.9	1.1	
Return on total assets[3]	0.5	0.2	
Capital adequacy ratio	31.3	28.8	
PER ORDINARY SHARE DATA			
Basic earnings per share (cents)[4]	3.1	1.7	
Net asset value per share ($)	1.6	1.6	

(1) 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 Dec 2016, is presented for comparative purposes only. The previous audited financial statements were for the 18 months ended 31 Dec 2016.

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

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

(4) The Group's basic earnings per share for 12 months ended 31 Dec 2017 and 31 Dec 2016 are calculated based on profit after tax on weighted average of 158,685,890 shares in issue.

ANALYSIS OF PERFORMANCE

The financial period under review, FY2017, covers the 12-month period from 1 January 2017 to 31 December 2017. Comparisons are made with 12 month period results ended 31 December 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. The previous audited financial statements were for the 18 months ended 31 Dec 2016 due to the change of financial year end from 30 June to 31 December.

The external operating environment for FY2017 continued to be challenging, against a background of modest growth for the Singapore's economy of 3.6% for the whole of 2017. Notwithstanding this difficult business environment, the Group recorded a profit after tax of $4.9 million for the financial year ended 31 December 2017, an improvement of 79.7% compared to $2.7 million for the same period last year. The stronger performance was mainly attributed to higher total income and lower total operating expenses.

Total income improved by $0.8 million or 3.7% as net interest income increased $1.3 million or 6.7% partly offset by lower non-interest income by $0.5 million or 18.6%. Net interest income increased as the decline in interest expense outweighed the drop in interest income while non-interest income dropped mainly due to decline in fees and commissions income. Total operating expenses were well managed, with the decline of $1.5 million or 9.7% coming largely from other operating expenses and depreciation charge on fixed assets.

The Group's total loan net of allowances dipped 10.9% to $747 million as at 31 December 2017 compared to $838 million as at 31 December 2016. In line with the lower loan balance, the Group has also actively managed the total deposits downwards by 5.7% to $808 million as at 31 December 2017. Net allowances for loan losses amounted to $3.5 million for the year ended 31 December 2017. For the same period last year, there was a net charge for loan allowances of $3.9 million. The Group continues to set aside adequate specific and collective allowances for the loan portfolio.

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 1 cents per share for FY2017.

	12 months 31 Dec 2017 Tax Exempt cents	18 months(1) 31 Dec 2016 Tax Exempt cents	Variance cents
DIVIDEND PER SHARE			
– Final	2	2	0
– Special	1	–	1
TOTAL	**3**	**2**	**1**

(1) In 2015, the Company changed its financial year end from 30 Jun to 31 December (please refer to the announcement reference no. SG151204OTHRAK7A dated 4 Dec 2015). The last full year financial results for FY2015/2016 covered an 18 month period from 1 Jul 2015 to 31 Dec 2016.

NET INTEREST INCOME

Average Balance Sheet and Net Interest Margin

	Audited 12 months 31 Dec 2017			Unaudited 12 months 31 Dec 2016(1)			Variance	
	Average Balance $'000	Interest $'000	Average Rate %	Average Balance $'000	Interest $'000	Average Rate %	Interest $'000	Average Rate %
INTEREST-EARNING ASSETS								
Loans and advances	802,576	27,424	3.42	915,256	30,915	3.38	(3,491)	0.04
Singapore Government Securities	131,849	1,964	1.49	118,613	1,130	0.95	834	0.54
Other interest-earning assets	142,017	1,378	0.97	131,133	1,379	1.05	(1)	(0.08)
TOTAL	**1,076,442**	**30,766**	**2.86**	**1,165,001**	**33,424**	**2.87**	**(2,658)**	**(0.01)**
INTEREST BEARING-LIABILITIES								
Deposits and savings accounts	837,223	9,642	1.15	930,945	13,627	1.46	(3,985)	(0.31)
TOTAL	**837,223**	**9,642**	**1.15**	**930,945**	**13,627**	**1.46**	**(3,985)**	**(0.31)**
Net interest income/ margin as a percentage of interest-earning assets		**21,124**	**1.96**		**19,797**	**1.70**	**1,327**	**0.26**

Net interest income increased by 6.7% to $21.2 million during FY2017 compared to the same period last year.

The increase in net interest income was mainly attributed to lower of cost of funds which cushioned the impact of lower interest income. The Group's net interest margin as a percentage of the interest-earning assets improved by 0.26% from 1.70% to 1.96%.

(1) 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. The previous audited financial statements were for the 18 months ended 31 Dec 2016.

FINANCIAL REVIEW

The table below analyses the change in the net interest income in FY2017 over the same period last year due to the impact of volume and rate changes.

VOLUME AND RATE ANALYSIS INCREASE/(DECREASE) FOR FY2017 OVER FY2016	Volume $'000	Rate $'000	Total $'000
INTEREST INCOME			
Loans and advances	(3,806)	315	(3,491)
Singapore Government Securities	126	708	834
Other assets	114	(115)	(1)
TOTAL	**(3,566)**	**908**	**(2,658)**
INTEREST EXPENSE			
Deposits and savings accounts	(1,372)	(2,613)	(3,985)
TOTAL	**(1,372)**	**(2,613)**	**(3,985)**
NET INTEREST INCOME	**(2,194)**	**3,521**	**1,327**

NON-INTEREST INCOME	Audited 12 Months 31 Dec 2017 $'000	Unaudited 12 Months 31 Dec 2016[(1)] $'000	Variance %
Fees and commissions	1,191	1,557	(23.5)
Dividends	200	201	(0.5)
Gain on sale of investments	471	539	(12.6)
Other operating income	350	419	(16.5)
TOTAL NON-INTEREST INCOME	**2,212**	**2,716**	**(18.6)**

Non-interest income for the year decreased 34.7% to $2.2 million. The decline was primarily due to lower fees and commissions from early settlement of loans.

OPERATING EXPENSES	Audited 12 Months 31 Dec 2017 $'000	Unaudited 12 Months 31 Dec 2016[(1)] $'000	Variance %
Staff costs	7,770	7,541	3.0
Depreciation of property, plant and equipment	665	783	(15.1)
Other operating expenses	5,466	7,062	(22.6)
TOTAL OPERATING EXPENSES	**13,901**	**15,386**	**(9.7)**

Operating expenses decreased by 9.7% 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 ALLOWANCES FOR LOANS	Audited 12 Months 31 Dec 2017 $'000	Unaudited 12 Months 31 Dec 2016[(1)] $'000	Variance %
Allowance for individual impairment (net)	(4,457)	(4,872)	(8.5)
Write-back for collective impairment	927	1,016	(8.7)
TOTAL ALLOWANCES ON LOAN LOSSES	**(3,530)**	**(3,856)**	**(8.5)**

A net allowance for individual impairment of $4.5 million was made in FY2017 compared to $4.9 million during the same period last year. In line with the contraction in loan balance, a write back of collective impairment allowance of $0.9 million was made at a portfolio level. The resultant impact was a total net charge of $3.5 million for loan allowances compared to $3.9 million for the same period last year.

(1) 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. The previous audited financial statements were for the 18 months ended 31 Dec 2016.

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

AUDIT COMMITTEE
Tan Hui Keng, Martha *(Chairman)*
Phua Bah Lee
Teoh Eng Hong
Yu-Foo Yee Shoon
Adam Tan Chin Han

NOMINATING COMMITTEE
Yu-Foo Yee Shoon *(Chairman)*
Phua Bah Lee
Teoh Eng Hong
Tan Hui Keng, Martha
Adam Tan Chin Han

REMUNERATION COMMITTEE
Phua Bah Lee *(Chairman)*
Teoh Eng Hong
Yu-Foo Yee Shoon
Tan Hui Keng, Martha
Adam Tan Chin Han

RISK MANAGEMENT COMMITTEE
Teoh Eng Hong *(Chairman)*
Jamie Teo Miang Yeow
William Ho Ah Seng
Tan Hui Keng, Martha
Adam Tan Chin Han

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

CORPORATE SUSTAINABILITY REPORTING

1. BOARD STATEMENT

We are pleased to present our inaugural Sustainability Report (the "Report").

At Singapura Finance Ltd ("the Company"), we are committed to delivering quality products and services to customers to bring their every vision into reality. We constantly explore new opportunities to enhance shareholder value. To make this possible, we continue to work towards strengthening our customers' trust in us. We make it a priority to safeguard customer privacy, conduct proper due diligence and provide accurate information on our products and services. Good corporate governance is vital to us. We keep abreast of the latest industry developments and implement strict monitoring processes to support our compliance with all relevant laws and regulations.

We also strive to give due consideration to our employees, the community and the environment. In particular, we place great emphasis in building a work culture that is empowering and collaborative. This emphasis guides our business behaviour and supports our alignment to the three Sustainable Development Goals ("SDGs") of Good Health and Well-Being, Gender Equality and Decent Work and Economic Growth. We lead by example and develop policies and practices that are in line with our core values. Our culture is also reinforced through the way our staff behave, communicate and interact. We see the positive impacts of our culture translated tangibly, in terms of our ability to attract talent and maintain an above industry-average talent retention rate.

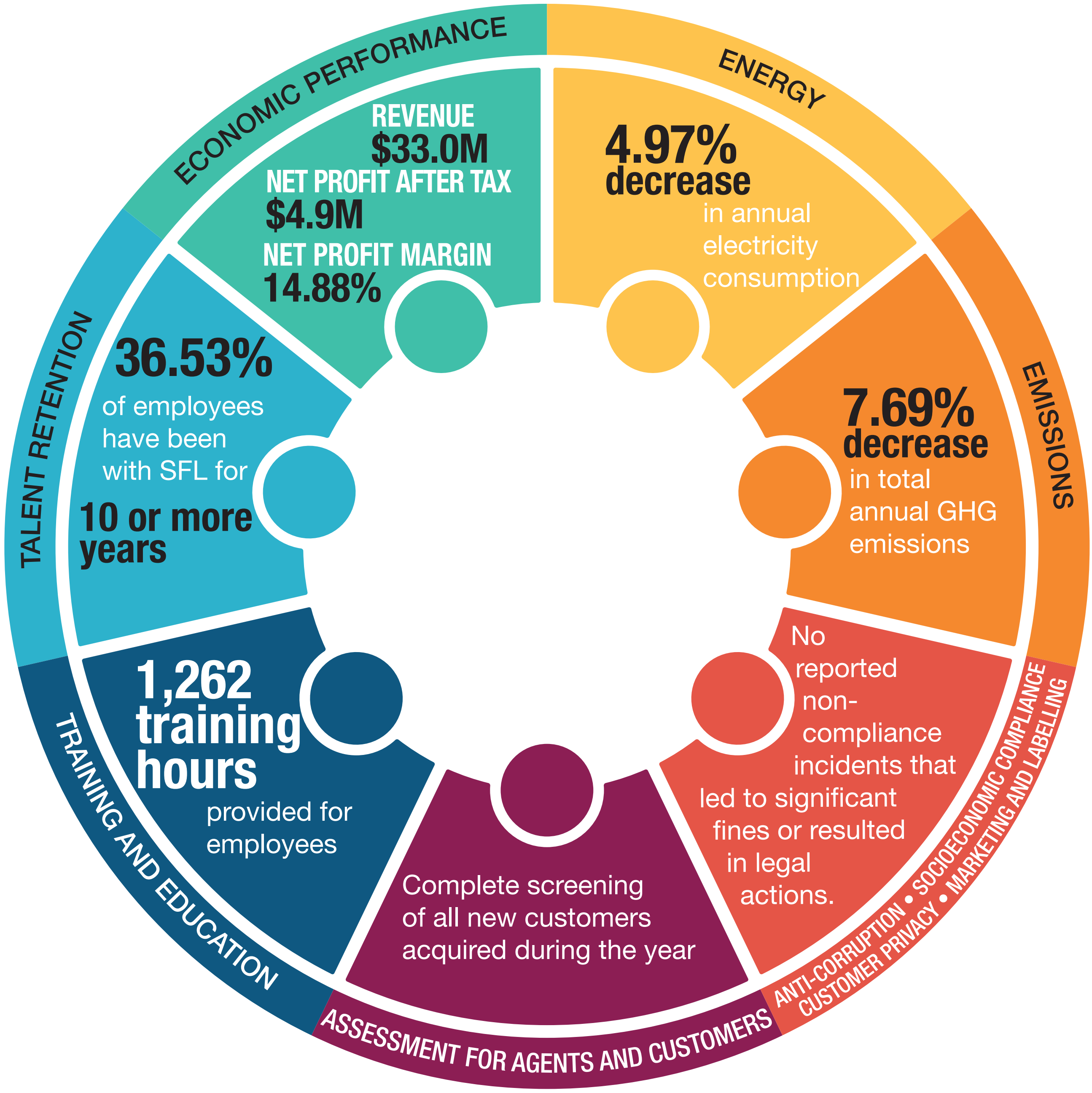
As a responsible corporate citizen, we not only consider sustainability issues from the perspective of our own business growth, but also in terms of our indirect economic contribution through supporting our small and medium enterprise segment. In addition, we engage in corporate social responsibility activities to give back to the local community. We also put in place plans to minimise our negative environmental impact through conscious staff education and capital investments.

During the year, we have set up the Sustainability Steering Committee ("SSC") to support the Board in our sustainability journey. The SSC is headed by our Chief Executive Officer ("CEO") and comprises members of heads of departments. The SSC reports to the Board regularly on sustainability strategy and performance.

This Report is developed in accordance to the Singapore Exchange SGX-ST Listing Rules Practice Note 7.6: "Sustainability Reporting Guide". It also makes reference to the Global Reporting Initiative (GRI) Standards (2016) which provides a framework for the reporting of economic, environmental and social impact. We have described our commitments, governance, policies, performance and targets in relation to managing the sustainability risks and opportunities during the financial year ended 31 December 2017 here.

Singapura Finance Ltd's Board of Directors

2. SUSTAINABILITY SNAPSHOT OF SINGAPURA FINANCE IN 2017



CORPORATE SUSTAINABILITY REPORTING

3. SUSTAINABILITY REPORT OVERVIEW

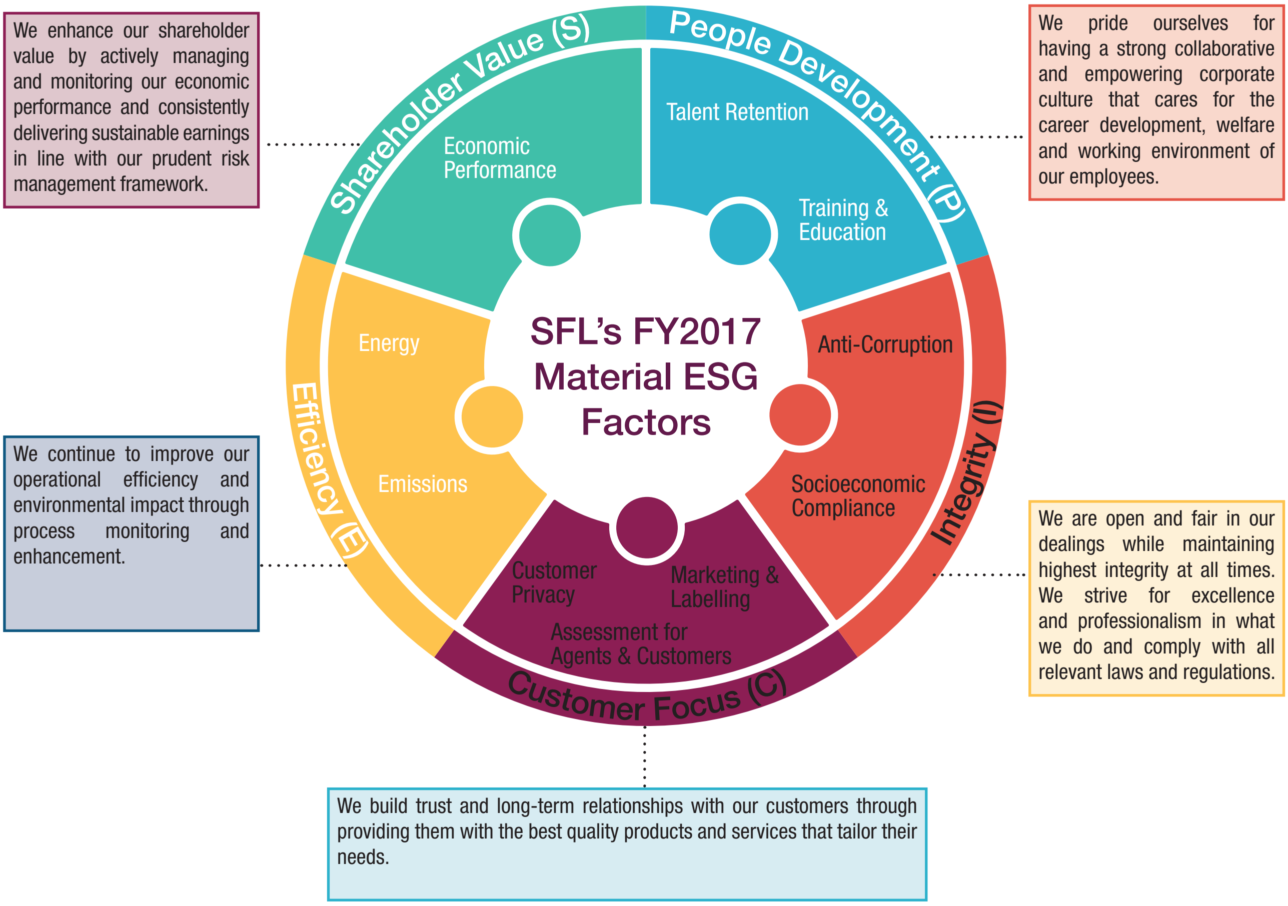
Report Scope

The Report covers Singapura Finance Ltd ("SFL") and focuses on the Company's key business activities – deposit services and financing for business and individuals.

Materiality Assessment

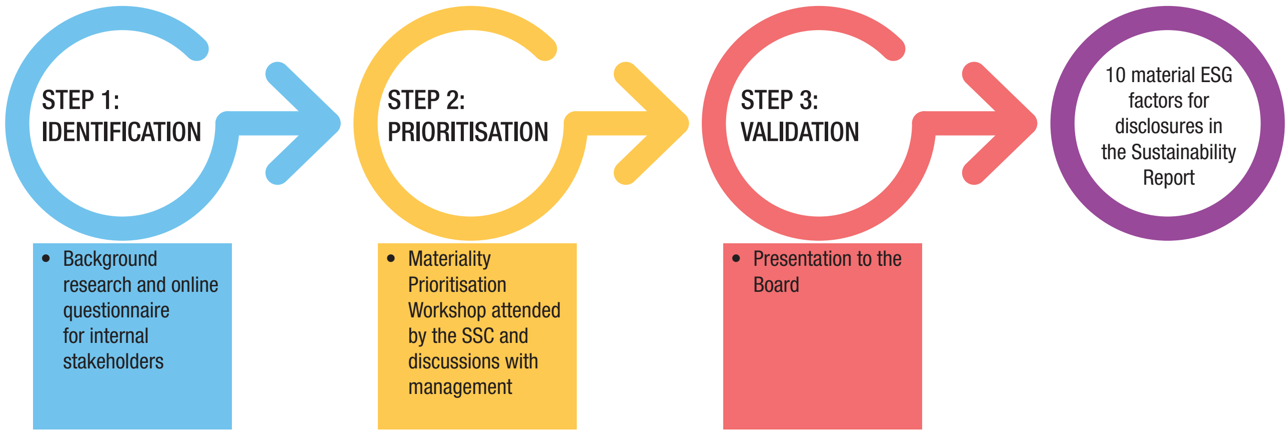
The Company takes a strategic approach in identifying ESG factors that are of high importance to our stakeholders and with high potential to impact our business. Our materiality approach is closely guided by our core values of Shareholder Value, People Development, Integrity, Customer Focus and Efficiency ("S.P.I.C.E"). We believe that the 10 ESG factors listed in the diagram below are the most crucial to the Company's ability to sustain our growth in the financial services sector.

SFL's FY2017 Material ESG Factors



SFL makes reference to the GRI Standard's principle on materiality and has engaged an external consultant to facilitate the materiality assessment process. The Company has adopted a three-step approach to identify, prioritise and validate various ESG factors that are significant to both the business and stakeholders as set out in the diagram below.

SINGAPURA FINANCE'S MATERIALITY ASSESSMENT PROCESS



Firstly, a list of potential relevant ESG factors was identified through background research on the Company's existing risk analysis and disclosures, factors most commonly disclosed by peers in the Financial Services sector as well as priority concerns and trends within Singapore and across the globe. A survey with various internal stakeholders was then conducted to gather their views of the ESG factors that they are most concerned with.

Secondly, a materiality prioritisation workshop was facilitated by an external consultant and attended by key management personnel across various functions of the Company to prioritise the potential list of ESG factors. We took into account the Company's long-term strategy vision, stakeholders' expectations and the environmental and social impact of these factors on the business and value chain.

Arising from these activities, the aforementioned 10 ESG factors were determined to be material to the Company for reporting purposes and these 10 ESG factors were validated by the Board.

4. MATERIAL FACTORS

Economic – Economic Performance

SFL seeks to adopt a pragmatic approach to boost our resilience to ensure sustainable growth in the years to come. In this uncertain business climate, we have limited our allowance for loan losses by being proactive in managing our credit exposure and operating expense. We have also been prudent in seeking out new business opportunities. These measures, along with our pragmatic governance approach allows us to remain resilient in times of economic uncertainty.

By achieving strong economic performance, we are able to continuously deliver sustainable dividend to our shareholders and rewards to our employees and at the same time contribute to the local economy and community. By actively managing and monitoring our financial performance during challenging economic environment, we are able to retain or increase our employee pool thus providing stable employment options to the local community. The provision of funding to individuals and companies helps to achieve their individual or business financial goals, and thus in turn help to boost the local economy by increasing spending and trades which facilitate job creation and higher wages.

Please refer to the financial statements in pages 53 to 100 of the Annual Report for more details.

Economic – Anti-Corruption

Throughout our years in operation, SFL has been adopting a strong stance against corruption. We believe that corruption goes against the most basic tenet of the Company's value system as it erodes the value that the Company is able to provide to our shareholders and other stakeholders. Any violation will have a great impact on the Company's reputation and business performance.

In a post-crisis environment, compliance standards are now far stricter especially with regards to Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT"). It is thus imperative that SFL safeguards itself against such activities. The failure to comply with the relevant regulations will hinder the Company's ability to generate value for our stakeholders. Hence, we seek to put in place robust policies and practices to identify and remedy any occurrence of non-compliances as soon as possible to prevent any damage to the trust that our stakeholders have placed in us. Examples of these include Employee Screening and Declaration, Whistleblowing Policy, Fraud Policy, Monitoring of Interested Party Transactions and Related Party Transactions and AML/CFT practices.

CORPORATE SUSTAINABILITY REPORTING

Employee and Customer Screening and Declaration

As part of our anti-corruption efforts, SFL's Human Resources ("HR") department performs independent reference check for all new staff. Employees can refer to the Code of Conduct made available to them to guide behavior and decision making in areas of conflicts of interest, declaration, abuse of position, misuse of information and any other knowledge required regarding compliance guidelines. Employees are required to perform an Annual Declaration to disclosure issues of conflict such as gifts or favours from customers and business interests in any other companies such as holding of directorship or shareholding. Employees are also required to declare any pending legal cases, bankruptcies filed, financial embarrassments and any other sources of income they may possess.

Our HR department performs the employee screening process. The HR department reviews the list of scripless shareholders to monitor any non-disclosure of shareholding or transactions by our employees. Additionally, our Compliance department performs periodical background searches using established databases for existing customers.

Compliance on Whistleblowing Policy

SFL has a Whistleblowing Policy in place which provides an alternative channel for a whistle blower to lodge a report of improper conduct in the Company on a confidential basis. The Policy also provides guidance for establishing, implementing and managing the whistle blower protection programme.

Employees may raise an alarm directly to the Audit Committee Chairman, who is the designated Whistle Blower Protection Officer. SFL will then investigate all allegations carefully and will take appropriate disciplinary actions after the investigations conclude.

Compliance on Fraud Policy

SFL has in place a Fraud Policy to establish an understanding of fraud in order to communicate to employees, the unacceptable action of fraud and the serious consequences for offenders. We classify fraud under the three main categories: (1) Falsification or Concealment of Information, (2) Theft or Misappropriation of Assets and (3) Breach of Trust. We seek to achieve a consistent approach towards managing the risk of fraud so as to establish the key components of fraud risk management, the risk prevention and mitigation principles and fraud reporting, investigation and disciplinary procedures.

Overall, our Fraud Prevention procedures include policies such as work control principles, management of business processes, business transaction processing, customer involvement, unusual transactions identification, access controls, approval authority, employee screening, management of remuneration, intimidation and inducement, enforcement of mandatory leave, code of conduct and fraud education and awareness.

Compliance on Interested Party Transactions ("IPT")

SFL has in place an IPT Policy to guard against the risk that interested persons could influence SFL and our subsidiaries to enter into transactions with other parties that may adversely affect the interests of the issuer or our shareholders.

All IPT with an Interested Persons will be at arm's length and on commercial terms which are not prejudicial to the interest of SFL or our minority shareholders. SFL has set out clear review and approval procedures of IPT for the Board and the Audit Committee (the "AC"). The AC and Board will take into account whether the IPT is on terms no less favourable than those generally available to an unaffiliated third-party under the same or similar circumstances. To ensure independence in the approval process, no Director will participate in any discussion or approval of an IPT for which he or she is an interested person or whose immediate family member is an interested person except that the Director may provide information on the IPT to the AC and the Board.

Compliance on Related Party Transactions ("RPT")

SFL has in place an RPT Policy to guard against the risk that related parties could influence SFL and our subsidiaries to enter into transactions with related parties that may adversely affect the interests of the issuer or our shareholders.

All RPTs with a Related Party as defined under FRS24 will be at arm's length and on commercial terms which are not prejudicial to the interest of SFL or our minority shareholders. Using this definition of related party, we obtained the list of entities which key management personnel (including directors) has control or joint control and also close members of that person's family, and input this information into Blacklist & Related Party Database. Transactions with Related Party must receive the approval of the Board prior to the entering into the RPT.

To ensure independence of the approval process, no Director will participate in any discussion or approval of a RPT for which he or she is an interested person or whose immediate family member is an interested person except that the Director may provide information on the RPT to the AC and the Board.

Compliance on Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT")

As a finance Company, SFL complies with the Notice and Guidelines on Prevention of Money Laundering and Countering the Financing of Terrorism issued by the MAS under Notice 824 and Guidelines to the Notice. SFL has a general overarching Policy and Guidelines on AML/CFT for the Company based on MAS Notice 824. However, individual departments are responsible in establishing and implementing detailed and adequate processes and systems to detect, identify and where necessary to monitor money laundering and terrorism financing activities in accordance with the Notice and Guidelines. The detailed procedures are documented in the respective Departments' Procedure Manuals.

Given the increased emphasis on AML/CFT over recent years, new staff are required to attend mandatory AML/CFT training within 6 months of joining the Company. In our Enterprise-wide Risk Assessment ("EWRA"), SFL identifies and assesses Money Laundering/Financing of Terrorism ("ML/TF") risks on an enterprise-wide level. This includes a consolidated assessment of the Company's ML/TF risks that exist across all our business units, product lines and delivery channels. SFL has internal polices and guidelines, which include amongst other things, the customer due diligence ("CDD") measures, additional CDD measures for high risk customers such as politically exposed persons as well as monitoring and reporting procedures. The Company also has policies regarding the identification of high-tax-risk accounts procedures in place and a reporting system of suspicious transactions in place. Moreover, the Company has a Record Keeping Policy to keep relevant account opening documentations, record of customer transactions and any suspicious transaction reports that are not reported to the Suspicious Transaction Reporting Office.

The aforementioned anti-corruption and anti-fraud policies are owned by our Compliance Department and overseen by the Risk Management Committee ("RMC"). The RMC has the authority to approve the policies and the responsibility for making recommendations on the policies to the Board of Directors and for ensuring that the implementation of the directives is in compliance with the policies.

During 2017, SFL did not note any reported incidents of corruption, fraud, whistle blowing, improper interested party transactions or related party transactions, anti-money laundering and countering the financing of terrorism that result in legal actions.

In the upcoming year, SFL aims for zero known incidents of corruption, fraud, whistle blowing and improper interested party transactions or related party transactions in accordance to the Company's policies. Additionally, SFL seeks to achieve 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.

Environment – Energy & Emissions

SFL's main form of emissions is the production of Greenhouse Gases ("GHG") such as Carbon Dioxide indirectly emitted through the use of electricity during operations from our eight premises across the country. Our commitment to reduce emissions is due to both environmental and economical reasons. By reducing emissions through lower electricity consumption, we lessen the negative impact of air pollution to the environment. Reducing electricity consumption level also makes economic sense as it reduces our operational costs.

As the bulk of our emissions occur indirectly through our consumption of electricity, we strongly believe that the education of our employees on the importance of energy consumption is the most pragmatic and efficient approach. As such, we continuously engage our employees in matters concerning energy consumption and encourage employees to participate in the sharing of eco-friendly practices. Examples of this include E-mail communications with staff from time to time, reminding them to switch off the electronic equipment, room lightings and auxiliary air conditioners when not in use. Employees also have a responsibility to provide feedback on any equipment malfunctioning and inefficiency. Moreover, the Company closely monitors the electricity bills to identify and address any abnormal usage.

CORPORATE SUSTAINABILITY REPORTING

The following table depicts the annual electricity consumption (kWh) and electricity intensity by number of employees (kWh/employees) in 2016 and 2017.

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

	2016	2017	Percentage change (decrease %)
Annual electricity consumption[1] (kWh)	338,623	321,804	4.97
Electricity intensity by number of employees (kWh/employee)	3,165	3,094	2.24

The following table shows the total annual GHG emission and GHG emission intensity by number of employees (kWh/employees) in 2016 and 2017.

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

	2016	2017	Percentage change (decrease %)
Total annual GHG emission[2] (tonnes of CO2e)	143	132	7.69
GHG emission intensity by number of employees (tonnes of CO2e/employee)	1.34	1.27	5.22

In the coming year, we will continue to engage our employee to adopt eco-friendly practices in their day to day activities. In addition, we have plans to upgrade existing hardware to energy saving products with good ratings from the National Environment Agency (NEA).

Social – Talent Retention

SFL sees our employees as our most important asset. Talent retention at SFL involves the hiring and retention of employee and also the management of benefits provided to them. We carry out these employment practices by aligning them with the three Sustainable Development Goals of Decent Work and Economic Growth, Gender Equality and Good Health and Well-Being.

SFL also believes that the adoption of fair employment practices can help to attract and retain talent. The Company abide by labour laws and adopt the Tripartite Guidelines on Fair Employment Practices. The Company recruits, selects and rewards employees on the basis of merit such as skills, experience or ability to perform the job and regardless of age, race, gender, religion, marital status and family responsibilities or disability. SFL treats employees fairly and with respect and implement progressive HR management systems. In addition, the Company provides employees with equal opportunity to be considered for career progression, training and development on their strengths and needs to help them achieve their full potential. In the upcoming year, SFL will continue to commit to our pledge of fair employment practices and adopt the key principles of the best employment practices.

Taking into consideration the SDG of Gender Equality, the Company is proud of our continuous investment in policies and programs which support women in the workplace. Our female employees account for 74% of our workforce and the gender ratio (female: male) is 1: 3 at board level. SFL strives to foster a family friendly work environment based on flexibility and openness. Staff are able to adopt flexible working hours when possible and can openly discuss their career opportunities with their respective department heads as well as with HR representatives. For example, SFL adopts 12 weeks, instead of 8 weeks as legislated, paid maternity leave whose children are not Singapore Citizens.

SFL has a set of HR Policies to govern the talent retention process. The Company makes reference to compensation or benefits reports and surveys when setting the policies. HR Policies cover areas including recruitment, staff-development and retention. It covers schemes such as the employee referral scheme, career structure, staff transfers & progression and performance appraisal. SFL also offers re-employment to eligible staff upon their retirement. One of our employees has continued to work with us since his retirement at the age of 65 in 2011. We also provide employees with a favorable work environment with programs such as the employee grievance handling, workplace harassment management and workplace health & safety programme.

1 Electricity consumption of all Singapura Finance premises
2 Conversion factors used are derived from Grid Emission Factors adapted from Singapore Energy Statistics 2016 and Singapore Energy Statistics 2017

Currently one of the highlights of SFL's talent retention is our succession planning. Our employees largely fall within the 30 – 50 year old age bracket, giving us a good mix of experience, creativity and energy. Another highlight is the presence of many long serving staff in the Company which ensures that business processes, institutional knowledge and valuable experience are transferred to younger generation for continuity.

EMPLOYEE PROFILE BY AGE GROUP

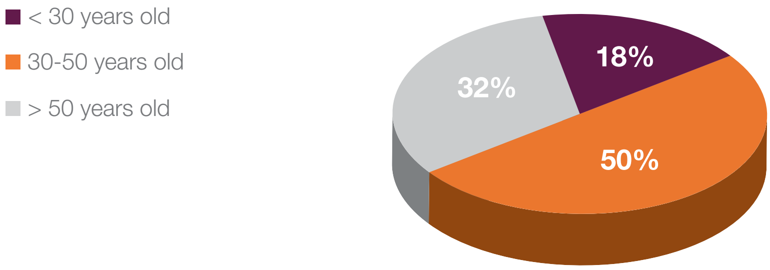


Table 2. Number of employees that have been working with Singapura Finance for 10 years or more

Number of years with Singapura Finance	Number of employees	Percentage in relation to total number of employees (%)
10 to 14	16	15.38
15 to 19	9	8.65
20 to 24	4	3.85
25 to 29	2	1.92
30 or more	7	6.73
Total	38	36.53

Alice Lim
Senior Associate
(Accounts & Finance)
Longest service employee at SFL

"I joined Singapura Finance in 1984. During my 33 years of service with the company, I have been given the opportunities to take on various roles from managing the branch operations to handling the Accounts and Finance portfolio. The broad spectrum of work that I experienced has allowed me to contribute to both the growth of the company as well as my professional and personal development. SFL also emphasises on empowering employees with the right technical and professional training to realise our full potential.

The company's strong collaborative culture where employees and management work closely together, makes us feel like a big family. The trust and continuous support that I receive from my management and colleagues have made working at SFL a joy even during challenging times. I also very much enjoy the social activities that the company organises to improve our well-being and team spirit."

CORPORATE SUSTAINABILITY REPORTING

Social – Training and Education

To allow our employees to develop their full potential and support our rapidly evolving business needs, SFL strives to provide quality training and learning opportunities to professionally develop our staff members. We firmly believe that in order to provide quality services and products to our customers, it is important to equip our employees with the relevant skills and knowledge. We also believe that training and education contribute to fostering employees' sense of belonging and help to attract and retain talents.

We provide training opportunities to all our employees based on their job needs in the areas of compliance/regulatory, technology, skills-based and soft skills. The company will also sponsor training courses to staff that are seeking professional certification if required. As a financial service provider, SFL places great emphasis in the area of compliance. Hence, new staff orientation on Company's policy/culture is done on day of joining to familiarise the new staff with the Company's various policies and procedures. In addition, all employees are required to attend mandatory compliance training on an annual basis. Compliance training materials are also made available through the Company's portal. New employees go through coaching and on the job training to enhance their job effectiveness and productivity. They also attend trainings on security awareness and operational risk.

Our HR department works closely with the respective Heads of Department on the provision of relevant trainings required for our employees. Trainings offered to our employees this year include regulatory related trainings, Information Technology, Business Continuity Planning, Personal Effectiveness and skill-based training relevant to their job. The department also keeps records of trainings attended by the employees. The total training hours provided to our employees in 2017 were 1,262 hours. In addition, all our employees have attended the mandatory compliance training.

We firmly believe in investing our resources in our employees as they are crucial to the growth of our business. The increase in expertise and competence of our staff will enable us to provide a heightened level of service to our customers. In the upcoming year, we aim to provide all staff with more structured training, focusing on the areas of compliance and regulations. We will continue to ensure all our employees attend the mandatory compliance training.

Social – Customer Privacy

At SFL, our customers entrust us with their sensitive and confidential information such as financial information and contractual terms and conditions. As such, protection of customer data is treated with utmost importance. A strong privacy track record will increase our customers' confidence in using or purchasing our products and services such as deposit systems or safe deposit boxes. Having lapses in the protection of our customers' data could tarnish the trust that our customers have placed on us and in turn affect our brand's reputation as being a financial partner that places the customer at the forefront.

Personal data in Singapore is protected under the Personal Data Protection Act 2012 ("PDPA"). SFL maintains an Information Security Policy that has been approved by our Operational & Technology Risk Committee ("Optech") and the RMC. We have policies regarding the use of Portable Storage Devices and Mobile Device Acceptable Use and Security. Our Privacy Policies can be assessed on the Company's website (http://singapurafinance.com.sg/privacy_policy.html)

As per our policy on data protection, any administrative access to production systems have to go through a computer installed with our audit software agent where all activities will be logged and reviewed by our dedicated Information Security Office ("ISO"). Vendors or Maintenance personnel are to be escorted at all times within our facilities and have to be signed in and accompanied by an authorised staff at all times. Physical access to the computer room is closely monitored and recorded by security cameras. Our ISO will assess and update the Information Security Policy annually. Any updates are to be sent for approval by Optech or RMC. Staff are educated on our clear desk and clear screen policies upon joining the Company and reminders are sent from time to time. It is also mandated for staff to attend the annual security awareness workshop conducted by ISO. Data Loss Prevention ("DLP") has been implemented to prevent confidential data leakages and handbooks on Information Security Awareness, Computer Misuse Act and the Personal Data Protection Policy are provided to all new staff.

Our IT Risk Management Framework is developed in-house and reviewed annually by the ISO. All audit findings are followed up by ISO and IA department to ensure the proper closure. Status of the IT audit findings are reported in OPTECH, RMC and Audit Committee (AC) meetings. Log reviews are performed according to the frequency stated in Information Security Officer Operations guide and results of the review will be presented to OPTECH to acknowledge or address any findings from the security reviews performed. Our external vendors will also perform penetration tests on all our internet facing systems performed periodically. This is so as to obtain vulnerability assessments of our IT systems and networks against both common and emergent threats.

In 2017, 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 continue to maintain zero known incidents concerning breaches of customer privacy and losses of customer data in the up-coming year.

Social – Marketing and Labelling

One of our key promises to our customers is to assist them in making an informed decision. Thus, we firmly believe in the value of transparent and fair marketing as well as a clear labelling and explanation of our products and services. We ensure that our Relationship Managers ("RM") exercise clear and effective communication to customers as it will boost customers' confidence in our brand and hence selecting us as their product or service provider. Having strict marketing and advertising guidelines also prevents damages to the Company's reputation and instances of potential complaints or litigation charges.

We also ensure that our RMs are trained to interact with customers clearly and fairly. Our RMs receive continuous training sessions on new products, policies and market updates so as provide the most up to date information to their clients.

All forms of marketing peripherals such as application forms, brochures and flyers are presented with accuracy to deliver the desired message. All materials are vetted to ensure that the product or service is suitable for the targeted customer.

Moreover, SFL provides channels via feedback/enquiry form on our website, our General Enquiries contact number as well as through our Customer Center for customers to provide feedback to ensure that we consistently provide the best services possible. We also conduct regular surveys and studies on current market as well as products from competitors to ensure that our offerings remain relevant and competitive.

SFL also sets out strict procedures to ensure that we are fully compliant to the Personal Data Protection Act ("PDPA") & Do-Not-Call ("DNC") Guidelines. Our Marketers follow strict internal protocols when contacting existing and prospective customers. We regularly monitor and review our marketing guidelines and internal policies to ensure that they are complaint to the latest regulatory standards.

In 2017, there were no reported incidents of non-compliance with product and service information and labelling regulations or voluntary codes, resulting in a significant fine, penalty or warning. In the upcoming year we have set a target of maintaining zero incidents of non-compliance incidents concerning product and service information and labelling regulations or voluntary codes, resulting in a significant fine, penalty or warning.

Social – Assessment for Agents and Customers

Screening of referral agents is important as it is essential to assess their practices. Good agents should have robust credit systems in place and appropriate ways to follow up with customers for repayments. Screening of customers is important so as to assess their profile and repayment ability. It is important to understand our prospective agents as providing financing to referral agents and customers with bad credit rating could lead to an increase of bad debts. Screening of agents and customers is also necessary to ensure that we are compliant with AML/CFT rules and policies.

SFL conducts checks on referral agents prior to engaging their services. Checks include research on the agents' Return on Capital, litigation search, if the agent is blacklisted by Consumers Association of Singapore ("CASE") or Council for Estate Agencies ("CEA") and when necessary, obtain the statements of the agents' bank accounts and company accounts.

SFL has set out clear Know Your Customer ("KYC") procedures including approved lending guidelines and independent reviews by the RMC. We also maintain scorecards for auto-loan customers and provide guidelines for the type and frequency of valuation for collateral. All loans are fully secured at loan application stage and all individual applicants will be screened via Credit Bureau Singapore ("CBS"), litigation and blacklist search. For corporate clients, we follow the scoring systems of FICO which is our outsourced analytics software provider together with litigation and blacklist search.

Cases with special exceptions to lending guidelines and any loans more than SGD 5 million are subjected to an independent assessment by our Risk Management Department. Our Credit Control Department reports on ageing of arrears for all loans fortnightly and proactively monitors the payment patterns. The Credit Control Committee also monitors the non-performing loans monthly. In addition, we conduct credit review annually and valuation of the loans are performed quarterly. In 2017, we performed a complete screening of all new customers acquired during the year. SFL did not engage any new referral agents in 2017.

In the coming year, we strive to ensure that all new customers and referral agents are screened we will continue to update and review our customer credit rating database and assessment criteria where necessary.

Social – Socioeconomic Compliance

As stakeholders' trust is important in ensuring the long term growth of the Company, we actively seek to protect against any practices or incidents that could potentially damage the trust that our stakeholders have placed in us. SFL remains steadfast in conducting business with integrity, consistent with the high standards of business ethics, and in compliance with all applicable laws and regulations.

Staff from our compliance department will receive email alerts from MAS and other regulatory bodies for all the latest updates on guidelines and policies. All updates and changes to relevant rules and regulations are required to be reported to our OPTECH and RMC regularly. The compliance department then assesses the implication of the change of regulations and informs all relevant Head of Departments. They will communicate new

CORPORATE SUSTAINABILITY REPORTING

regulations or changes in existing regulations to all relevant staff. The Head of Departments and the CEO are required to sign off a semi-annual Regulatory Requirements Self-Assessment ("RRSA").

We have established a Compliance Risk Management Framework which sets out the objectives for management of compliance risk, the governance and oversight structure, roles and responsibilities including reporting lines and the compliance risk management process. The Company also establishes a proactive and consistent culture for the management of compliance risk which comprises a structured, systematic and consistent approach in the conduct of risks identification, treatment, monitoring and reporting. Concurrently, the Company facilitates effective communication to achieve business buy-in and awareness building on compliance related issues. The Compliance Risk Management Framework also serves as a guide to the Board, Management, Compliance Department and all employees on the key areas to note when dealing with compliance risks.

The compliance department is responsible for managing the Compliance Risk Management Framework. Responsibilities of the compliance department include the provision of advice and guidance and education on compliance matters; identification, measurement and assessment of compliance risk; the monitoring, testing and reporting of compliance risk; statutory responsibilities and liaison and development and implementation of the compliance programme. The RMC is the approver of the Compliance Risk Management Framework and responsible for making recommendations to the Board and ensuring that the implementation of the directives is in compliance.

Currently, we conduct regulatory compliance checks quarterly. We also carry out an Enterprise-wide Risk Assessment ("EWRA") for AML/CFT on an annual basis which involves additional due diligence by our compliance department for high risk customers.

In 2017, 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. In the forthcoming year, SFL seeks to continue maintaining zero cases of significant fines or non-monetary sanctions for non-compliance with relevant laws and regulations in the social and economic area. We aim to do this by providing trainings to all relevant employees and also reviewing all relevant policies and procedures regularly to ensure they are up-to-date with the latest laws, regulations and standards.

4 COMMITMENT TO SUSTAINABILITY

SFL remains committed to improving our processes and practices so as to incorporate greater elements of sustainability. We strive to provide our customers with products and services that are produced through sustainable means to ensure the longevity of our relationship. At SFL, our employees are our greatest asset. Thus, we will continue to improve on our corporate culture to provide all employees with a fair and inclusive work environment. Concurrently, we aim to educate our staff, customers and all other stakeholder on the importance of sustainability in the corporate environment.

We believe that the incorporation of sustainable practices should be an ongoing process. Hence, we will continuously refine our sustainability reporting process and the relevant disclosures. We are committed to achieving the goals set for ourselves in the upcoming year. As such, we will collaborate closely with our stakeholders and closely monitor the progress made over the course of the year with respect to these goals.

5 CONTACT FOR FEEDBACK

The Report and additional corporate information are also available on our Company's website (http://singapurafinance.com.sg). The Company seeks to continuously refine our sustainability performance and disclosure. We welcome your feedback and comments which can be directed to: Christopher Koh, Head of Communications (christopher.koh@singapurafinance.com.sg).

6. GRI CONTENT INDEX

To assist stakeholders in finding disclosures of interest, we have developed the below GRI Content Index with reference to the GRI Standards. For more information on the GRI, please visit www.globalreporting.org.

GRI Standards		
General Disclosures		**Note/Location of Disclosure**
Organisational Profile		
102-1	Name of the organisation	Singapore Finance Ltd (SFL)
102-2	Activities, brands, products, and services	The Singapura Finance Brand, page 1
102-3	Location of headquarter	Corporate Directory, page 11
102-4	Location of operations	Our Customer Centres, page 27
102-5	Ownership and legal form	Analysis of Shareholdings, page 101
102-6	Markets served	Chairman's Statement, page 2
102-7	Scale of the organisation	Consolidated Income Statement, page 54
102-8	Information on employees and other workers	Sustainability Report – Talent Retention, page 18
102-9	Supply chain	Sustainability Report – Assessment for Agents and Customers, page 21
102-10	Significant changes to organisation and its supply chain	Director's Statement, page 46
102-11	Precautionary principle or approach	SFL does not specifically adopt the principles of the Precautionary approach
102-12	External initiatives	Chairman's Statement, page 2
102-13	Membership of associations	(1) Finance House Association of Singapore (2) Hire Purchase, Finance and Leasing Association of Singapore (3) Singapore National Employers Federation (4) The Institute of Banking & Finance
Strategy		
102-14	Statement from senior decision-maker	Chairman's Statement, page 2 Sustainability Report – Board Statement, page 12
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Our Core Values, page 1
Governance		
102-18	Governance structure	Sustainability Report – Board Statement, page 12

CORPORATE SUSTAINABILITY REPORTING

Stakeholder Engagement		
102-40	List of stakeholder groups	Sustainability Report – Materiality Assessment, page 14
102-41	Collective bargaining agreements	Nil
102-42	Identifying and selecting stakeholders	For this inaugural report, SFL identified and engaged its key internal stakeholders to participate in the materiality assessment process. The key internal stakeholders acted as proxy for external stakeholders. Sustainability Report – Materiality Assessment, page 14
102-43	Approach to stakeholder engagement	Sustainability Report – Materiality Assessment, page 14
102-44	Key topics and concerns raised	Sustainability Report – Materiality Assessment, page 14
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Financial Highlights, page 7
102-46	Defining report content and topic Boundaries	Sustainability Report – Report Scope, page 14
102-47	List of material topics	Sustainability Report – Materiality Assessment, page 14
102-48	Restatements of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	1 January 2017 – 31 December 2017
102-51	Date of most recent report	Not applicable
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Sustainability Report – Contact for Feedback, page 22
102-54	Claims of reporting in accordance with GRI Standards	For this report, SFL makes reference to GRI Standards as their reporting framework.
102-55	GRI content index	Sustainability Report – GRI Content Index, page 23-26
102-56	External assurance	SFL did not seek external assurance for this report but has taken into consideration for the future reports

Management Approach		
103-1	Explanation of the material topic and its boundary	• Consolidated Income Statement, page 54 • Sustainability Report – Anti-corruption, page 15 • Sustainability Report – Energy, page 17 • Sustainability Report – Emissions, page 17 • Sustainability Report – Talent Retention, page 18 • Sustainability Report – Training and Education, page 20 • Sustainability Report – Customer Privacy, page 20 • Sustainability Report – Marketing and Labelling, page 21 • Sustainability Report – Assessment for Agents and Customers, page 21 • Sustainability Report – Socioeconomic Compliance, page 21
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
Specific Disclosures		**Note/Location of Disclosure**
Economic		
Material Factor: Economic Performance		
201-1	Direct economic value generated and distributed	Consolidated Income Statement, page 54
Material Factor: Anti – Corruption		
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report – Anti-corruption, page 15
Environment		
Material Factor: Energy		
302-1	Energy consumption within the organization	Sustainability Report – Energy, page 17
302-3	Energy intensity	
Material Factor: Emissions		
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report – Emissions, page 17
305-4	GHG emissions intensity	

CORPORATE SUSTAINABILITY REPORTING

Social		
Material Factor: Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	Sustainability Report – Talent Retention, page 18
N/A	Number of employees that have been working with SFL for 10 years or more*	
Material Factor: Training and Education		
404-2	Programs for upgrading employee skills and transition assistance programs	Sustainability Report – Training and Education, page 20
Material Factor: Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Report – Customer Privacy, page 20
Material Factor: Marketing and Labelling		
417-2	Incidents of non-compliance concerning product and service information and labelling	Sustainability Report – Marketing and Labelling, page 21
417-3	Incidents of non-compliance concerning marketing communications	
Material Factor: Assessment for Agents and Customers		
N/A	New agents and customers that were screened	Sustainability Report – Assessment for Agents and Customers, page 21
Material Factor: Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability Report – Socioeconomic Compliance, page 21

OUR SERVICES

FINANCING FOR PURCHASE OF

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

OTHERS

- Block Discounting for Motor Car, Commercial Vehicles and Motor Cycle.
- Floor Stock Financing for Vehicles

DEPOSIT*

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

**** DEPOSIT INSURANCE SCHEME:***

Singapore dollar deposits of non-bank depositors are insured by the Singapore Deposit Insurance Corporation, for up to S$50,000 in aggregate per depositor per Scheme member by law.

OTHERS

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

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
#01-471
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

Pillars of our Life

生活的支柱

CORPORATE GOVERNANCE

Singapura Finance Ltd ("SFL" or the "Company") is committed to achieving and maintaining high standards of corporate governance in order to safeguard the interest of shareholders.

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 2017 ("FY2017"). 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 36.

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 in the interests 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 for Board and Board Committee meetings to 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 attendance of the Directors at Board and Board Committee meetings during FY2017 is as follows:

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

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.

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, Singapore Exchange Securities Trading Limited ("SGX-ST") and professional firms and bodies. The costs of attending such training courses attended by the Directors are borne by the Company.

CORPORATE GOVERNANCE

Board Composition and Guidance
Principle 2: Strong and independent Board

Board Independence
Currently, the Board comprises eight 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 and Mr Adam Tan Chin Han. Mr Adam Tan Chin Han was appointed on 3 January 2017. The Company has no alternate directors on its Board.

Independent Directors make up at least half of the Board at all times. 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. The Nominating Committee also takes into account the annual confirmation of independence completed by each Director. 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.

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 of his contribution 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 have consistently demonstrated strong independence of judgement and integrity of character in discharging their 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, Mr Phua Bah Lee 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, Mr Phua Bah Lee would provide feedback to the Executive Chairman after such meetings.

CORPORATE GOVERNANCE

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 has 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.

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.

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

Nominating Committee
All five 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 and Mr Adam Tan Chin Han.

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-appointment 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-appointment of Directors
As a matter of corporate governance, all Directors submit themselves for re-nomination and re-election. Article 85 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.

CORPORATE GOVERNANCE

The NC reviews annually the nomination of the relevant Directors for re-election or re-appointments as well the independence of Directors. When considering the nomination of Directors for re-appointment, 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.

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-appointment and 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.

CORPORATE GOVERNANCE

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 include 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 five 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 and Mr Adam Tan Chin Han.

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.

CORPORATE GOVERNANCE

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.

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 package are moderate.

The RC may seek expert advice from external consultants whenever required. No external consultant was engaged in FY2017 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, 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 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.

CORPORATE GOVERNANCE

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

Directors' Remuneration
Details of Directors' remuneration in FY2017 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	55.32	36.95	2.73	5.00	100
Executive Director & CEO ***$500,000 to below $750,000***					
2. Jamie Teo Miang Yeow	59.48	30.86	2.87	6.79	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

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 FY2017.

(b) These fees comprise Directors' fees for FY2017 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 five members. They are independent non-executive Directors Mr Teoh Eng Hong (Chairman), Mdm Tan Hui Keng, Martha, Mr William Ho Ah Seng and Mr Adam Tan Chin Han, and executive Director & CEO, Mr Jamie Teo Miang Yeow. To enhance communications between the Audit Committee and the RMC, Mr Teoh Eng Hong and Mdm Tan Hui Keng, Martha, are members of both committees.

CORPORATE GOVERNANCE

The roles and responsibilities of RMC include the following:

- Oversee and advise the Board on the Group's risk appetite, risk strategy and risk exposure.
- Review and guide Management in the formulation of the Group's risk policies and in the execution of risk assessment processes and mitigation strategies.
- Monitor and manage the risk exposures of the Group.
- Review 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 and credit risk is defined as potential loss arising from any failure by customers to fulfil their obligations, as and when they fall due. Exposure in credit risks arises primarily 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 results of portfolio management actions, and develops portfolio limits for each portfolio segment for approval by the RMC. The CPC develops 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 are also conducted regularly 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.

Market Risk

Market risk encompasses price and interest rate risk, which are inherent in the ordinary course of the Group's business. Market risk is defined as the uncertainty in market value of a given portfolio arising from movements in market factors including interest rates, equity prices and asset values.

CORPORATE GOVERNANCE

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 the Board 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, scenario analysis and stress testing. Interest rate risk sensitivity analysis can now be performed under various interest rate scenarios using dynamic simulation modelling.

Liquidity Risk

Liquidity risk arises in the general funding of the Group's activities and in the management of its assets and liabilities. It is the Group's policy to maintain adequate liquidity at all times. 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 is performed 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 develops the operational and technology risk management framework, policies and procedures, and makes recommendations 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 assurance by checking the system of internal controls through regular and ongoing audit procedures and reports on the effectiveness of internal controls 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.

CORPORATE GOVERNANCE

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 auditors 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 internal auditors, 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 2017:
(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; and
(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.

Based on the internal controls established and maintained by the Group, work performed by internal and external auditors, 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 control, including financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2017 to address the risks which the Group considers relevant and material to its operations.

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. 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 and Mr Adam Tan Chin Han, 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 AC during FY2017 can be summarised as follows:

- Reviewing with Management and the external auditors 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 auditors; and the nature and extent of the non-audit services provided by the external auditors;
- Reviewing with Management, the results of the review of the Group's internal controls by the internal and external auditors;
- Making recommendations to the Board on the appointment, reappointment and removal of the external auditors and approving the remuneration and terms of engagement of the external auditors;
- Reviewing the effectiveness of the internal auditors;
- 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

External Auditor
The AC also noted and reviewed the nature and extent of the non-audit services provided to the Group by the external auditors. The AC is of the opinion that the provision of such non-audit services did not affect the independence and objectivity of the external auditors. For details of the fees paid to the external auditors in respect of audit and non-audit services during FY2017, please refer to note 16 of the Notes to the Financial Statements.

The AC is satisfied that the external auditors have the requisite expertise and resources to perform their duties. Accordingly, the AC has nominated KPMG LLP for re-appointment as the external auditors at the forthcoming AGM. The external auditors have confirmed that they are 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.

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 FY2017 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	$987,074.68	NIL

The interested person transactions above were carried out on normal business engagements on commercial terms which are not prejudicial to the interest of the Company or its minority shareholders.

Internal Audit
<u>**Principle 13: Effective and independent internal audit function that is adequately resourced**</u>

Internal Audit Department
The Group has a well-established Internal Audit function with formal procedures for 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 Auditors are guided by the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

CORPORATE GOVERNANCE

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 auditors' 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 auditors have 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.

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 relation 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 7. 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 1 cent per share for FY2017.

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.

CORPORATE GOVERNANCE

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.

The Board and Management attending the AGM are available to answer questions from shareholders who are present. External auditors are 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 27 April 2018 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.

For 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 shall be made after one month from the date of the general meetings.

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 2017.

In our opinion:

(a) the financial statements set out on pages 53 to 100 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 2017 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; 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

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 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 2018.

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

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 four 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

23 February 2018

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 balance sheets of the Group and the Company as at 31 December 2017, 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 53 to 100.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

Members of the Company
Singapura Finance Ltd

Allowance for loan losses amounting to $13,755,000 (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 71% of its total assets. The adequacy of allowance for loan losses was identified as a key focus area in our audit as there is a considerable degree of judgement in assessing the adequacy of the allowances. In addition, the Group has to meet Singapore regulatory requirements relating to the maintenance of collective impairment allowances.	Our audit procedures included assessing the controls over approving, recording and monitoring of loans and advances. We also assessed the controls over impairment allowances for individually significant loans and advances. We performed sample checks of credit reviews on individually significant loans and advances by critically assessing the credit grading and any objective evidence of impairment. We reviewed the Group's assumptions in assessing specific impairment for exposures subject to individual impairment assessment on a sample basis. This included considering the realisation of collateral and other possible sources of repayment. We also assessed the Group's comparison of collective impairment provided against its historical loss data and ascertained that the parameters used, agree to the underlying supporting documents. We recomputed management's calculation to ascertain that the Group's collective impairment is maintained in accordance with regulatory requirements.
Our findings The impairment estimates were within an acceptable range of outcomes.	

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 "Reports") which are expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this 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 Reports, 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 FRSs, 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 control.

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

- 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.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Singapura Finance Ltd

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by 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
23 February 2018

BALANCE SHEETS

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Assets					
Cash and cash equivalents	4	**137,628**	136,789	**137,434**	136,627
Statutory deposit with the Monetary Authority of Singapore		**20,778**	22,180	**20,778**	22,180
Investments	5	**161,013**	116,098	**161,013**	116,098
Loans and advances	6	**746,689**	838,384	**746,689**	838,384
Other receivables, deposits and prepayments	8	**2,063**	3,076	**2,058**	3,072
Subsidiaries	9	**–**	–	**125**	125
Property, plant and equipment	10	**7,902**	8,246	**7,902**	8,246
Deferred tax assets	15	**27**	–	**27**	–
Total assets		**1,076,100**	1,124,773	**1,076,026**	1,124,732
Equity					
Share capital	11	**168,896**	168,896	**168,896**	168,896
Reserves	11	**85,100**	82,989	**83,074**	81,014
Total equity attributable to owners of the Company		**253,996**	251,885	**251,970**	249,910
Liabilities					
Deposits and savings accounts of customers	12	**808,278**	856,928	**810,445**	859,095
Trade and other payables	13	**10,548**	12,867	**10,336**	12,640
Current tax liabilities		**1,910**	1,724	**1,907**	1,718
Staff retirement gratuities	14	**1,368**	1,276	**1,368**	1,276
Deferred tax liabilities	15	**–**	93	**–**	93
Total liabilities		**822,104**	872,888	**824,056**	874,822
Total equity and liabilities		**1,076,100**	1,124,773	**1,076,026**	1,124,732

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

CONSOLIDATED
INCOME STATEMENT
Year ended 31 December 2017

	Note	Group Year ended 31 December 2017 $'000	Group Period from 1 July 2015 to 31 December 2016 $'000
Interest income and hiring charges		**30,766**	51,108
Interest expense		**(9,642)**	(19,732)
Net interest and hiring charges		**21,124**	31,376
Fee and commission income		**1,191**	2,141
Dividend income		**200**	324
Other operating income		**821**	1,183
Income before operating expenses		**23,336**	35,024
Staff costs		**(7,770)**	(12,108)
Depreciation of property, plant and equipment	10	**(665)**	(1,176)
Other operating expenses		**(5,466)**	(11,641)
Profit from operations before allowances	16	**9,435**	10,099
Allowances on loan losses (net)	17	**(3,530)**	(4,688)
Impairment loss on investments		**–**	(740)
Profit before tax		**5,905**	4,671
Tax expense	18	**(998)**	(771)
Profit for the year/period		**4,907**	3,900
Earnings per share			
Basic earnings per share (cents)	19	**3.09**	2.46
Diluted earnings per share (cents)	19	**3.09**	2.46

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Group	
	Year ended 31 December 2017 $'000	Period from 1 July 2015 to 31 December 2016 $'000
Profit for the year/period	**4,907**	3,900
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net change in fair value of available-for-sale investments	**927**	2,908
Net change in fair value of available-for-sale investments reclassified to profit or loss		
– on disposal	**(471)**	(539)
– on impairment	**–**	740
Tax on items that may be reclassified subsequently to profit or loss	**(78)**	(529)
Other comprehensive income for the year/period, net of tax	**378**	2,580
Total comprehensive income for the year/period	**5,285**	6,480

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

		Attributable to equity holders of the Company						
Group	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000	General reserve $'000	Accumulated profits $'000	Total $'000
At 1 July 2015		168,896	1,353	61,178	(2,649)	730	19,071	248,579
Total comprehensive income for the period								
Profit for the period		–	–	–	–	–	3,900	3,900
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Net change in fair value of available-for-sale investments		–	–	–	2,908	–	–	2,908
Net change in fair value of available-for-sale investments reclassified to profit or loss								
– on disposal		–	–	–	(539)	–	–	(539)
– on impairment		–	–	–	740	–	–	740
Tax relating to items that may be reclassified subsequently to profit or loss		–	–	–	(529)	–	–	(529)
Total other comprehensive income		–	–	–	2,580	–	–	2,580
Total comprehensive income for the period		–	–	–	2,580	–	3,900	6,480
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 period to statutory reserve		–	–	1,880	–	–	(1,880)	–
At 31 December 2016		168,896	1,353	63,058	(69)	730	17,917	251,885

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

Group	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000	General reserve $'000	Accumulated profits $'000	Total $'000
		Attributable to equity holders of the Company						
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)
– on impairment		–	–	–	–	–	–	–
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

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

Company	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000	General reserve $'000	Accumulated profits $'000	Total $'000
At 1 July 2015		168,896	1,353	61,178	(2,649)	730	17,250	246,758
Total comprehensive income for the period								
Profit for the period		–	–	–	–	–	3,746	3,746
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss:								
Net change in fair value of available-for-sale investments		–	–	–	2,908	–	–	2,908
Net change in fair value of available-for-sale investments reclassified to profit or loss								
– on disposal		–	–	–	(539)	–	–	(539)
– on impairment		–	–	–	740	–	–	740
Tax relating to items that may be reclassified subsequently to profit or loss		–	–	–	(529)	–	–	(529)
Total other comprehensive income		–	–	–	2,580	–	–	2,580
Total comprehensive income for the period		–	–	–	2,580	–	3,746	6,326
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 period to statutory reserve		–	–	1,880	–	–	(1,880)	–
At 31 December 2016		168,896	1,353	63,058	(69)	730	15,942	249,910

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

Company	Note	Share capital $'000	Capital 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)
– on impairment		–	–	–	–	–	–	–
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.

CONSOLIDATED
CASH FLOW STATEMENT

Year ended 31 December 2017

	Note	Year ended 31 December 2017 $'000	Period from 1 July 2015 to 31 December 2016 $'000
Cash flows from operating activities			
Profit for the year/period		**4,907**	3,900
Adjustments for:			
Depreciation of property, plant and equipment		**665**	1,176
Bad debts written off		**2**	–
Property, plant and equipment written off		**–**	3
Gain on disposal of property, plant and equipment		**–**	(42)
Allowances on loan losses (net)		**3,530**	4,688
Impairment loss on investments		**–**	740
Gain on sale of investments		**(471)**	(539)
Staff retirement gratuities		**92**	155
Dividend income		**(200)**	(324)
Tax expense		**998**	771
		9,523	10,528
Changes in working capital:			
Statutory deposit with the Monetary Authority of Singapore		**1,402**	2,178
Loans and advances		**88,163**	92,411
Other receivables, deposits and prepayments		**1,013**	3,092
Deposits and savings accounts of customers		**(48,650)**	(121,215)
Trade and other payables		**(2,319)**	3,818
Cash generated from/(used in) operations		**49,132**	(9,188)
Taxes paid		**(1,010)**	(175)
Staff retirement gratuities paid		**–**	(229)
Net cash generated from/(used in) operating activities		**48,122**	(9,592)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(321)**	(758)
Proceeds from sale of property, plant and equipment		**–**	42
Dividends received		**200**	324
Purchase of investments		**(437,574)**	(441,578)
Proceeds from sale and maturity of investments		**393,586**	450,900
Net cash (used in)/from investing activities		**(44,109)**	8,930
Cash flows from financing activity			
Dividends paid		**(3,174)**	(3,174)
Net cash used in financing activity		**(3,174)**	(3,174)
Net increase/(decrease) in cash and cash equivalents		**839**	(3,836)
Cash and cash equivalents at 1 January 2017 and 1 July 2015		**136,789**	140,625
Cash and cash equivalents at 31 December	4	**137,628**	136,789

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 23 February 2018.

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 2017 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 the Singapore Financial Reporting Standards (FRS).

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 Company'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 financial statements in conformity with FRSs 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 25.

2.5 Changes in accounting policies

The Group adopted amendments and improvements to FRSs which become effective during the year. The initial adoption of these standards did not have a significant impact on the financial statements.

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 have been applied consistently by Group entities.

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

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment (Continued)

(i) Recognition and measurement (Continued)

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

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 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) Non-derivative financial assets

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

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.

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.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and fixed deposits with banks.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Non-derivative financial liabilities

All 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.

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

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.

The Group classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise deposits and savings accounts of customers and trade and other payables.

(iii) 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

A financial asset is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include 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 will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, 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 is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less 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 are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are 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 any 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 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.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial 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. 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 CGU.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Impairment (Continued)

(ii) Non-financial assets (Continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:–

<u>Interest income on loans and advances</u>

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.

<u>Interest rebate on hire purchase</u>

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.

<u>Interest income from Singapore Government Securities</u>

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

<u>Interest income from bank deposits</u>

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

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, 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 utilised. 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

4 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash at banks and in hand	**47,587**	52,849	**47,393**	52,687
Fixed deposits with banks	**90,041**	83,940	**90,041**	83,940
	137,628	136,789	**137,434**	136,627

5 INVESTMENTS

	Group and Company	
	2017 $'000	2016 $'000
Available-for-sale:		
Singapore Government Securities	**156,010**	111,077
Quoted equity securities	**5,003**	5,021
	161,013	116,098

Interest-bearing available-for-sale financial assets of the Group and the Company with a carrying amount of $156,010,000 at 31 December 2017 (2016: $111,077,000) have stated interest rates of 0.50% to 4.00% (2016: 0.50% to 4.00%) and with a maturity of 1 month to 19 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 (2016: AAA).

During the year, the Group recognised an impairment loss of $Nil (2016: $740,000) on its available-for-sale quoted equity securities in the profit or loss.

6 LOANS AND ADVANCES

	Note	Group and Company	
		2017 $'000	2016 $'000
Mortgage and other secured loans		**585,656**	638,698
Hire purchase receivables	7	**186,476**	226,395
		772,132	865,093
Unearned charges and interest		**(11,688)**	(13,505)
		760,444	851,588
Allowances for loan losses		**(13,755)**	(13,204)
		746,689	838,384
Specific allowances:			
At 1 January/1 July		**4,733**	672
Charge during the year/period	17	**5,974**	7,591
Write-back made during the year/period	17	**(1,517)**	(1,925)
Amounts written off against allowances		**(2,979)**	(1,605)
At 31 December		**6,211**	4,733
Collective allowances:			
At 1 January/1 July		**8,471**	9,449
(Write-back)/charge during the year/period	17	**(927)**	(978)
At 31 December		**7,544**	8,471
Total allowances for loan losses		**13,755**	13,204
These comprise balances:			
Due within 12 months		**38,513**	59,426
Due after 12 months		**708,176**	778,958
		746,689	838,384

As at 31 December 2017, secured loans to directors (including immediate family members) of the Group and Company amounted to $18,000 (2016: $66,000).

NOTES TO THE FINANCIAL STATEMENTS

7 HIRE PURCHASE RECEIVABLES

	2017 Gross $'000	2017 Interest $'000	2017 Principal $'000	2016 Gross $'000	2016 Interest $'000	2016 Principal $'000
Group and Company						
Within 1 year	**12,003**	**181**	**11,822**	11,426	178	11,248
Between 1 year and 5 years	**162,155**	**9,160**	**152,995**	206,153	11,673	194,480
After 5 years	**12,318**	**1,560**	**10,758**	8,816	1,160	7,656
	186,476	**10,901**	**175,575**	226,395	13,011	213,384

8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Interest receivable	**522**	395	**522**	395
Deposits	**316**	342	**316**	342
Other receivables	**685**	1,945	**680**	1,941
	1,523	2,682	**1,518**	2,678
Prepayments	**540**	394	**540**	394
	2,063	3,076	**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 2017 $'000	Company 2016 $'000
Equity investments, at cost	**125**	125

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
SBS Nominees Private Limited	Provision of nominee services	Singapore	100	100
SBS Realty Services (Private) Limited	Provision of estate agency and management services	Singapore	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 July 2015	2,263	9,119	2,674	353	4,518	18,927
Additions	–	–	284	301	173	758
Disposals	–	–	(47)	(166)	–	(213)
Written off	–	–	(147)	–	(37)	(184)
At 31 December 2016	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
Accumulated depreciation						
At 1 July 2015	1,181	2,373	2,476	213	4,017	10,260
Depreciation charge for the period	47	342	168	183	436	1,176
Disposals	–	–	(47)	(166)	–	(213)
Written off	–	–	(144)	–	(37)	(181)
At 31 December 2016	1,228	2,715	2,453	230	4,416	11,042
Depreciation charge for the year	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
Carrying amounts						
At 1 July 2015	1,082	6,746	198	140	501	8,667
At 31 December 2016	1,035	6,404	311	258	238	8,246
At 31 December 2017	1,003	6,176	236	136	351	7,902

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

			Carrying amounts	
			2017	2016
Location	Description	Tenure	$'000	$'000
212 East Coast Road Singapore 428911	2-storey shophouse used as branch premises	Freehold	**873**	891
203 Henderson Road #02-07 Singapore 159546	Warehouse	Freehold	**130**	144
Total freehold properties			**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	**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	**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	**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	**1,589**	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	**3,342**	3,436
Total leasehold properties			**6,176**	6,404
			7,179	7,439

NOTES TO THE FINANCIAL STATEMENTS

11 CAPITAL AND RESERVES

Share capital

	Group and Company 2017 No. of shares ('000)	Group and Company 2016 No. of shares ('000)
Fully paid ordinary shares, with no par value:		
At beginning and end of financial year/period	**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.

Reserves

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Capital reserve	**1,353**	1,353	**1,353**	1,353
Statutory reserve	**65,488**	63,058	**65,488**	63,058
Fair value reserve	**309**	(69)	**309**	(69)
Revenue reserve:				
– General	**730**	730	**730**	730
– Accumulated profits	**17,220**	17,917	**15,194**	15,942
	85,100	82,989	**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.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised.

NOTES TO THE FINANCIAL STATEMENTS

11 CAPITAL AND RESERVES (CONTINUED)

Dividends

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

	Group and Company 2017 $'000	Group and Company 2016 $'000
First and final, paid by the Company to owners of the Company		
2 cents per qualifying ordinary share (2016: 2 cents)	**3,174**	3,174

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 2017 $'000	Group and Company 2016 $'000
First and final		
2 cents per ordinary share (2016: 2 cents)	**3,174**	3,174
Special		
1 cent per ordinary share (2016: Nil cents)	**1,587**	–
	4,761	3,174

12 DEPOSITS AND SAVINGS ACCOUNTS OF CUSTOMERS

These include deposits placed by subsidiaries amounting to $2,167,000 (2016: $2,167,000) in the Company and $225,347,000 (2016: $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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Accrued interest payable	**4,315**	6,878	**4,331**	6,878
Accrued operating expenses	**2,124**	1,573	**2,118**	1,567
Deposits for safe deposit boxes and rental deposits	**127**	115	**127**	115
Unclaimed dividends	**458**	453	**458**	453
Others	**3,524**	3,848	**3,302**	3,627
	10,548	12,867	**10,336**	12,640
These comprise balances:				
Due within 12 months	**10,537**	12,861	**10,325**	12,634
Due after 12 months	**11**	6	**11**	6
	10,548	12,867	**10,336**	12,640

NOTES TO THE FINANCIAL STATEMENTS

14 STAFF RETIREMENT GRATUITIES

	Group and Company	
	Year ended 31 December 2017 $'000	**Period from 1 July 2015 to 31 December 2016 $'000**
At 1 January/July	**1,276**	1,350
Provision made during the year/period	**92**	155
Utilised	**–**	(229)
At 31 December	**1,368**	1,276

15 DEFERRED TAX (ASSETS)/LIABILITIES

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

Group and Company	**Balance as at 1 July 2015 $'000**	**Recognised in profit or loss (note 18) $'000**	**Recognised in other comprehensive income $'000**	**Balance as at 31 December 2016 $'000**	**Recognised in profit or loss (note 18) $'000**	**Recognised in other comprehensive income $'000**	**Balance as at 31 December 2017 $'000**
Deferred tax (assets)/ liabilities							
Property, plant and equipment	122	(66)	–	56	35	–	91
Other receivables	682	(414)	–	268	(217)	–	51
Staff retirement gratuities	(224)	7	–	(217)	(16)	–	(233)
Investments	(543)	–	529	(14)	–	78	64
	37	(473)	529	93	(198)	78	(27)

NOTES TO THE FINANCIAL STATEMENTS

16 PROFIT FROM OPERATIONS BEFORE ALLOWANCES

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

	Group	
	Year ended 31 December 2017 $'000	Period from 1 July 2015 to 31 December 2016 $'000
Interest income and hiring charges		
Interest income on:		
– loans and advances	**27,424**	47,146
– bank deposits	**1,378**	2,034
– Singapore Government Securities	**1,964**	1,928
	30,766	51,108
Interest expense		
Interest expense on customer deposits	**9,642**	19,728
Interest on overdraft	**–**	4
	9,642	19,732
Dividend income		
Quoted equity investments	**200**	324
Other operating income		
Gain on sale of investments	**471**	539
Bad debts recovered	**20**	36
Others	**330**	608
	821	1,183
Staff costs		
Salaries and other benefits	**6,987**	10,843
Contributions to defined contribution plans	**783**	1,265
	7,770	12,108

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

NOTES TO THE FINANCIAL STATEMENTS

16 PROFIT FROM OPERATIONS BEFORE ALLOWANCES (CONTINUED)

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

	Group	
	Year ended 31 December 2017 $'000	Period from 1 July 2015 to 31 December 2016 $'000
Other operating expenses		
Audit fees paid to auditors		
– provision in respect of current year/period	**144**	143
Non-audit fees paid to auditors of the Company	**111**	13
Property, plant and equipment expensed-off	**4**	3
Operating lease expense paid to:		
– related corporations	**879**	1,319
– third parties	**102**	67
Other operating expense paid to:		
– related corporations	**43**	73
– third parties	**4,183**	10,023
	5,466	11,641

17 ALLOWANCES ON LOAN LOSSES (NET)

		Group	
	Note	Year ended 31 December 2017 $'000	Period from 1 July 2015 to 31 December 2016 $'000
Write back/(Allowances) for loan losses			
– specific	6	**(4,457)**	(5,666)
– collective	6	**927**	978
		(3,530)	(4,688)

18 TAX EXPENSE

		Group	
	Note	Year ended 31 December 2017 $'000	Period from 1 July 2015 to 31 December 2016 $'000
Tax expense			
Current year/period		**1,196**	1,247
Overprovision in respect of prior year		**–**	(3)
		1,196	1,244
Deferred tax expense			
Origination and reversal of temporary differences	15	**(198)**	(473)
		998	771

NOTES TO THE FINANCIAL STATEMENTS

18 TAX EXPENSE (CONTINUED)

	Group	
	Year ended 31 December 2017 $'000	Period from 1 July 2015 to 31 December 2016 $'000
Reconciliation of effective tax rate		
Profit before tax	**5,905**	4,671
Tax using Singapore tax rate of 17% (2016: 17%)	**1,004**	794
Income not subject to tax	**(65)**	(95)
Non-deductible expenses	**207**	227
Tax incentive	**(77)**	(77)
Tax rebate	**(26)**	(26)
Overprovision in respect of prior year/period	**–**	(3)
Others	**(45)**	(49)
	998	771

The tax incentive 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.

19 EARNINGS PER SHARE

	Group	
	Year ended 31 December 2017 $'000	Period from 1 July 2015 to 31 December 2016 $'000
Basic and diluted earnings per share is based on:		
Net profit attributable to ordinary shareholders	**4,907**	3,900

	No. of shares	
	2017 $'000	2016 $'000
Weighted average number of ordinary shares	**158,686**	158,686

There were no dilutive potential ordinary shares for the year/period ended 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

20 RELATED PARTIES

Key management personnel compensation

Compensation payable to key management personnel comprise:

	Group	
	Year ended 31 December 2017 $'000	**Period from 1 July 2015 to 31 December 2016 $'000**
Directors' fees	**440**	570
Short-term employee benefits	**1,392**	2,866
Post-employment benefits	**92**	268

Directors' remuneration included in key management personnel compensation amounted to $1,749,000 (2016: $2,083,000). 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	
	Year ended 31 December 2017 $'000	**Period from 1 July 2015 to 31 December 2016 $'000**	**Year ended 31 December 2017 $'000**	**Period from 1 July 2015 to 31 December 2016 $'000**
Interest on deposits paid to subsidiaries	**–**	–	**16**	24
Interest on deposits paid to related parties	**1,797**	3,071	**1,797**	3,071

21 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	
	2017 $'000	**2016 $'000**
Guarantees	**100**	200

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

NOTES TO THE FINANCIAL STATEMENTS

22 COMMITMENTS

Lease commitments

At 31 December 2017, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Within one year	**879**	358
Between one year and five years	**257**	174
	1,136	532

Other commitments

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Undrawn credit lines and other commitments to extend credit	**102,326**	97,348

23 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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.

Loans and advances to customers can be analysed as follows:

		Group and Company	
	Note	**2017 $'000**	**2016 $'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 (payment not kept current but fully secured)		**39,271**	20,106
Loss (fully provided for)		**6,211**	4,733
Gross amount		**45,482**	24,839
Allowance for impairment		**(6,211)**	(4,733)
Carrying amount		**39,271**	20,106
Net carrying amount	6	**746,689**	838,384

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Exposure to credit risk (Continued)

There are no loans and advances with renegotiated terms that are neither past due nor impaired as at 31 December 2017 (2016: $Nil).

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.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired loans and advances to customers by risk grade.

	Gross amount $'000	**Amount net of allowances for impairment $'000**
2017		
Substandard	**39,271**	**39,271**
Loss	**6,211**	**–**
	45,482	**39,271**
2016		
Substandard	20,106	20,106
Loss	4,733	–
	24,839	20,106

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 2017 $'000	**2016 $'000**
Gross amount	**760,444**	851,588
Specific allowances	**(6,211)**	(4,733)
Carrying amount	**754,233**	846,855
Properties	**508,285**	552,762
Motor vehicles	**151,533**	179,320
Vessels	**45,635**	51,193
Equipment	**19,904**	30,988
Shares	**26,688**	30,835
Financial effect of collateral on maximum credit exposure	**752,045**	845,098
Net exposure	**2,188**	1,757

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

Exposure to credit risk (Continued)

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	
	2017	**2016**
	$'000	**$'000**
Properties	**1,600**	1,830
Equipment	**151**	444
Shares	**–**	65
Motor vehicles	**180**	–
Vessels	**10,038**	–
	11,969	2,339

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)	
	2017	**2016**
	$'000	**$'000**
Concentration by sector		
Hire purchase/block discounting	**175,575**	213,384
Housing loans secured by property	**112,368**	98,525
Other loans and advances:		
– Agriculture, mining and quarrying	**1,389**	1,927
– Manufacturing	**26,238**	34,612
– Building and construction	**101,548**	81,843
– General commerce	**47,572**	64,363
– Transport, storage and communication	**51,266**	52,501
– Investment and holding companies	**74,257**	99,712
– Professional and private individuals	**133,768**	159,690
– Others	**36,463**	45,031
	760,444	851,588

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

NOTES TO THE FINANCIAL STATEMENTS

23 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

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (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							
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)**
2016							
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

	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							
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)**
2016							
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

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (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							
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**
2016							
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

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (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							
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**
2016							
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

NOTES TO THE FINANCIAL STATEMENTS

23 **FINANCIAL RISK MANAGEMENT** (CONTINUED)

Interest rate risk (Continued)

Sensitivity analysis

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 decrease by $52,000 (2016: decrease by $407,000). The corresponding impact from a 100 basis point fall is an estimated reduction of $1,703,000 (2016: $1,581,000) 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 available-for-sale Singapore Government Securities of approximately $156 million (2016: $111 million). A 1% increase in prices at the reporting date would have increased equity by $1.6 million (2016: $1.1 million). An equal change in the opposite direction would have decreased equity by $1.6 million (2016: $1.1 million). The analysis is performed on the same basis for 2016.

At the reporting date, the Group has available-for-sale quoted equity securities of approximately $5 million (2016: $5 million). A 10% increase in prices at the reporting date would have increased equity by $0.5 million (2016: $0.5 million). An equal change in the opposite direction would have decreased equity by $0.5 million (2016: $0.5 million) and profit for the year by $Nil million (2016: $Nil million). The analysis is performed on the same basis for 2016.

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.

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 available-for-sale and accumulated profits.

The fair value reserve relating to unrealised gains/losses on Singapore Government Securities and unrealised gains on equity securities classified as available-for-sale 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:

	2017 $'000	2016 $'000
Share capital	**168,896**	168,896
Disclosed reserves	**84,782**	83,058
Regulatory capital	**253,678**	251,954
Risk-weighted assets	**810,740**	875,925
Capital adequacy ratio	**31.29%**	28.76%

The Group has complied with all externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classifications

The following table shows the classification of financial instruments.

	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
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**
2016				
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

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classifications (Continued)

	Loans and receivables $'000	Available -for-sale $'000	Other financial liabilities $'000	Total carrying amount $'000
Company				
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**
2016				
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

NOTES TO THE FINANCIAL STATEMENTS

24 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 available-for-sale financial assets 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

24 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments not carried at fair value

	2017		2016	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Group				
Financial assets				
Loans and advances	**746,689**	**752,634**	838,384	843,130
Financial liabilities				
Deposits and savings account of customer	**808,278**	**809,231**	856,928	858,871
Company				
Financial assets				
Loans and advances	**746,689**	**752,634**	838,384	843,130
Financial liabilities				
Deposits and savings account of customer	**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.

Financial instruments carried at fair value

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group and Company					
2017					
Financial assets					
Investments	5	161,013	–	–	161,013
2016					
Financial assets					
Investments	5	116,098	–	–	116,098

NOTES TO THE FINANCIAL STATEMENTS

24 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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					
2017					
Financial assets					
Loans and advances	6	**–**	**–**	**752,634**	**752,634**
Financial liabilities					
Deposits and savings accounts of customers	13	**–**	**809,231**	**–**	**809,231**
2016					
Financial assets					
Loans and advances	6	–	–	843,130	843,130
Financial liabilities					
Deposits and savings accounts of customers	13	–	858,871	–	858,871
Company					
2017					
Financial assets					
Loans and advances	6	**–**	**–**	**752,634**	**752,634**
Financial liabilities					
Deposits and savings accounts of customers	13	**–**	**811,397**	**–**	**811,397**
2016					
Financial assets					
Loans and advances	6	–	–	843,130	843,130
Financial liabilities					
Deposits and savings accounts of customers	13	–	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.

NOTES TO THE FINANCIAL STATEMENTS

25 ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements requires the Group to make certain estimates and to form judgements about the application of its accounting policies. The most significant area where estimates and judgements have been made is set out below.

Impairment losses on loans and advances

The Group reviews the loan portfolio to assess impairment at least on a quarterly basis. To determine whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows of the loan portfolio. The evidence may include observable data indicating adverse changes in the payment status of certain groups of borrowers or local economic conditions that correlate with defaults in the loan portfolio. Management uses estimates based on historical loss experience for loans and advances with credit risk characteristics and objective evidence of impairment similar to those in the loan portfolio when scheduling future cash flows. The methodology and assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between estimates and actual loss experience.

26 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.

27 NON-CURRENT ASSETS AND LIABILITIES

Assets and liabilities other than those disclosed below are current.

	Group		**Company**	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Assets				
Investments	**66,151**	40,142	**66,151**	40,142
Loans and advances	**708,176**	778,958	**708,176**	778,958
Other receivables, deposits and prepayments	**349**	580	**349**	580
Subsidiaries	**–**	–	**125**	125
Property, plant and equipment	**7,902**	8,246	**7,902**	8,246
Deferred tax assets	**27**	–	**27**	–
	782,605	827,926	**782,730**	828,051

NOTES TO THE FINANCIAL STATEMENTS

27 NON-CURRENT ASSETS AND LIABILITIES (CONTINUED)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Liabilities				
Deposits and savings accounts of customers	**57,313**	40,940	**57,313**	40,940
Trade and other payables	**11**	6	**11**	6
Staff retirement gratuities	**1,368**	1,276	**1,368**	1,276
Deferred tax liabilities	**–**	93	**–**	93
	58,692	42,315	**58,692**	42,315

28 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). 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.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) *First-time Adoption of International Financial Reporting Standards*. SFRS(I) provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements.

The Group does not expect the adoption of the new framework to have any significant impact on the financial statement.

In addition to the adoption of the new framework, the following new SFRS(I)s are mandatory for adoption for the Group on 1 January 2018 and 1 January 2019 includes:

- SFRS(I) 15 *Revenue from Contracts with Customers (effective from 1 January 2018)*

  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.

  When effective, SFRS(I) 15 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

  The Group does not expect the application of the above standards to have a significant impact on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

28 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONTINUED)

- SFRS(I) 9 *Financial Instruments* (effective from 1 January 2018)

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively. The Group plans to take advantage of the exemption in SFRS(I) allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9, if any, are recognised in accumulated profits and reserves as at 1 January 2018.

The expected impact on adoption of SFRS(I) 9 is described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment, however, the actual effect may change when the transition adjustments are finalised.

Classification and measurement: financial assets

SFRS(I) 9 introduces new requirements to determine the measurement basis of financial assets, involving the cash flow characteristics of assets and the business models under which they are managed.

Hedge accounting

The Group currently does not apply any hedge accounting and do not expect any significant impact arising from the new hedge accounting requirements under SFRS(I) 9.

Impairment

SFRS(I) 9 replaces the current 'incurred loss' model with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

In addition, a revised regulatory requirement of maintaining minimum regulatory loss allowance will be effective on the same date as SFRS(I) 9. If allowances under SFRS(I) 9 falls below the minimum regulatory loss allowance, the Group will be required to set up a non-distributable regulatory loss allowance reserve to set aside the additional amount required.

Transition impact

The Group does not expect any material impact arising from classification and measurement. The Group's current best estimate on the opening balance of allowances for loan losses based on the ECL model under SFRS(I) 9 is a reversal/decrease of between $0.5 million to $0.8 million in the allowances for loan losses, with a corresponding credit/increase to accumulated profits. As the Group expects the allowances under SFRS(I) 9 to be above the minimum regulatory loss allowance, the Group will not be required to set aside additional allowances to a non-distributable regulatory loss allowance reserve. The Group continues to refine, revise and validate the new impairment models. The actual effect may be different when the transition adjustments are finalized.

NOTES TO THE FINANCIAL STATEMENTS

28 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONTINUED)

- SFRS(I) 16 *Leases* (effective from 1 January 2019)

  SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

  SFRS(I) 16 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

  When effective, SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

  Based on initial assessment, the new standard is not expected to have a significant effect on the financial statements of the Group and the Company.

29 COMPARATIVE INFORMATION

The financial statements for the comparative period was for the period from 1 June 2015 to 31 December 2016. As a result, the amounts presented in the financial statements are not entirely comparable.

ANALYSIS OF SHAREHOLDINGS

As at 12 March 2018

Class of Shares – Ordinary Shares
Voting Rights – One Vote per Share

SUMMARY OF SHAREHOLDINGS BY SIZE AS AT 12 MARCH 2018

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1 to 99	141	4.51	2,589	0.00
100 to 1,000	402	12.86	285,697	0.18
1,001 to 10,000	1,476	47.20	7,698,269	4.85
10,001 to 1,000,000	1,098	35.11	53,037,944	33.42
1,000,001 AND ABOVE	10	0.32	97,661,391	61.55
TOTAL	**3,127**	**100.00**	**158,685,890**	**100.00**

TOP 20 SHAREHOLDERS AS AT 12 MARCH 2018

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	4,028,494	2.54
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	1,620,592	1.02
7	SEE BENG LIAN JANICE	1,294,000	0.81
8	PHILLIP SECURITIES PTE LTD	1,231,315	0.78
9	CITIBANK NOMINEES SINGAPORE PTE LTD	1,034,824	0.65
10	PEH CHIN CHIONG	1,031,000	0.65
11	OU YANG YAN TE	923,800	0.58
12	RAFFLES NOMINEES (PTE) LTD	917,101	0.58
13	OCBC NOMINEES SINGAPORE PTE LTD	836,539	0.53
14	ANG CHIAN POH	812,200	0.51
15	KOH GEOK HUAY MRS TEO GEOK HUAY	800,000	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	SEOW KHOW MIN	476,987	0.30
20	TAY HWA LANG	455,000	0.29
	TOTAL	**104,786,018**	**66.03**

ANALYSIS OF SHAREHOLDINGS

As at 12 March 2018

SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2018

(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
(Company Registration No. 196900340N)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Forty-Eighth 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, 27 April 2018 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 2017 together with the Auditors' Report.
(Resolution 1)

2. To declare a first and final dividend (one-tier tax-exempt) of 2 cents per share [FY2016: 2 cents per share] and a special (one-tier tax exempt) of 1 cent per share [FY2016: Nil cent per share] for the year ended 31 December 2017.
(Resolution 2)

3. 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 Teo Chiang Long **(Resolution 3(a))**
   Mr Jamie Teo Miang Yeow **(Resolution 3(b))**
   Mrs Yu-Foo Yee Shoon **(Resolution 3(c))**

   Mr Teo Chiang Long will, upon re-election, continue as Executive Chairman of the Board and as a member of the Executive Committee.

   Mr Jamie Teo Miang Yeow will, upon re-election, continue as a member of the Executive and Risk Management Committees.

   Mrs Yu-Foo Yee Shoon will, upon re-election, continue as Chairman of Nominating Committee and as a member of the Audit and Remuneration Committees, and will be considered to be an Independent Director.

4. To approve the payment of Directors' fees of S$440,000 for the year ended 31 December 2017 [FY2016: S$570,000].
(Resolution 4)

5. To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.
(Resolution 5)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.
(Resolution 6)

NOTICE OF ANNUAL GENERAL MEETING

SINGAPURA FINANCE LTD
(Company Registration No. 196900340N)
(Incorporated in the Republic of Singapore)

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.

7. **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 (i)]

(Resolution 7)

By Order of the Board
Ngiam May Ling
Company Secretary

Singapore
12 April 2018

NOTICE OF
ANNUAL GENERAL MEETING

SINGAPURA FINANCE LTD
(Company Registration No. 196900340N)
(Incorporated in the Republic of Singapore)

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 Tuesday, 8 May 2018 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 Monday, 7 May 2018 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 Monday, 7 May 2018 will rank for the proposed dividend.

Payment of the dividend, if approved by shareholders at the Annual General Meeting, will be paid on Monday, 14 May 2018.

Explanatory Notes:

(i) Ordinary Resolution 7 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 7 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 7 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares. As at 12 March 2018, 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)

PROXY FORM

(Please see notes overleaf before completing this Form)

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.

*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-Eighth 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, 27 April 2018 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 2017 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 1 cent per share for the year ended 31 December 2017		
3(a)	Re-election of Mr Teo Chiang Long as a Director of the Company		
3(b)	Re-election of Mr Jamie Teo Miang Yeow as a Director of the Company		
3(c)	Re-election of Mrs Yu-Foo Yee Shoon as a Director of the Company		
4	Approval of Directors' fees of S$440,000 for the year ended 31 December 2017		
5	Re-appointment of Messrs KPMG LLP as Auditors and authorisation for the Directors to fix their remuneration		
6	To transact any other ordinary business which may properly be transacted at an Annual General Meeting		
Special Business			
7	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 ________________ 2018

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.

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 12 April 2018.

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.

Singapura
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