

FINANCIAL CALENDAR 2015/2016

| | |
|-------------------------|---|
| 9 NOVEMBER 2015 | Announcement of Unaudited Financial Results for First Quarter ended 30 September 2015 |
| 5 FEBRUARY 2016 | Announcement of Unaudited Financial Results for Second Quarter and 6 months ended 31 December 2015 |
| 6 MAY 2016 | Announcement of Unaudited Financial Results for Third Quarter ended 31 March 2016 |
| 5 AUGUST 2016 | Announcement of Unaudited Financial Results for Fourth Quarter ended 30 June 2016 |
| 4 NOVEMBER 2016 | Announcement of Unaudited Financial Results for Fifth Quarter and 15 months ended 30 September 2016 |
| 24 FEBRUARY 2017 | Announcement of Audited Financial Results for Full Year and 18 months ended 31 December 2016 |
| 3 APRIL 2017 | Release of Annual Report |
| 28 APRIL 2017 | Annual General Meeting |
| 9 MAY 2017 | Books Closure Date for Dividend Entitlement (Subject to Shareholders' Approval at the AGM) |
| 16 MAY 2017 | Dividend Payment Date (Subject to Shareholders' Approval at the AGM) |

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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, **Fu Ya**, 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 period ended 31 December 2016. The financial period under review, FY2016, covers the 18-month period from 1 July 2015 to 31 December 2016 as a result of the change of financial year end from 30 June to 31 December.

PERFORMANCE REVIEW

The external operating environment for FY2016 continued to be challenging, against a background of modest growth for the Singapore's economy of 2.0% for the whole of 2016. Under this difficult business environment, the Group registered a profit after tax of \$3.9 million for FY2016, a dip of \$1.8 million or 31.7% compared to the preceding corresponding period. The decline was chiefly due to higher cost of funds and charge of allowances for loan losses.

The Group's profit from operations before allowances for FY2016 was \$10.1 million, 1.8% higher vis-à-vis the same period last

year. This was a result of strict discipline in the management of operating costs in the light of lower income. Net interest income contracted by \$2.4 million or 7.2% as the rise in interest costs more than offset the growth in interest income. The drop in net interest income was partially compensated by higher non-interest income particularly fee and commission income and gain on sale of investments.

Net allowances for loan losses amounted to \$4.7 million for FY2016. This is a reflection of the prevailing challenging economic conditions, especially in some sectors, like the oil and gas sector. For the same period last year, there was a net charge for loan allowances of \$1.9 million. The Group continues to set aside adequate specific and collective allowances for the loan portfolio.

The Group has also made impairment loss on investments of \$0.7 million due to prolonged decline in the market value of quoted equity investments. The investments have been disposed of during the first quarter of 2016.

Notwithstanding the weaker profitability, the Group's shareholders' funds remains strong at \$252 million as at 31 December 2016, and is more than adequate to buffer further volatility in the current economic slowdown. Our capital adequacy ratio continues to be well above the regulatory minimum requirement.

Total loan net of allowances decreased by 10.4% to \$838 million compared to \$935 million as at 30 June 2015 in the midst of a challenging economic environment. To match the lower loan balance, total customers' deposits was managed downwards by 12.4% to \$857 million as at 31 December 2016.

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 amounting to \$3.2 million for FY2016.

OPERATIONS REVIEW

The Group is fully committed to deliver excellent service to our customers and is also constantly exploring new avenues to boost productivity. During FY2016, frontline staff was trained on how to improve their skills to enhance customers' experience.

The Group has been proactively managing our operating expenses down and where possible, have a leaner organizational structure and productive work force. We have also continued to boost productivity and efficiency via technology and streamlining of process flows. An in-house development project is underway to enable front-end interface with our loan system which would reduce back-end data re-entry work.

During FY2016, we continued for the second year to be the title sponsor of the Singapore National Age Group Swimming Championships ("SNAG") which was held in March 2016, working alongside Enterprise Sports Group ("ESG") and Singapore Swimming Association ("SSA") to engage our youth community. SNAG presents swimmers with the chance to qualify for FINA sanctioned events and to be recognized and picked to be part of Team Singapore for international swimming competitions such as SEA Games, Asian Games and the Olympics. The event serves our commitment to be a good corporate citizen and also present opportunities for us to enhance awareness of our brand and products.

OUTLOOK

Singapore's economy is expected to remain subdued in 2017 with local economic restructuring challenges and slowdown in the global trade and the uncertainties of any policy changes from the newly elected US Administration. 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.

On a positive note, Monetary Authority of Singapore ("MAS") has announced on 14 February 2017 regulatory changes to strengthen the resilience of finance companies and enhance their ability to provide financing to small and medium sized enterprises (SMEs). MAS will be phasing in the regulatory changes starting from 2017. The Group welcomes the announcement and will explore any expanded business opportunities that accompanies the changes.

ACKNOWLEDGEMENTS

On behalf of the Board, I welcome Mr Adam Tan Chin Han who joined the Board on 3 January 2017 as an independent director. I am confident the Group will benefit from his extensive and diverse experience and counsel.

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



Teo Chiang Long
Executive Chairman

Singapore
24 February 2017

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 & CEO on 1 March 1989. He was appointed as Chairman of the Board on 8 November 2002 and continued as the Managing Director and CEO of the Company. Since 11 September 2007, Mr Teo was appointed as Executive Chairman and was last re-appointed as a Director at the Annual General Meeting of the Company on 21 October 2015.

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 Honorary Secretary of Ngee Ann Kongsi Committee of Management.

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 from the University of Adelaide, South Australia in Singapore.



JAMIE TEO MIANG YEOW CHIEF EXECUTIVE OFFICER

Mr Jamie Teo Miang Yeow joined Singapura Finance Ltd 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. Since 11 September 2007, Mr Teo has held the position of Chief Executive Officer of the Company. He was last re-elected as a Director at the Annual General Meeting of the Company held on 21 October 2015 and is a member of the Risk Management and Executive Committees.

Mr Teo holds a Bachelor of Arts and a Master 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, a Governor of the Singapore Teochew Foundation Ltd and represents Ngee Ann Kongsi as a member of the Ngee Ann Polytechnic Council. He is a member of the Singapore Institute of Directors. He is the Chairman of the Finance Houses Association of Singapore for a two-year term effective from 10 April 2016.



PHUA BAH LEE INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Phua Bah Lee joined the Board of Singapura Finance Ltd 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 21 October 2015.

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 Singapura Finance Ltd 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 21 October 2015.

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 Singapura Finance Ltd as General Manager on 2 April 1983. He was appointed to the Board as Executive Director on 1 March 1989. After his retirement as the 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. 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, and based on the Nominating Committee's assessment bearing in mind all salient factors, Mr Ho was considered to be an Independent Director with effect from 26 August 2011.

Mr Ho had been last re-appointed as a Director at the Annual General Meeting of the Company held on 21 October 2015. 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 31 October 2014.

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. In addition, she 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 of the Company 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 after 27 years in politics.

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 Current Advisor to:

- Hyflux Ltd – Senior Advisor – International Advisory Panel (since 2013)
- Nuri Holdings (S) Pte Ltd – Advisor (since 2012)
- Global Yellow Pages Limited – Special Advisor (since 2011)
- 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)
- Hardware 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 Committee, Nominating, Remuneration and Risk Management Committees.

Mr. Tan is the CEO 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 2001. Since 2001, Plasticscommerce Pte Ltd has invested and operated manufacturing companies in Europe and Russia, equipment distribution companies in Europe, an industrial automation company and a technical training school in Asia. Mr. Tan joined Agrimax Pte Ltd in 2014 as a Board

member and an Executive Director 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 18 months 31 Dec 2016 S\$'000 | Unaudited 18 months 31 Dec 2015 ⁽¹⁾ S\$'000 | 30 Jun 2015 S\$'000 | Audited 12 months 30 Jun 2014 S\$'000 | 30 Jun 2013 S\$'000 | 30 Jun 2012 S\$'000 |
|--|--|---|------------------------|--|------------------------|------------------------|
| CAPITAL EMPLOYED | | | | | | |
| Total assets | 1,124,773 | 1,208,463 | 1,237,813 | 1,027,950 | 986,492 | 888,995 |
| Net assets | 251,885 | 247,280 | 248,579 | 170,271 | 166,226 | 170,308 |
| Net assets per share (dollars) | 1.59 | 1.56 | 1.57 | 2.15 | 2.10 | 2.15 |
| SHARE CAPITAL | | | | | | |
| Issued and fully paid | 168,896 | 168,896 | 168,896 | 90,065 | 90,065 | 90,065 |
| Number of shares issued (thousands) | 158,686 | 158,686 | 158,686 | 79,343 | 79,343 | 79,343 |
| LOANS AND DEPOSITS | | | | | | |
| Loans before allowances | 851,588 | 946,856 | 945,603 | 801,340 | 741,503 | 645,441 |
| Deposits | 856,928 | 946,937 | 978,143 | 847,330 | 797,738 | 693,847 |
| PROFIT AND DIVIDEND PAYOUT | | | | | | |
| Profit before tax | 4,671 | 6,864 | 5,464 | 6,695 | 5,478 | 7,522 |
| Profit after tax | 3,900 | 5,713 | 4,543 | 5,795 | 5,260 | 6,672 |
| Dividend | 3,174 | 3,174 | 3,174 | 3,967 | 3,967 | 4,760 |
| DIVIDEND AND EARNINGS PER SHARE | | | | | | |
| Dividend per share (cents) – tax exempt one-tier | 2.0 | 2.0 | 2.0 | 5.0 | 5.0 | 6.0 |
| Earnings per share (cents) ⁽²⁾ | 2.5 | 4.1 | 3.5 | 6.1 | 5.5 | 7.0 |

(1) The 18 month period results ended 31 December 2015, which is computed by adding the results of the 6 month period ended 31 December 2015 to that of 12 month period ended 30 June 2015, is presented for comparative purposes. The previous audited financial statements were for the 12 months ended 30 June 2015.

(2) Earnings per share for 18 months ended 31 Dec 2016 are calculated based on profit after tax on weighted average of 158,685,890 shares in issue (18 months ended 31 Dec 2015 : 140,828,039 shares, 12 months ended 30 Jun 2015 : 131,825,726 shares and FY2012 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. Singapore 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

| | |
|--------|-----|
| FY2016 | 4.7 |
| FY2015 | 5.5 |
| FY2014 | 6.7 |
| FY2013 | 5.5 |
| FY2012 | 7.5 |

NET DIVIDEND PER SHARE cents

| | |
|--------|-----|
| FY2016 | 2.0 |
| FY2015 | 2.0 |
| FY2014 | 5.0 |
| FY2013 | 5.0 |
| FY2012 | 6.0 |

LOANS S\$ million

| | |
|--------|-------|
| FY2016 | 851.6 |
| FY2015 | 945.6 |
| FY2014 | 801.3 |
| FY2013 | 741.5 |
| FY2012 | 645.4 |

DEPOSITS S\$ million

| | |
|--------|-------|
| FY2016 | 856.9 |
| FY2015 | 978.1 |
| FY2014 | 847.3 |
| FY2013 | 797.7 |
| FY2012 | 693.8 |

FINANCIAL REVIEW

| FINANCIAL SUMMARY | Audited 18 Months 31 Dec 2016 \$'000 | Unaudited 18 Months 31 Dec 2015 ⁽¹⁾ \$'000 | Variance % |
|---|---|--|---------------|
| SELECTED INCOME STATEMENT ITEMS | | | |
| Net interest income | 31,376 | 33,796 | (7.2) |
| Non-interest income | 3,648 | 2,708 | 34.7 |
| Total income | 35,024 | 36,504 | (4.1) |
| Operating expenses | (24,925) | (26,580) | (6.2) |
| Profit from operations before allowances | 10,099 | 9,924 | 1.8 |
| Allowances on loan losses | (4,688) | (1,920) | 144.2 |
| Impairment loss on investments | (740) | (1,140) | (35.1) |
| Profit before tax | 4,671 | 6,864 | (32.0) |
| Profit after tax attributable to shareholders | 3,900 | 5,713 | (31.7) |
| SELECTED BALANCE SHEET ITEMS | | | |
| Total equity | 251,885 | 247,280 | 1.9 |
| Total assets | 1,124,773 | 1,208,463 | (6.9) |
| Loans and advances (net of allowances) | 838,384 | 935,902 | (10.4) |
| Deposits and savings accounts of customers | 856,928 | 946,937 | (9.5) |
| KEY FINANCIAL RATIOS (%) | | | |
| Net interest margin | 1.78 | 1.99 | |
| Non-interest income ratio | 10.4 | 7.4 | |
| Cost-to-income ratio | 71.2 | 72.8 | |
| Loans-to-deposits ratio | 97.8 | 98.8 | |
| Non-performing loans ratio | | | |
| – Secured by collateral | 2.4 | 2.3 | |
| – Unsecured and fully provided for | 0.6 | 0.2 | |
| Return on equity ⁽²⁾ | 1.5 | 2.3 | |
| Return on total assets ⁽³⁾ | 0.3 | 0.5 | |
| Capital adequacy ratio | 28.8 | 25.2 | |
| PER ORDINARY SHARE DATA | | | |
| Basic earnings per share (cents) ⁽⁴⁾ | 2.5 | 4.1 | |
| Net asset value per share (\$) | 1.6 | 1.6 | |

(1) The 18 month period results ended 31 December 2015, which is computed by adding the results of the 6 month period ended 31 December 2015 to that of 12 month period ended 30 June 2015, is presented for comparative purposes. The previous audited financial statements were for the 12 months ended 30 June 2015.

(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 18 months ended 31 December 2016 are calculated based on profit after tax on weighted average of 158,685,890 shares in issue (18 months ended 31 December 2015 : 140,828,039 shares).

ANALYSIS OF PERFORMANCE

The financial period under review, FY2016, covers the 18-month period from 1 July 2015 to 31 December 2016 as a result of the change of financial year end from 30 June to 31 December.

The external operating environment for FY2016 continued to be challenging, against a background of modest growth for the Singapore's economy of 2.0% for the whole of 2016. Under this weak business environment, despite proactive management of the operating expenses to ensure positive growth at the operating profit before allowances, the Group still registered a decline of \$1.8 million for profit after tax due to the higher charge of allowances for loan losses. The Group registered a profit after tax of \$3.9 million for FY2016 compared to \$5.7 million during the preceding corresponding period.

The Group's profit from operations before allowances for FY2016 was \$10.1 million, 1.8% higher vis-à-vis the same period last year. This was a result of strict discipline in the management of operating costs in the light of lower income. Net interest income contracted

FINANCIAL REVIEW

by \$2.4 million or 7.2% as the rise in interest costs more than offset the growth in interest income. The drop in net interest income was partially compensated by higher non-interest income particularly fee and commission income and gain on sale of investments.

Net allowances for loan losses amounted to \$4.7 million for FY2016. This is a reflection of the prevailing challenging economic conditions, especially in some sectors, like the oil and gas sector. For the same period last year, there was a net charge for loan allowances of \$1.9 million. The Group continues to set aside adequate specific and collective allowances for the loan portfolio.

The Group has also made impairment loss on investments of \$0.7 million due to prolonged decline in the market value of quoted equity investments. The investments have been disposed during the first quarter of 2016.

Notwithstanding the weaker profitability, the Group's shareholders' funds remains strong at \$252 million as at 31 December 2016, and is more than adequate to buffer further volatility in the current economic slowdown. Our capital adequacy ratio continues to be well above the regulatory minimum requirement.

Total loan net of allowances decreased by 10.4% to \$838 million compared to \$935 million as at 30 June 2015 in the midst of a challenging economic environment. To match the lower loan balance, total customers' deposits was managed downwards by 12.4% to \$857 million as at 31 December 2016.

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 for the 18 months under review.

| | 18 months 31 Dec 2016 Tax Exempt cents | 12 months 30 Jun 2015 Tax Exempt cents | Variance cents |
|---------------------------|---|---|-------------------|
| DIVIDEND PER SHARE | | | |
| – Final | 2 | 2 | 0 |

NET INTEREST INCOME

Average Balance Sheet and Net Interest Margin

| | Average Balance \$'000 | Audited 18 months 31 Dec 2016 Interest \$'000 | Average Rate % | Average Balance \$'000 | Unaudited 18 months 31 Dec 2015 ⁽¹⁾ Interest \$'000 | Average Rate % |
|--|------------------------------|---|----------------------|------------------------------|--|----------------------|
| INTEREST-EARNING ASSETS | | | | | | |
| Loans and advances | 926,876 | 47,146 | 3.38 | 902,184 | 45,300 | 3.34 |
| Singapore Government Securities | 120,238 | 1,928 | 1.07 | 119,323 | 2,128 | 1.19 |
| Other interest-earning assets | 123,805 | 2,034 | 1.09 | 108,263 | 1,673 | 1.03 |
| TOTAL | 1,170,919 | 51,108 | 2.90 | 1,129,770 | 49,101 | 2.89 |
| INTEREST BEARING-LIABILITIES | | | | | | |
| Deposits and savings accounts | 936,531 | 19,732 | 1.40 | 915,760 | 15,305 | 1.11 |
| TOTAL | 936,531 | 19,732 | 1.40 | 915,760 | 15,305 | 1.11 |
| Net interest income/margin as a percentage of interest-earning assets | | 31,376 | 1.78 | | 33,796 | 1.99 |

Net interest income declined by 7.2% to \$31.4 million during FY2016 compared to the same period last year.

The drop in net interest income was mainly attributed to higher of cost of funds which outpaced the increase in interest income. The Group's net interest margin as a percentage of the interest-earning assets declined by 0.2% from 1.99% to 1.78%.

(1) The 18 month period results ended 31 December 2015, which is computed by adding the results of the 6 month period ended 31 December 2015 to that of 12 month period ended 30 June 2015, is presented for comparative purposes. The previous audited financial statements were for the 12 months ended 30 June 2015.

FINANCIAL REVIEW

The table below analyses the change in the net interest income in FY2016 over the same period last year due to the impact of volume and rate changes.

| INCREASE/(DECREASE) FOR FY2016 OVER FY2015 | Volume \$'000 | Rate \$'000 | Total \$'000 |
|--|------------------|----------------|-----------------|
| INTEREST INCOME | | | |
| Loans and advances | 1,240 | 606 | 1,846 |
| Singapore Government Securities | 16 | (216) | (200) |
| Other assets | 240 | 121 | 361 |
| TOTAL | 1,496 | 511 | 2,007 |
| INTEREST EXPENSE | | | |
| Deposits and savings accounts | 347 | 4,080 | 4,427 |
| TOTAL | 347 | 4,080 | 4,427 |
| NET INTEREST INCOME | 1,149 | (3,569) | (2,420) |

| | Audited 18 months 31 Dec 2016 \$'000 | Unaudited 18 months 31 Dec 2015 ⁽¹⁾ \$'000 | Variance % |
|----------------------------------|---|--|---------------|
| NON-INTEREST INCOME | | | |
| Fees and commissions | 2,141 | 1,430 | 49.7 |
| Dividends | 324 | 514 | (37.0) |
| Gain on sale of investments | 539 | 83 | 549.4 |
| Other operating income | 644 | 681 | (5.4) |
| TOTAL NON-INTEREST INCOME | 3,648 | 2,708 | 34.7 |

Non-interest income for the year increased 34.7% to \$3.6 million compared to same period in the preceding year. The growth was primarily due to higher gain on sale of investments and fees and commission.

| | Audited 18 months 31 Dec 2016 \$'000 | Unaudited 18 months 31 Dec 2015 ⁽¹⁾ \$'000 | Variance % |
|---|---|--|---------------|
| OPERATING EXPENSES | | | |
| Staff costs | 12,108 | 13,700 | (11.6) |
| Depreciation of property, plant and equipment | 1,176 | 1,141 | 3.1 |
| Other operating expenses | 11,641 | 11,739 | (0.8) |
| TOTAL OPERATING EXPENSES | 24,925 | 26,580 | (6.2) |

Operating expenses decreased by 6.2% compared to the same period last year as a result of strict discipline in the management of staff costs in the light of lower income.

| | Audited 18 months 31 Dec 2016 \$'000 | Unaudited 18 months 31 Dec 2015 ⁽¹⁾ \$'000 | Variance % |
|--|---|--|---------------|
| IMPAIRMENT ALLOWANCES FOR LOANS | | | |
| Allowance for individual impairment (net) | (5,667) | (1,095) | 417.5 |
| Write-back/(Allowance) for collective impairment | 979 | (825) | (218.7) |
| TOTAL ALLOWANCES ON LOAN LOSSES | (4,688) | (1,920) | 144.2 |

A net allowance for individual impairment allowances of \$5.7 million was made in FY2016 compared to \$1.1 million during the same period last year. This is a reflection of the prevailing challenging economic conditions, especially in some sectors, like the oil and gas sector. In line with the contraction in loan balance, a write back of collective impairment allowance of \$1.0 million was made at a portfolio level. The resultant impact was a total net charge of \$4.7 million for loan allowances compared to \$1.9 million for the same period last year.

(1) The 18 month period results ended 31 December 2015, which is computed by adding the results of the 6 month period ended 31 December 2015 to that of 12 month period ended 30 June 2015, is presented for comparative purposes. The previous audited financial statements were for the 12 months ended 30 June 2015.

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 (*appointed 3 January 2017*)

AUDIT COMMITTEE

Tan Hui Keng, Martha (*Chairman*)

Phua Bah Lee

Teoh Eng Hong

Yu-Foo Yee Shoon

Adam Tan Chin Han (*appointed 3 January 2017*)

NOMINATING COMMITTEE

Yu-Foo Yee Shoon (*Chairman*)

Phua Bah Lee

Teoh Eng Hong

Tan Hui Keng, Martha

Adam Tan Chin Han (*appointed 3 January 2017*)

REMUNERATION COMMITTEE

Phua Bah Lee (*Chairman*)

Teoh Eng Hong

Yu-Foo Yee Shoon

Tan Hui Keng, Martha

Adam Tan Chin Han (*appointed 3 January 2017*)

RISK MANAGEMENT COMMITTEE

Teoh Eng Hong (*Chairman*)

Jamie Teo Miang Yeow

William Ho Ah Seng

Tan Hui Keng, Martha

Adam Tan Chin Han (*appointed 3 January 2017*)

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 SOCIAL RESPONSIBILITY

The Singapura Finance 47th Singapore National Age Group Swimming Championships saw the second consecutive year of title sponsorship by Singapura Finance, strengthening its reach in and around the country's swimming community. The event was also the last national qualifier event for swimmers vying for a coveted spot at the 2016 Olympics in Rio.

Singapura Finance set out to achieve 95% brand recall with the swimming community, \$2m in PR value over the course of the championships and most importantly, build brand affinity of 50% with the target audience.



Overall brand recall achieved 94.72%

across swimmers, parents and swim clubs. For media coverage, 44 print articles, 13 broadcast reports and 45 online articles delivered an **overall PR value of \$2.47m** – a 9% increase from 2015.

We were able to build on brand affinity, surpassing targets considerably, with a **purchase consideration of 71% achieved**. Event experience was also high, with **95.9% of participants and attendees enjoying the enhancements by Singapura Finance throughout the event**.

Strong engagement was garnered through digital platforms that resided in official event Facebook, Instagram and website pages. The official Facebook page recorded **245,370 impressions and 4,240 Likes** – a 90% increase reach from 2015. Frequent engagements were made through content, contests and updates for website achieving over **8,000 users and 26,000 page views** in total.

Continuing the good work from 2015, athlete food packs were brought back by popular demand by way of showing support the community. Monetary incentives were also awarded to record breakers in recognition of their efforts.

2016 marked a significant milestone for sports in Singapore, with swimming taking centre stage. Singapura Finance is proud to have been part of this meaningful journey, which culminated in a groundbreaking feat that saw Singapore's rising swim star shine on the world stage.



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 period from 1 July 2015 to 31 December 2016 (“FY2016”). Where there is any deviation from 2012 Code, the Company’s position in respect of such differences is explained in this report.

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.

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.

At its meetings, the Board reviews and approves the strategic plans, annual budget and key operational issues, and reviews the financial performance of the Group. Other matters which are required to be referred to the Board for approval include:

- Quarterly and yearly financial announcements;
- Statutory financial statements;
- 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 FY2016 is as follows:

| | Board | Audit | Nominating | Remuneration | Risk Management |
|-----------------------------|---------------------------------|-------|------------|--------------|-----------------|
| No. of Meetings Held | 7 | 6 | 2 | 4 | 7 |
| Name of Directors | No. of Meetings Attended | | | | |
| Teo Chiang Long | 7 | – | – | – | – |
| Phua Bah Lee | 7 | 6 | 2 | 4 | – |
| Teoh Eng Hong | 7 | 6 | 2 | 4 | 7 |
| Jamie Teo Miang Yeow | 7 | – | – | – | 7 |
| William Ho Ah Seng | 7 | – | – | – | 7 |
| Yu-Foo Yee Shoon | 7 | 6 | 2 | 4 | – |
| Tan Hui Keng, Martha | 7 | 6 | 2 | 4 | 7 |

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 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.

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.

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.

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. Mrs Nguy Jootian, who retired on 31 August 2015, had resigned as Company Secretary on 3 August 2015, and Ms Ngiam May Ling was appointed as the new Company Secretary on 3 August 2015.

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.

CORPORATE GOVERNANCE

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.

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.

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.

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. 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.

CORPORATE GOVERNANCE

Staff retirement gratuity is the only long-term incentive scheme. Staff (including executive Directors) 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. Apart from the staff retirement gratuity, SFL does not offer shares or grant options with vesting period or employees share scheme.

Disclosure on Remuneration

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

Disclosure of Remuneration

Details of Directors' remuneration in FY2016 are set out below:

| Directors of the Company | For the period from 1 July 2015 to 31 December 2016 | | | | |
|--|---|---------------------------|---------------------------------------|---|------------|
| | Base Salary % | Bonus/ Allowances % | Other Benefits ^(a) % | Board/Board Committee Fees ^(b) % | Total % |
| Executive Chairman \$750,000 to below \$1,000,000 | | | | | |
| 1. Teo Chiang Long | 74.17 | 15.46 | 3.67 | 6.70 | 100 |
| Executive Director & CEO \$500,000 to below \$750,000 | | | | | |
| 2. Jamie Teo Miang Yeow | 71.01 | 17.43 | 3.44 | 8.12 | 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 |

Notes:

(a) These relate to long-term incentive scheme, staff retirement gratuity.

(b) These fees comprise Directors' fees for FY2016 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.

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/-. Mrs Nguy Jootian, sister of the Executive Chairman, Mr Teo Chiang Long and aunt of CEO Mr Jamie Teo Miang Yeow, was the Company Secretary and a General Manager of the Company. She retired on 31 August 2015 after having served the Company for 22 years. Her remuneration in FY2016 was below \$200,000/-, and comprised 19.70% base salary, 3.88% bonus/allowances and 76.42% retirement gratuity.

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") develops the credit risk management framework, policies and procedures for concurrence by the RMC and approval by the Board. The CCC also 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.

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 Chief Financial Officer ("CFO") that as at 31 December 2016:

- (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 CFO, 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 2016 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.

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.

Specific functions of the AC include:

- 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 any announcements relating to the Group's financial performance;
- Reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls;
- Reviewing, on an annual basis, the scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors; and where external auditors supply a substantial volume of non-audit services, the nature and extent of the non-audit services;
- Reviewing annually 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 FY2016, 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 FY2016 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 | \$1,489,172.97 | 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

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

Internal Audit Department

The Group has a well-established Internal Audit function with formal procedures for 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 Chief Executive Officer of the Company on administrative matters.

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 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.

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 for FY2016.

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 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.

With effect from 1 August 2015, 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 28 April 2017 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 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.

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 period ended 31 December 2016.

In our opinion:

- (a) the financial statements set out on pages 37 to 87 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 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the period 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

(Appointed on 3 January 2017)

CHANGE OF FINANCIAL YEAR END

During the period, the Company changed its financial year end from 30 June to 31 December. Accordingly, these financial statements cover the financial period from 1 July 2015 to 31 December 2016. The comparatives cover the financial year from 1 July 2014 to 30 June 2015.

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 period (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 period | Holdings at end of the period | Holdings at beginning of the period | Holdings at end of the period |
| 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 period.

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial period and 21 January 2017.

Neither at the end of, nor at any time during the financial period, 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.

DIRECTORS' STATEMENT

WARRANTS AND SHARE OPTIONS

Warrants

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

Share options

During the financial period, 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 period, there were no unissued shares of the Company or its subsidiaries under options.

AUDIT COMMITTEE

The members of the Audit Committee during the financial period 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 (Appointed on 3 January 2017)

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 six 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

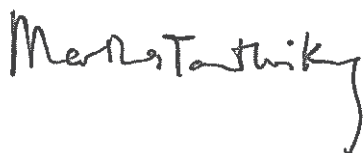
The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Teo Chiang Long

Director



Tan Hui Keng, Martha

Director

24 February 2017

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 2016, 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 period from 1 July 2015 to 31 December 2016, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 37 to 87.

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 2016 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 period from 1 July 2015 to 31 December 2016.

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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

Members of the Company

Singapura Finance Ltd

| Allowance for loan losses amounting to \$13,204,000 (Refer to Note 6 to the financial statements) | |
|--|---|
| <i>The key audit matter</i> | <i>How the matter was addressed in our audit</i> |
| <p>The Group's loans and advances to customers represent 76% of its total assets.</p> <p>The adequacy of allowance for loan losses was identified as a key focus area in our audit as it involves a considerable degree of judgement in assessing the adequacy of the allowances.</p> <p>In addition, the Group has to meet regulatory requirements relating to maintenance of collective impairment allowances.</p> | <p>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.</p> <p>We performed a sample of credit reviews on individually significant loans and advances by critically assessing the credit grading and any objective evidence of impairment.</p> <p>We reviewed the Group's assumptions in assessing specific impairment for exposures subject to individual impairment assessment on a sample basis. We critically assessed the realisation of collateral and other possible source of repayment.</p> <p>We also assessed the Group's comparison of collective impairment provided against its historical loss data and ascertained that the parameters used agree to underlying supporting documents.</p> <p>We recomputed management's calculation to ascertain that the Group's collective impairment is maintained in accordance to regulatory requirements.</p> |
| <p><i>Our findings</i></p> <p>The Group has adequate controls in place to identify and record impaired loans and advances. The impairment estimates were within an acceptable range of outcomes.</p> | |

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the analysis of shareholdings which is 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 analysis of shareholdings, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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.

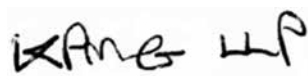
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 period 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

24 February 2017

BALANCE SHEETS

As at 31 December 2016

| | Note | Group | | Company | |
|--|------|------------------|------------------|------------------|------------------|
| | | 31 December | 30 June | 31 December | 30 June |
| | | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 |
| Assets | | | | | |
| Cash and cash equivalents | 4 | 136,789 | 140,625 | 136,627 | 140,589 |
| Statutory deposit with the Monetary Authority of Singapore | | 22,180 | 24,358 | 22,180 | 24,358 |
| Investments | 5 | 116,098 | 122,512 | 116,098 | 122,512 |
| Loans and advances | 6 | 838,384 | 935,483 | 838,384 | 935,483 |
| Other receivables, deposits and prepayments | 8 | 3,076 | 6,168 | 3,072 | 6,168 |
| Subsidiaries | 9 | – | – | 125 | 125 |
| Property, plant and equipment | 10 | 8,246 | 8,667 | 8,246 | 8,667 |
| Total assets | | 1,124,773 | 1,237,813 | 1,124,732 | 1,237,902 |
| Equity | | | | | |
| Share capital | 11 | 168,896 | 168,896 | 168,896 | 168,896 |
| Reserves | 11 | 82,989 | 79,683 | 81,014 | 77,862 |
| Total equity attributable to owners of the Company | | 251,885 | 248,579 | 249,910 | 246,758 |
| Liabilities | | | | | |
| Deposits and savings accounts of customers | 12 | 856,928 | 978,143 | 859,095 | 980,285 |
| Trade and other payables | 13 | 12,867 | 9,049 | 12,640 | 8,823 |
| Current tax liabilities | | 1,724 | 655 | 1,718 | 649 |
| Staff retirement gratuities | 14 | 1,276 | 1,350 | 1,276 | 1,350 |
| Deferred tax liabilities | 15 | 93 | 37 | 93 | 37 |
| Total liabilities | | 872,888 | 989,234 | 874,822 | 991,144 |
| Total equity and liabilities | | 1,124,773 | 1,237,813 | 1,124,732 | 1,237,902 |

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

CONSOLIDATED INCOME STATEMENT

Period ended 31 December 2016

| | Note | Group | |
|---|------|--|---|
| | | Period from 1 July 2015 to 31 December 2016 \$'000 | Year ended 30 June 2015 \$'000 |
| Interest income and hiring charges | | 51,108 | 31,417 |
| Interest expense | | (19,732) | (9,200) |
| Net interest and hiring charges | | 31,376 | 22,217 |
| Fee and commission income | | 2,141 | 846 |
| Dividend income | | 324 | 391 |
| Other operating income | | 1,183 | 539 |
| Income before operating expenses | | 35,024 | 23,993 |
| Staff costs | | (12,108) | (9,133) |
| Depreciation of property, plant and equipment | 10 | (1,176) | (748) |
| Other operating expenses | | (11,641) | (7,160) |
| Profit from operations before allowances | 16 | 10,099 | 6,952 |
| Allowances on loan losses (net) | 17 | (4,688) | (1,088) |
| Impairment loss on investments | | (740) | (400) |
| Profit before tax | | 4,671 | 5,464 |
| Tax expense | 18 | (771) | (921) |
| Profit for the period/year | | 3,900 | 4,543 |
| Earnings per share | | | |
| Basic earnings per share (cents) | 19 | 2.46 | 3.45* |
| Diluted earnings per share (cents) | 19 | 2.46 | 3.45* |

* After adjustment following the completion of rights issue

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 December 2016

| | Group | |
|--|--|---|
| | Period from 1 July 2015 to 31 December 2016 \$'000 | Year ended 30 June 2015 \$'000 |
| Profit for the period/year | 3,900 | 4,543 |
| 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 | (1,641) |
| Net change in fair value of available-for-sale investments reclassified to profit or loss | | |
| – on disposal | (539) | (83) |
| – on impairment | 740 | 400 |
| Tax on items that may be reclassified subsequently to profit or loss | (529) | 225 |
| Other comprehensive income for the period/year, net of tax | 2,580 | (1,099) |
| Total comprehensive income for the period/year | 6,480 | 3,444 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 December 2016

| Group | Note | Attributable to equity holders of the Company | | | | | | Total \$'000 |
|---|------|---|------------------------------|--------------------------------|---------------------------------|------------------------------|----------------------------------|-----------------|
| | | Share capital \$'000 | Capital reserve \$'000 | Statutory reserve \$'000 | Fair value reserve \$'000 | General reserve \$'000 | Accumulated profits \$'000 | |
| At 1 July 2014 | | 90,065 | 1,353 | 58,944 | (1,550) | 730 | 20,729 | 170,271 |
| Total comprehensive income for the year | | | | | | | | |
| Profit for the year | | – | – | – | – | – | 4,543 | 4,543 |
| Other comprehensive income | | | | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | | |
| Net change in fair value of available-for-sale investments | | – | – | – | (1,641) | – | – | (1,641) |
| Net change in fair value of available-for-sale investments reclassified to profit or loss | | | | | | | | |
| – on disposal | | – | – | – | (83) | – | – | (83) |
| – on impairment | | – | – | – | 400 | – | – | 400 |
| Tax relating to items that may be reclassified subsequently to profit or loss | | – | – | – | 225 | – | – | 225 |
| Total other comprehensive income | | – | – | – | (1,099) | – | – | (1,099) |
| Total comprehensive income for the year | | – | – | – | (1,099) | – | 4,543 | 3,444 |
| Transaction with owners, recorded directly in equity | | | | | | | | |
| Contributions by and Distribution to owners | | | | | | | | |
| Dividends declared and paid | 11 | – | – | – | – | – | (3,967) | (3,967) |
| Issue of Rights Shares | 11 | 78,831 | – | – | – | – | – | 78,831 |
| Total transactions with owners | | 78,831 | – | – | – | – | (3,967) | 74,864 |
| Transfer from profit for the year to statutory reserve | | – | – | 2,234 | – | – | (2,234) | – |
| At 30 June 2015 | | 168,896 | 1,353 | 61,178 | (2,649) | 730 | 19,071 | 248,579 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Period ended 31 December 2016

| Group | Note | Attributable to equity holders of the Company | | | | | | Total \$'000 |
|---|------|---|------------------------------|--------------------------------|---------------------------------|------------------------------|----------------------------------|-----------------|
| | | Share capital \$'000 | Capital reserve \$'000 | Statutory reserve \$'000 | Fair value reserve \$'000 | General reserve \$'000 | Accumulated profits \$'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 | | | | | | | | |
| At 31 December 2016 | | – | – | 1,880 | – | – | (1,880) | – |
| | | 168,896 | 1,353 | 63,058 | (69) | 730 | 17,917 | 251,885 |

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

STATEMENT OF CHANGES IN EQUITY

Period ended 31 December 2016

| 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 2014 | | 90,065 | 1,353 | 58,944 | (1,550) | 730 | 18,984 | 168,526 |
| Total comprehensive income for the year | | | | | | | | |
| Profit for the year | | – | – | – | – | – | 4,467 | 4,467 |
| Other comprehensive income | | | | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | | |
| Net change in fair value of available-for-sale investments | | – | – | – | (1,641) | – | – | (1,641) |
| Net change in fair value of available-for-sale investments reclassified to profit or loss | | | | | | | | |
| – on disposal | | – | – | – | (83) | – | – | (83) |
| – on impairment | | – | – | – | 400 | – | – | 400 |
| Tax relating to items that may be reclassified subsequently to profit or loss | | – | – | – | 225 | – | – | 225 |
| Total other comprehensive income | | – | – | – | (1,099) | – | – | (1,099) |
| Total comprehensive income for the year | | – | – | – | (1,099) | – | 4,467 | 3,368 |
| Transaction with owners, recorded directly in equity | | | | | | | | |
| Contributions by and Distribution to owners | | | | | | | | |
| Dividends declared and paid | 11 | – | – | – | – | – | (3,967) | (3,967) |
| Issue of Rights Shares | 11 | 78,831 | – | – | – | – | – | 78,831 |
| Total transactions with owners | | 78,831 | – | – | – | – | (3,967) | 74,864 |
| Transfer from profit for the year to statutory reserve | | – | – | 2,234 | – | – | (2,234) | – |
| At 30 June 2015 | | 168,896 | 1,353 | 61,178 | (2,649) | 730 | 17,250 | 246,758 |

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

STATEMENT OF CHANGES IN EQUITY (Continued)

Period ended 31 December 2016

| 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.

CONSOLIDATED CASH FLOW STATEMENT

Period ended 31 December 2016

| | Note | Period from 1 July 2015 to 31 December 2016 \$'000 | Year ended 30 June 2015 \$'000 |
|---|------|--|---|
| Cash flows from operating activities | | | |
| Profit for the period/year | | 3,900 | 4,543 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 1,176 | 748 |
| Property, plant and equipment written off | | 3 | 7 |
| Gain on disposal of property, plant and equipment | | (42) | (19) |
| Allowances on loan losses (net) | | 4,688 | 1,088 |
| Impairment loss on investments | | 740 | 400 |
| Gain on sale of investments | | (539) | (83) |
| Staff retirement gratuities | | 155 | 95 |
| Dividend income | | (324) | (391) |
| Tax expense | | 771 | 921 |
| | | 10,528 | 7,309 |
| Changes in working capital: | | | |
| Statutory deposit with the Monetary Authority of Singapore | | 2,178 | (1,511) |
| Loans and advances | | 92,411 | (144,283) |
| Other receivables, deposits and prepayments | | 3,092 | (2,392) |
| Deposits and savings accounts of customers | | (121,215) | 130,813 |
| Trade and other payables | | 3,818 | 958 |
| | | (9,188) | (9,106) |
| Cash used in operations | | (175) | (817) |
| Taxes paid | | (229) | (67) |
| Staff retirement gratuities paid | | | |
| Net cash used in operating activities | | (9,592) | (9,990) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (758) | (567) |
| Proceeds from sale of property, plant and equipment | | 42 | 19 |
| Dividends received | | 324 | 391 |
| Purchase of investments | | (441,578) | (33,175) |
| Proceeds from sale and maturity of investments | | 450,900 | 27,023 |
| Net cash from/(used in) investing activities | | 8,930 | (6,309) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | – | 78,831 |
| Dividends paid | | (3,174) | (3,967) |
| Net cash (used in)/from financing activities | | (3,174) | 74,864 |
| Net (decrease)/increase in cash and cash equivalents | | (3,836) | 58,565 |
| Cash and cash equivalents at 1 July | | 140,625 | 82,060 |
| Cash and cash equivalents at 31 December/30 June | 4 | 136,789 | 140,625 |

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 24 February 2017.

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 period ended 31 December 2016 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 period. 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Impairment (Continued)

(ii) Non-financial assets (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Provisions

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

3.7 Interest

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

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

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

Where charges are added to the principal financed at the commencement of the period, the general principle adopted for crediting income to profit or loss is to spread the income over the period in which the repayments are due using the following bases for the various categories of financing business:–

Interest income on loans and advances

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

Interest rebate on hire purchase

Term charges on hire purchase and leasing transactions are accounted for using the Rule of 78 (sum of digits) method. The balance of such term charges at the financial year end is carried forward as unearned charges.

Interest income from Singapore Government Securities

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

Interest income from bank deposits

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Dividend income

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

3.9 Tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Lease payments

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

3.11 Earnings per share

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

3.12 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these financial statements.

The new standards include FRS 115 *Revenue from Contracts with Customers*, FRS 109 *Financial Instruments* and FRS 116 *Leases*. FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* are mandatory for adoption by the Group on 1 January 2018. FRS 116 *Leases* is mandatory for adoption by the Group on 1 January 2019.

- FRS 115 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, FRS 115 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*.

- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.
- FRS 116 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.

FRS 116 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, FRS 116 requires more extensive disclosures to be provided by a lessor.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 New standards and interpretations not adopted (Continued)

When effective, FRS 116 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 the initial assessment, none of these new standards is expected to have a significant effect on the financial statements of the Group and the Company.

The new standard which will have a direct impact to the Group and the Company is FRS 109, and below is the Group's initial assessment of the three elements of FRS 109.

Classification and measurement – The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for at amortised cost model under FRS 109.

For financial assets currently classified as Available-for-Sale (AFS) debt securities, the Group expects to continue to measure them at fair value and subsequent changes through Other Comprehensive Income (FVOCI). In the Group's business model, these financial assets are held primarily for liquidity purposes and maybe sold from time to time should the need arise.

For the AFS equity securities, these are held for investment and the Group expects to elect to present them at fair value and the subsequent fair value changes to the Other Comprehensive Income (OCI) even upon divestment. Under FRS 109, only dividend incomes are recognised in profit or loss.

The Group currently does not have any financial assets or liabilities classified as fair value through profit and loss (FVPL) or Held to Maturity.

Impairment – The Group expects an increase the collective impairment loss allowance under the expected credit loss (ECL) model under FRS 109, compared to the current incurred credit loss model. However, it is unlikely to result in additional allowance charges for the Group or the Company upon the adoption of FRS 109 as the Group and the Company is also required to comply with the minimum regulatory requirement for loan loss allowance. The Group will be gathering data to quantify the potential impact arising from the adoption of the new standard.

Hedge Accounting – The Group currently has not apply any hedge accounting and do not expects any significant impact arising from the new hedge accounting requirements under FRS 109.

In addition, the Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 New standards and interpretations not adopted (Continued)

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

4 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 31 December | 30 June | 31 December | 30 June |
| | 2016 | 2015 | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash at banks and in hand | 52,849 | 19,052 | 52,687 | 19,016 |
| Fixed deposits with banks | 83,940 | 121,573 | 83,940 | 121,573 |
| | 136,789 | 140,625 | 136,627 | 140,589 |

5 INVESTMENTS

| | Group and Company | |
|---------------------------------|-------------------|----------------|
| | 31 December | 30 June |
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Available-for-sale: | | |
| Singapore Government Securities | 111,077 | 115,852 |
| Quoted equity securities | 5,021 | 6,660 |
| | 116,098 | 122,512 |

Interest-bearing available-for-sale financial assets of the Group and the Company with a carrying amount of \$111,077,000 at 31 December 2016 (30 June 2015: \$115,852,000) have stated interest rates of 0.50% to 4.00% (30 June 2015: 0.50% to 4.00%) and with a maturity of 1 month to 15 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 (30 June 2015: AAA).

During the period/year, the Group recognised an impairment loss of \$740,000 (30 June 2015: \$400,000) on its available-for-sale quoted equity securities in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

6 LOANS AND ADVANCES

| | | Group and Company | |
|--|------|-------------------------------|---------------------------|
| | Note | 31 December 2016 \$'000 | 30 June 2015 \$'000 |
| Mortgage and other secured loans | | 638,698 | 693,904 |
| Hire purchase receivables | 7 | 226,395 | 269,696 |
| | | 865,093 | 963,600 |
| Unearned charges and interest | | (13,505) | (17,996) |
| | | 851,588 | 945,604 |
| Allowances for loan losses | | (13,204) | (10,121) |
| | | 838,384 | 935,483 |
| Specific allowances: | | | |
| At 1 July | | 672 | 389 |
| Charge during the period/year | 17 | 7,591 | 719 |
| Write-back made during the period/year | 17 | (1,925) | (417) |
| Amounts written off against allowances | | (1,605) | (19) |
| At 31 December/30 June | | 4,733 | 672 |
| Collective allowances: | | | |
| At 1 July | | 9,449 | 8,663 |
| (Write-back)/charge during the period/year | 17 | (978) | 786 |
| At 31 December/30 June | | 8,471 | 9,449 |
| Total allowances for loan losses | | 13,204 | 10,121 |
| These comprise balances: | | | |
| Due within 12 months | | 59,426 | 78,035 |
| Due after 12 months | | 778,958 | 857,448 |
| | | 838,384 | 935,483 |

As at 31 December 2016, secured loans to directors (including immediate family members) of the Group and Company amounted to \$66,000.00 (30 June 2015: \$145,000).

NOTES TO THE FINANCIAL STATEMENTS

7 HIRE PURCHASE RECEIVABLES

| | 31 December 2016 | | | 30 June 2015 | | |
|-------------------------------|------------------|--------------------|---------------------|-----------------|--------------------|---------------------|
| | Gross \$'000 | Interest \$'000 | Principal \$'000 | Gross \$'000 | Interest \$'000 | Principal \$'000 |
| Group and Company | | | | | | |
| Within 1 year | 11,426 | 178 | 11,248 | 9,696 | 126 | 9,570 |
| Between 1 year and 5 years | 206,153 | 11,673 | 194,480 | 253,014 | 15,938 | 237,076 |
| After 5 years | 8,816 | 1,160 | 7,656 | 6,986 | 637 | 6,349 |
| | 226,395 | 13,011 | 213,384 | 269,696 | 16,701 | 252,995 |

8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|
| | 31 December 2016 \$'000 | 30 June 2015 \$'000 | 31 December 2016 \$'000 | 30 June 2015 \$'000 |
| Interest receivable | 395 | 873 | 395 | 873 |
| Deposits | 342 | 383 | 342 | 383 |
| Other receivables | 1,945 | 4,465 | 1,941 | 4,465 |
| | 2,682 | 5,721 | 2,678 | 5,721 |
| Prepayments | 394 | 447 | 394 | 447 |
| | 3,076 | 6,168 | 3,072 | 6,168 |

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 | |
|-----------------------------|-------------------------------|---------------------------|
| | 31 December 2016 \$'000 | 30 June 2015 \$'000 |
| Equity investments, at cost | 125 | 125 |

Details of the subsidiaries are as follows:

| Name of subsidiary | Principal activities | Country of incorporation | Ownership interest | |
|--|---|-----------------------------|--------------------------|----------------------|
| | | | 31 December 2016 % | 30 June 2015 % |
| 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 2014 | 2,263 | 9,119 | 2,645 | 279 | 4,247 | 18,553 |
| Additions | – | – | 85 | 187 | 295 | 567 |
| Disposals | – | – | – | (113) | – | (113) |
| Written off | – | – | (56) | – | (24) | (80) |
| At 30 June 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 |
| Accumulated depreciation | | | | | | |
| At 1 July 2014 | 1,149 | 2,145 | 2,443 | 279 | 3,682 | 9,698 |
| Depreciation charge for the year | 32 | 228 | 82 | 47 | 359 | 748 |
| Disposals | – | – | – | (113) | – | (113) |
| Written off | – | – | (49) | – | (24) | (73) |
| At 30 June 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 |
| Carrying amounts | | | | | | |
| At 1 July 2014 | 1,114 | 6,974 | 202 | – | 565 | 8,855 |
| At 30 June 2015 | 1,082 | 6,746 | 198 | 140 | 501 | 8,667 |
| At 31 December 2016 | 1,035 | 6,404 | 311 | 258 | 238 | 8,246 |

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

| Location | Description | Tenure | Carrying amounts | |
|--|---|---|-------------------------------|---------------------------|
| | | | 31 December 2016 \$'000 | 30 June 2015 \$'000 |
| 212 East Coast Road Singapore 428911 | 2-storey shop house used as branch premises | Freehold | 891 | 918 |
| 203 Henderson Road #02-07 Singapore 159546 | Warehouse | Freehold | 144 | 164 |
| Total freehold properties | | | 1,035 | 1,082 |
| 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 | 858 | 941 |
| Blk 101 Towner Road #01-230 Singapore 322101 | 1st storey used as branch premises and 2nd storey is used as office | 89-year lease commencing January 1993 | 257 | 282 |
| 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 | 214 | 234 |
| 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 | 1,639 | 1,712 |
| 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 | 3,436 | 3,577 |
| Total leasehold properties | | | 6,404 | 6,746 |
| | | | 7,439 | 7,828 |

NOTES TO THE FINANCIAL STATEMENTS

11 CAPITAL AND RESERVES

Share capital

| | Group and Company | |
|---|-------------------------|-------------------------|
| | 31 December 2016 | 30 June 2015 |
| | No. of shares (‘000) | No. of shares (‘000) |
| Fully paid ordinary shares, with no par value: | | |
| At 1 July | 158,686 | 79,343 |
| Issue of rights shares | – | 79,343 |
| At 31 December/30 June | 158,686 | 158,686 |

79,342,945 fully paid ordinary shares were issued at \$1.00 per share pursuant to a rights issue exercise undertaken by the Company during the financial year ended 30 June 2015.

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 | |
|-----------------------|---------------------|-----------------|---------------------|-----------------|
| | 31 December 2016 | 30 June 2015 | 31 December 2016 | 30 June 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Capital reserve | 1,353 | 1,353 | 1,353 | 1,353 |
| Statutory reserve | 63,058 | 61,178 | 63,058 | 61,178 |
| Fair value reserve | (69) | (2,649) | (69) | (2,649) |
| Revenue reserve: | | | | |
| – General | 730 | 730 | 730 | 730 |
| – Accumulated profits | 17,917 | 19,071 | 15,942 | 17,250 |
| | 82,989 | 79,683 | 81,014 | 77,862 |

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)

Reserves (Continued)

Dividends

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

| | Group and Company | |
|--|-------------------|---------|
| | 31 December | 30 June |
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| First and final, paid by the Company to owners of the Company | | |
| 2 cents per qualifying ordinary share (30 June 2015: 5 cents) | 3,174 | 3,967 |

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 | |
|--|-------------------|---------|
| | 31 December | 30 June |
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| First and final | | |
| 2 cents per ordinary share (30 June 2015: 2 cents) | 3,174 | 3,174 |

12 DEPOSITS AND SAVINGS ACCOUNTS OF CUSTOMERS

These include deposits placed by subsidiaries amounting to \$2,167,000 (30 June 2015: \$2,142,000) in the Company and \$214,468,000 (30 June 2015: \$229,496,000) placed by related parties of the Group and the Company, accepted in the ordinary course of business.

13 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---------------|---------|---------------|---------|
| | 31 December | 30 June | 31 December | 30 June |
| | 2016 | 2015 | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Accrued interest payable | 6,878 | 5,064 | 6,878 | 5,064 |
| Accrued operating expenses | 1,573 | 2,019 | 1,567 | 2,014 |
| Deposits for safe deposit boxes and rental deposits | 115 | 149 | 115 | 149 |
| Unclaimed dividends | 453 | 447 | 453 | 447 |
| Others | 3,848 | 1,370 | 3,627 | 1,149 |
| | 12,867 | 9,049 | 12,640 | 8,823 |
| These comprise balances: | | | | |
| Due within 12 months | 12,861 | 9,049 | 12,634 | 8,823 |
| Due after 12 months | 6 | — | 6 | — |
| | 12,867 | 9,049 | 12,640 | 8,823 |

NOTES TO THE FINANCIAL STATEMENTS

14 STAFF RETIREMENT GRATUITIES

| | Group and Company | |
|---------------------------------------|-------------------|------------|
| | Period from | Year ended |
| | 1 July 2015 to | 30 June |
| | 31 December | 2015 |
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| At 1 July | 1,350 | 1,322 |
| Provision made during the period/year | 155 | 95 |
| Utilised | (229) | (67) |
| At 31 December/30 June | 1,276 | 1,350 |

15 DEFERRED TAX (ASSETS)/LIABILITIES

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

| | Balance as at 1 July 2014 \$'000 | Recognised in profit or loss (note 18) \$'000 | Recognised in other comprehensive income \$'000 | Balance as at 30 June 2015 \$'000 | Recognised in profit or loss (note 18) \$'000 | Recognised in other comprehensive income \$'000 | Balance as at 31 December 2016 \$'000 |
|----------------------------------|--|---|---|---|---|---|---|
| Group and Company | | | | | | | |
| Deferred tax | | | | | | | |
| (assets)/liabilities | | | | | | | |
| Property, plant and equipment | 122 | – | – | 122 | (66) | – | 56 |
| Other receivables | 297 | 385 | – | 682 | (414) | – | 268 |
| Staff retirement gratuities | (224) | – | – | (224) | 7 | – | (217) |
| Investments | (318) | – | (225) | (543) | – | 529 | (14) |
| | (123) | 385 | (225) | 37 | (473) | 529 | 93 |

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 | |
|---|--|---|
| | Period from 1 July 2015 to 31 December 2016 \$'000 | Year ended 30 June 2015 \$'000 |
| Interest income and hiring charges | | |
| Interest income on: | | |
| – loans and advances | 47,146 | 29,069 |
| – bank deposits | 2,034 | 878 |
| – Singapore Government Securities | 1,928 | 1,470 |
| | 51,108 | 31,417 |
| Interest expense | | |
| Interest expense on customer deposits | 19,728 | 9,200 |
| Interest on overdraft | 4 | – |
| | 19,732 | 9,200 |
| Dividend income | | |
| Quoted equity investments | 324 | 391 |
| Other operating income | | |
| Gain on sale of investments | 539 | 83 |
| Bad debts recovered | 36 | 14 |
| Others | 608 | 442 |
| | 1,183 | 539 |
| Staff costs | | |
| Salaries and other benefits | 10,843 | 8,292 |
| Contributions to defined contribution plans | 1,265 | 841 |
| | 12,108 | 9,133 |

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 | |
|--|--|---|
| | Period from 1 July 2015 to 31 December 2016 \$'000 | Year ended 30 June 2015 \$'000 |
| Other operating expenses | | |
| Audit fees paid to auditors | | |
| – provision in respect of current period/year | 143 | 96 |
| Non-audit fees paid to auditors of the Company | 13 | 18 |
| Property, plant and equipment written-off | 3 | 7 |
| Operating lease expense paid to: | | |
| – related corporations | 1,319 | 879 |
| – third parties | 67 | 132 |
| Other operating expense paid to: | | |
| – related corporations | 73 | 59 |
| – third parties | 10,023 | 5,969 |
| | 11,641 | 7,160 |

17 ALLOWANCES ON LOAN LOSSES (NET)

| | | Group | |
|---|---|--|---|
| | | Period from 1 July 2015 to 31 December 2016 \$'000 | Year ended 30 June 2015 \$'000 |
| Write back/(Allowances) for loan losses | | | |
| – specific | 6 | (5,666) | (302) |
| – collective | 6 | 978 | (786) |
| | | (4,688) | (1,088) |

NOTES TO THE FINANCIAL STATEMENTS

18 TAX EXPENSE

| | Note | Group | |
|--|------|--|---|
| | | Period from 1 July 2015 to 31 December 2016 \$'000 | Year ended 30 June 2015 \$'000 |
| Tax expense | | | |
| Current year | | 1,247 | 536 |
| Overprovision in respect of prior year | | (3) | – |
| | | 1,244 | 536 |
| Deferred tax expense | | | |
| Origination and reversal of temporary differences | 15 | (473) | 385 |
| | | 771 | 921 |
| Reconciliation of effective tax rate | | | |
| Profit before tax | | 4,671 | 5,464 |
| Tax using Singapore tax rate of 17% (2015: 17%) | | 794 | 929 |
| Income not subject to tax | | (95) | (98) |
| Non-deductible expenses | | 227 | 291 |
| Tax incentive | | (77) | (128) |
| Tax rebate | | (26) | (22) |
| Overprovision in respect of prior year | | (3) | – |
| Others | | (49) | (51) |
| | | 771 | 921 |

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 | |
|---|--|---|
| | Period from 1 July 2015 to 31 December 2016 \$'000 | Year ended 30 June 2015 \$'000 |
| Basic and diluted earnings per share is based on: | | |
| Net profit attributable to ordinary shareholders | 3,900 | 4,543 |

NOTES TO THE FINANCIAL STATEMENTS

19 EARNINGS PER SHARE (Continued)

| | No. of shares | |
|--|--|---|
| | Period from 1 July 2015 to 31 December 2016 \$'000 | Year ended 30 June 2015 \$'000 |
| Weighted average number of ordinary shares outstanding during the period/year | 158,686 | 79,373 |
| Effects of issue of rights shares | – | 52,453 |
| Weighted average number of ordinary shares | 158,686 | 131,826 |

There were no dilutive potential ordinary shares for the period/year ended 31 December 2016 and 30 June 2015.

20 RELATED PARTIES

Key management personnel compensation

Compensation payable to key management personnel comprise:

| | Group | |
|------------------------------|--|---|
| | Period from 1 July 2015 to 31 December 2016 \$'000 | Year ended 30 June 2015 \$'000 |
| Directors' fees | 570 | 380 |
| Short-term employee benefits | 2,866 | 2,435 |
| Post-employment benefits | 268 | 102 |

Directors' remuneration included in key management personnel compensation amounted to \$2,083,000 (30 June 2015: \$1,500,000). 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 period/year:

| | Group | | Company | |
|--|--|---|--|---|
| | Period from 1 July 2015 to 31 December 2016 \$'000 | Year ended 30 June 2015 \$'000 | Period from 1 July 2015 to 31 December 2016 \$'000 | Year ended 30 June 2015 \$'000 |
| Interest on deposits paid to subsidiaries | – | – | 24 | 15 |
| Interest on deposits paid to related parties | 3,071 | 880 | 3,071 | 880 |

NOTES TO THE FINANCIAL STATEMENTS

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 | |
|------------|--------------------------|----------------|
| | 31 December | 30 June |
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Guarantees | 200 | 200 |

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

22 COMMITMENTS

Lease commitments

At 31 December 2016, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

| | Group and Company | |
|---------------------------------|--------------------------|----------------|
| | 31 December | 30 June |
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Within one year | 358 | 912 |
| Between one year and five years | 174 | 696 |
| | 532 | 1,608 |

Other commitments

| | Group and Company | |
|---|--------------------------|----------------|
| | 31 December | 30 June |
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Undrawn credit lines and other commitments to extend credit | 97,348 | 198,446 |

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.

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL RISK MANAGEMENT (Continued)

Overview (Continued)

Risk management framework

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

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

Credit risk

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

Management of credit risk

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Exposure to credit risk (Continued)

Loans and advances to customers can be analysed as follows:

| | | Group and Company | |
|--|-------------|--|------------------------------------|
| | Note | 31 December 2016 \$'000 | 30 June 2015 \$'000 |
| Performing accounts that are | | | |
| – past due but not impaired | | 45,471 | 38,337 |
| – neither past due nor impaired | | 781,278 | 885,099 |
| Gross amount | | 826,749 | 923,436 |
| Allowance for collective impairment | | (8,471) | (9,449) |
| Carrying amount | | 818,278 | 913,987 |
| Individually impaired | | | |
| Substandard (payment not kept current but fully secured) | | 20,106 | 21,496 |
| Loss (fully provided for) | | 4,733 | 672 |
| Gross amount | | 24,839 | 22,168 |
| Allowance for impairment | | (4,733) | (672) |
| Carrying amount | | 20,106 | 21,496 |
| Net carrying amount | 6 | 838,384 | 935,483 |

There are no loans and advances with renegotiated terms that are neither past due nor impaired as at 31 December 2016 (30 June 2015: \$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.

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Exposure to credit risk (Continued)

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 |
|-------------------------|------------------------|---|
| 31 December 2016 | | |
| Substandard | 20,106 | 20,106 |
| Loss | 4,733 | – |
| | 24,839 | 20,106 |
| 30 June 2015 | | |
| Substandard | 21,496 | 21,496 |
| Loss | 672 | – |
| | 22,168 | 21,496 |

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 | |
|---|-------------------------------|---------------------------|
| | 31 December 2016 \$'000 | 30 June 2015 \$'000 |
| Gross amount | 851,588 | 945,604 |
| Specific allowances | 4,733 | 672 |
| Carrying amount | 846,855 | 944,932 |
| Properties | 552,762 | 558,383 |
| Motor vehicles | 179,320 | 213,961 |
| Vessels | 51,193 | 77,317 |
| Equipment | 30,988 | 38,049 |
| Shares | 30,835 | 56,756 |
| Financial effect of collateral on maximum credit exposure | 845,098 | 944,466 |
| Net exposure | 1,757 | 466 |

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 | |
|------------|--------------------------|----------------|
| | 31 December | 30 June |
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Properties | 1,830 | – |
| Equipment | 444 | – |
| Shares | 65 | – |
| | 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) | |
|--|--|----------------|
| | 31 December | 30 June |
| | 2016 | 2015 |
| | \$'000 | \$'000 |
| Concentration by sector | | |
| Hire purchase/block discounting | 213,384 | 252,995 |
| Housing loans secured by property | 98,525 | 82,573 |
| Other loans and advances: | | |
| – Agriculture, mining and quarrying | 1,927 | 828 |
| – Manufacturing | 34,612 | 27,033 |
| – Building and construction | 81,843 | 110,552 |
| – General commerce | 64,363 | 63,902 |
| – Transport, storage and communication | 52,501 | 76,564 |
| – Investment and holding companies | 99,712 | 92,451 |
| – Professional and private individuals | 159,690 | 196,931 |
| – Others | 45,031 | 41,775 |
| | 851,588 | 945,604 |

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 | | | | | | | |
| 31 December 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) | – |
| | <u>862,917</u> | <u>(875,391)</u> | <u>(147,717)</u> | <u>(221,327)</u> | <u>(463,807)</u> | <u>(42,472)</u> | <u>(68)</u> |
| Undrawn loan | | | | | | | |
| commitments | – | (97,348) | (97,348) | – | – | – | – |
| Contingent liabilities | – | (200) | (200) | – | – | – | – |
| | <u>862,917</u> | <u>(972,939)</u> | <u>(245,265)</u> | <u>(221,327)</u> | <u>(463,807)</u> | <u>(42,472)</u> | <u>(68)</u> |
| 30 June 2015 | | | | | | | |
| Deposits and savings | | | | | | | |
| accounts of customers | 978,143 | (989,573) | (125,517) | (286,553) | (535,600) | (41,838) | (65) |
| Other liabilities* | 3,985 | (3,985) | (1,952) | (176) | (1,857) | – | – |
| | <u>982,128</u> | <u>(993,558)</u> | <u>(127,469)</u> | <u>(286,729)</u> | <u>(537,457)</u> | <u>(41,838)</u> | <u>(65)</u> |
| Undrawn loan | | | | | | | |
| commitments | – | (198,446) | (198,446) | – | – | – | – |
| Contingent liabilities | – | (200) | (200) | – | – | – | – |
| | <u>982,128</u> | <u>(1,192,204)</u> | <u>(326,115)</u> | <u>(286,729)</u> | <u>(537,457)</u> | <u>(41,838)</u> | <u>(65)</u> |

* Excludes accrued interest payable

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 |
|-------------------------|------------------------------|--|---|------------------------------|---------------------------------|---------------------------|--------------------------------|
| Company | | | | | | | |
| 31 December 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) | – |
| | <u>864,857</u> | <u>(877,330)</u> | <u>(147,495)</u> | <u>(221,322)</u> | <u>(465,973)</u> | <u>(42,472)</u> | <u>(68)</u> |
| Undrawn loan | | | | | | | |
| commitments | – | (97,348) | (97,348) | – | – | – | – |
| Contingent liabilities | – | (200) | (200) | – | – | – | – |
| | <u>864,857</u> | <u>(974,878)</u> | <u>(245,043)</u> | <u>(221,322)</u> | <u>(465,973)</u> | <u>(42,472)</u> | <u>(68)</u> |
| 30 June 2015 | | | | | | | |
| Deposits and savings | | | | | | | |
| accounts of customers | 980,285 | (991,715) | (125,517) | (286,553) | (537,742) | (41,838) | (65) |
| Other liabilities* | 3,759 | (3,759) | (1,731) | (171) | (1,857) | – | – |
| | <u>984,044</u> | <u>(995,474)</u> | <u>(127,248)</u> | <u>(286,724)</u> | <u>(539,599)</u> | <u>(41,838)</u> | <u>(65)</u> |
| Undrawn loan | | | | | | | |
| commitments | – | (198,446) | (198,446) | – | – | – | – |
| Contingent liabilities | – | (200) | (200) | – | – | – | – |
| | <u>984,044</u> | <u>(1,194,120)</u> | <u>(325,894)</u> | <u>(286,724)</u> | <u>(539,599)</u> | <u>(41,838)</u> | <u>(65)</u> |

* 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 | | | | | | | |
| 31 December 2016 | | | | | | | |
| 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 |
| Cash and cash equivalents | 136,789 | 9,571 | 122,180 | 5,038 | – | – | 136,789 |
| Other receivables and deposits* | 2,682 | 2,682 | – | – | – | – | 2,682 |
| | <u>1,116,133</u> | <u>39,454</u> | <u>610,230</u> | <u>306,217</u> | <u>107,350</u> | <u>52,882</u> | <u>1,116,133</u> |
| 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 |
| | <u>869,795</u> | <u>14,098</u> | <u>359,007</u> | <u>455,750</u> | <u>40,874</u> | <u>66</u> | <u>869,795</u> |
| 30 June 2015 | | | | | | | |
| Statutory deposit with the Monetary Authority of Singapore | 24,358 | 24,358 | – | – | – | – | 24,358 |
| Investments | 122,512 | 6,660 | 3,000 | 13,755 | 1,964 | 97,133 | 122,512 |
| Loans and advances | 935,483 | – | 479,032 | 282,710 | 128,388 | 45,353 | 935,483 |
| Cash and cash equivalents | 140,625 | 8,166 | 112,459 | 20,000 | – | – | 140,625 |
| Other receivables and deposits* | 5,721 | 5,721 | – | – | – | – | 5,721 |
| | <u>1,228,699</u> | <u>44,905</u> | <u>594,491</u> | <u>316,465</u> | <u>130,352</u> | <u>142,486</u> | <u>1,228,699</u> |
| Deposits and savings accounts of customers | 978,143 | 14,391 | 394,911 | 527,991 | 40,788 | 62 | 978,143 |
| Other liabilities | 9,049 | 9,049 | – | – | – | – | 9,049 |
| | <u>987,192</u> | <u>23,440</u> | <u>394,911</u> | <u>527,991</u> | <u>40,788</u> | <u>62</u> | <u>987,192</u> |

* 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 | | | | | | | |
| 31 December 2016 | | | | | | | |
| 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 |
| Cash and cash equivalents | 136,627 | 9,409 | 122,180 | 5,038 | – | – | 136,627 |
| Other receivables and deposits* | 2,678 | 2,678 | – | – | – | – | 2,678 |
| | <u>1,115,967</u> | <u>39,288</u> | <u>610,230</u> | <u>306,217</u> | <u>107,350</u> | <u>52,882</u> | <u>1,115,967</u> |
| 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 |
| | <u>871,735</u> | <u>13,871</u> | <u>359,007</u> | <u>457,917</u> | <u>40,874</u> | <u>66</u> | <u>871,735</u> |
| 30 June 2015 | | | | | | | |
| Statutory deposit with the Monetary Authority of Singapore | 24,358 | 24,358 | – | – | – | – | 24,358 |
| Investments | 122,512 | 6,660 | 3,000 | 13,755 | 1,964 | 97,133 | 122,512 |
| Loans and advances | 935,483 | – | 479,032 | 282,710 | 128,388 | 45,353 | 935,483 |
| Cash and cash equivalents | 140,589 | 8,130 | 112,459 | 20,000 | – | – | 140,589 |
| Other receivables and deposits* | 5,721 | 5,721 | – | – | – | – | 5,721 |
| | <u>1,228,663</u> | <u>44,869</u> | <u>594,491</u> | <u>316,465</u> | <u>130,352</u> | <u>142,486</u> | <u>1,228,663</u> |
| Deposits and savings accounts of customers | 980,285 | 14,391 | 394,911 | 530,133 | 40,788 | 62 | 980,285 |
| Other liabilities | 8,823 | 8,823 | – | – | – | – | 8,823 |
| | <u>989,108</u> | <u>23,214</u> | <u>394,911</u> | <u>530,133</u> | <u>40,788</u> | <u>62</u> | <u>989,108</u> |

* 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 \$407,000 (30 June 2015: increase by \$673,000). The corresponding impact from a 100 basis point fall is an estimated reduction of \$1,581,000 (30 June 2015: \$479,000) 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 \$111 million (30 June 2015: \$116 million). A 1% increase in prices at the reporting date would have increased equity by \$1.1 million (30 June 2015: \$1.2 million). An equal change in the opposite direction would have decreased equity by \$1.1 million (30 June 2015: \$1.2 million). The analysis is performed on the same basis for 2015.

At the reporting date, the Group has available-for-sale quoted equity securities of approximately \$5 million (30 June 2015: \$7 million). A 10% increase in prices at the reporting date would have increased equity by \$0.5 million (30 June 2015: \$0.7 million). An equal change in the opposite direction would have decreased equity by \$0.5 million (30 June 2015: \$0.5 million) and profit for the year by \$Nil million (30 June 2015: \$0.2 million). The analysis is performed on the same basis for 2015.

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:

| | 31 December 2016 \$'000 | 30 June 2015 \$'000 |
|------------------------|--|------------------------------------|
| Share capital | 168,896 | 168,896 |
| Disclosed reserves | 83,058 | 82,092 |
| Regulatory capital | 251,954 | 250,988 |
| Risk-weighted assets | 875,925 | 1,010,580 |
| Capital adequacy ratio | 28.76% | 24.84% |

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 | | | | |
| 31 December 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 |
| | <u>1,000,035</u> | <u>116,098</u> | <u>–</u> | <u>1,116,133</u> |
| Financial liabilities | | | | |
| Deposits and savings accounts of customers | – | – | (856,928) | (856,928) |
| Trade and other payables | – | – | (12,867) | (12,867) |
| | <u>–</u> | <u>–</u> | <u>(869,795)</u> | <u>(869,795)</u> |
| 30 June 2015 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 140,625 | – | – | 140,625 |
| Statutory deposit with the Monetary Authority of Singapore | 24,358 | – | – | 24,358 |
| Investments | – | 122,512 | – | 122,512 |
| Loans and advances | 935,483 | – | – | 935,483 |
| Other receivables and deposits* | 5,721 | – | – | 5,721 |
| | <u>1,106,187</u> | <u>122,512</u> | <u>–</u> | <u>1,228,699</u> |
| Financial liabilities | | | | |
| Deposits and savings accounts of customers | – | – | (978,143) | (978,143) |
| Trade and other payables | – | – | (9,049) | (9,049) |
| | <u>–</u> | <u>–</u> | <u>(987,192)</u> | <u>(987,192)</u> |

* 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 | | | | |
| 31 December 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 |
| | <u>999,869</u> | <u>116,098</u> | <u>–</u> | <u>1,115,967</u> |
| Financial liabilities | | | | |
| Deposits and savings accounts of customers | – | – | (859,095) | (859,095) |
| Trade and other payables | – | – | (12,640) | (12,640) |
| | <u>–</u> | <u>–</u> | <u>(871,735)</u> | <u>(871,735)</u> |
| 30 June 2015 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 140,589 | – | – | 140,589 |
| Statutory deposit with the Monetary Authority of Singapore | 24,358 | – | – | 24,358 |
| Investments | – | 122,512 | – | 122,512 |
| Loans and advances | 935,483 | – | – | 935,483 |
| Other receivables and deposits* | 5,721 | – | – | 5,721 |
| | <u>1,106,151</u> | <u>122,512</u> | <u>–</u> | <u>1,228,663</u> |
| Financial liabilities | | | | |
| Deposits and savings accounts of customers | – | – | (980,285) | (980,285) |
| Trade and other payables | – | – | (8,823) | (8,823) |
| | <u>–</u> | <u>–</u> | <u>(989,108)</u> | <u>(989,108)</u> |

* 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

| | 31 December 2016 | | 30 June 2015 | |
|--|------------------------------|----------------------|------------------------------|----------------------|
| | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Group | | | | |
| Financial assets | | | | |
| Loan and advances | 838,384 | 843,130 | 935,483 | 941,577 |
| Financial liabilities | | | | |
| Deposits and savings account of customer | 856,928 | 858,871 | 978,143 | 980,463 |
| Company | | | | |
| Financial assets | | | | |
| Loan and advances | 838,384 | 843,130 | 935,483 | 941,577 |
| Financial liabilities | | | | |
| Deposits and savings account of customer | 859,095 | 861,038 | 980,285 | 982,605 |

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.

| | Note | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--------------------------|------|-------------------|-------------------|-------------------|-----------------|
| Group and Company | | | | | |
| 31 December 2016 | | | | | |
| Financial assets | | | | | |
| Investments | 5 | 116,098 | – | – | 116,098 |
| 30 June 2015 | | | | | |
| Financial assets | | | | | |
| Investments | 5 | 122,512 | – | – | 122,512 |

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 | | | | | |
| 31 December 2016 | | | | | |
| Financial assets | | | | | |
| Loans and advances | 6 | – | – | 843,130 | 843,130 |
| Financial liabilities | | | | | |
| Deposits and savings accounts of customers | 13 | – | 858,871 | – | 858,871 |
| 30 June 2015 | | | | | |
| Financial assets | | | | | |
| Loans and advances | 6 | – | – | 941,577 | 941,577 |
| Financial liabilities | | | | | |
| Deposits and savings accounts of customers | 13 | – | 980,463 | – | 980,463 |
| Company | | | | | |
| 31 December 2016 | | | | | |
| Financial assets | | | | | |
| Loans and advances | 6 | – | – | 843,130 | 843,130 |
| Financial liabilities | | | | | |
| Deposits and savings accounts of customers | 13 | – | 861,038 | – | 861,038 |
| 30 June 2015 | | | | | |
| Financial assets | | | | | |
| Loans and advances | 6 | – | – | 941,577 | 941,577 |
| Financial liabilities | | | | | |
| Deposits and savings accounts of customers | 13 | – | 982,605 | – | 982,605 |

* 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 | |
|---|-------------------------------|---------------------------|-------------------------------|---------------------------|
| | 31 December 2016 \$'000 | 30 June 2015 \$'000 | 31 December 2016 \$'000 | 30 June 2015 \$'000 |
| Assets | | | | |
| Investments | 40,142 | 105,757 | 40,142 | 105,757 |
| Loans and advances | 778,958 | 857,448 | 778,958 | 857,448 |
| Other receivables, deposits and prepayments | 580 | 1,767 | 580 | 1,767 |
| Subsidiaries | – | – | 125 | 125 |
| Property, plant and equipment | 8,246 | 8,667 | 8,246 | 8,667 |
| | 827,926 | 973,639 | 828,051 | 973,764 |

NOTES TO THE FINANCIAL STATEMENTS

27 NON-CURRENT ASSETS AND LIABILITIES (Continued)

| | Group | | Company | |
|--|-------------------------------|---------------------------|-------------------------------|---------------------------|
| | 31 December 2016 \$'000 | 30 June 2015 \$'000 | 31 December 2016 \$'000 | 30 June 2015 \$'000 |
| Liabilities | | | | |
| Deposits and savings accounts of customers | 40,940 | 40,850 | 40,940 | 40,850 |
| Trade and other payables | 6 | 1,200 | 6 | 1,200 |
| Staff retirement gratuities | 1,276 | 1,200 | 1,276 | 1,200 |
| Deferred tax liabilities | 93 | 37 | 93 | 37 |
| | 42,315 | 42,087 | 42,315 | 42,087 |

28 CHANGE OF FINANCIAL YEAR END

During the period, the Company changed its financial year end from 30 June to 31 December. Accordingly, these financial statements cover the financial period from 1 July 2015 to 31 December 2016. The comparatives cover the financial year from 1 July 2014 to 30 June 2015.

ANALYSIS OF SHAREHOLDINGS

AS AT 3 MARCH 2017

Class of Shares – Ordinary Shares

Voting Rights – One Vote per Share

SUMMARY OF SHAREHOLDINGS BY SIZE AS AT 3 MARCH 2017

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % OF SHAREHOLDERS | NO. OF SHARES | % OF ISSUED SHARE CAPITAL |
|-----------------------|------------------------|----------------------|------------------|------------------------------|
| 1 to 99 | 143 | 4.43 | 2,639 | 0.00 |
| 100 to 1,000 | 420 | 13.00 | 307,840 | 0.19 |
| 1,001 to 10,000 | 1,545 | 47.83 | 8,002,699 | 5.04 |
| 10,001 to 1,000,000 | 1,114 | 34.49 | 55,388,910 | 34.91 |
| 1,000,001 AND ABOVE | 8 | 0.25 | 94,983,802 | 59.86 |
| TOTAL | 3,230 | 100.00 | 158,685,890 | 100.00 |

TOP 20 SHAREHOLDERS AS AT 3 MARCH 2017

| 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 | 3,603,644 | 2.27 |
| 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 | 1,633,992 | 1.03 |
| 7 | SEE BENG LIAN JANICE | 1,294,000 | 0.82 |
| 8 | PEH CHIN CHIONG | 1,031,000 | 0.65 |
| 9 | PHILLIP SECURITIES PTE LTD | 934,915 | 0.59 |
| 10 | CITIBANK NOMINEES SINGAPORE PTE LTD | 930,024 | 0.59 |
| 11 | OU YANG YAN TE | 923,800 | 0.58 |
| 12 | RAFFLES NOMINEES (PTE) LTD | 911,901 | 0.58 |
| 13 | ANG CHIAN POH | 812,200 | 0.51 |
| 14 | KOH GEOK HUAY | 800,000 | 0.50 |
| 15 | OCBC NOMINEES SINGAPORE PTE LTD | 749,639 | 0.47 |
| 16 | CHUAH BEE JIAT | 742,000 | 0.47 |
| 17 | SEOW KHOW MIN | 662,687 | 0.42 |
| 18 | LIM HUI KONG | 619,000 | 0.39 |
| 19 | TAN CHEE JIN | 606,000 | 0.38 |
| 20 | LALCHAND JETHANAND DARYANANI | 542,000 | 0.34 |
| | TOTAL | 104,217,968 | 65.68 |

ANALYSIS OF SHAREHOLDINGS

AS AT 3 MARCH 2017

Substantial Shareholders as at 3 March 2017

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

| Name | Direct Interest | Number of Shares | | % |
|-----------------------------|-----------------|------------------|-------------------------|--------|
| | | % | 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 |
| Goh Siok Cheng | 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 Goh Siok Cheng 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-Seventh 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, 28 April 2017 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 18-month financial period ended 31 December 2016 together with the Auditors’ Report thereon.

(Resolution 1)

2. To declare a first and final dividend (one-tier tax-exempt) of 2 cents per share for the 18-month financial period ended 31 December 2016 [FY2015: 2 cents per share].

(Resolution 2)

3. To re-elect Mr Tan Chin Han, Adam, who will cease to hold office pursuant to Article 76 of the Constitution of the Company and who, being eligible, offers himself for re-election, as a Director.

(Resolution 3)

Mr Tan will, upon re-election, continue as a member of the Audit, Nominating, Remuneration and Risk Management Committees, respectively, and will be considered to be an independent Director.

4. To re-elect Ms Tan Hui Keng, Martha, who will retire by rotation pursuant to Article 85 of the Constitution of the Company and who, being eligible, offers herself for re-election, as a Director.

(Resolution 4)

Ms Tan will, upon re-election, continue as Chairman of the Audit Committee and as a member of the Nominating, Remuneration and Risk Management Committees, respectively, and will be considered to be an independent Director.

5. To re-appoint the following Directors, who will retire under the respective resolutions passed at the Annual General Meeting of the Company held on 21 October 2015 pursuant to Section 153(6) of the Companies Act, Chapter 50 (which was then in force), to hold office from the date of this Annual General Meeting:

Mr Teo Chiang Long

(Resolution 5(a))

Mr Phua Bah Lee

(Resolution 5(b))

Mr Teoh Eng Hong

(Resolution 5(c))

Mr William Ho Ah Seng

(Resolution 5(d))

[See Explanatory Note (i)]

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

Mr Phua will, upon re-appointment, continue as Chairman of the Remuneration Committee and as a member of the Audit and Nominating Committees, respectively, and will be considered to be an independent Director.

Mr Teoh will, upon re-appointment, continue as Chairman of the Risk Management Committee and as a member of the Audit, Nominating, Remuneration and Executive Committees, respectively, and will be considered to be an independent Director.

NOTICE OF ANNUAL GENERAL MEETING

SINGAPURA FINANCE LTD

(Company Registration No. 196900340N)

(Incorporated in the Republic of Singapore)

Mr Ho will, upon re-appointment, continue as a member of the Risk Management Committee and will be considered to be an independent Director.

6. To approve the payment of Directors' fees of S\$570,000 for the 18-month financial period ended 31 December 2016 [FY2015: S\$380,000].

(Resolution 6)

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

(Resolution 7)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications, the following resolutions, of which Resolution 8 will be proposed as an Ordinary Resolution and Resolution 9 will be proposed as a Special Resolution:

ORDINARY RESOLUTION

8. Authority for Directors to issue shares and to make or grant convertible instruments

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

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

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares) of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to 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) of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

SINGAPURA FINANCE LTD

(Company Registration No. 196900340N)

(Incorporated in the Republic of Singapore)

- (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) 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;
- (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 (ii)]

(Resolution 8)

SPECIAL RESOLUTION

9. Adoption of new Constitution

That the regulations contained in the new Constitution submitted to this meeting and, for the purpose of identification, subscribed to by the Chairman thereof, be approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution.

[See Explanatory Note (iii)]

(Resolution 9)

By Order of the Board

Ngiam May Ling

Company Secretary

Singapore

3 April 2017

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, 9 May 2017 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, 8 May 2017 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, 8 May 2017 will rank for the proposed dividend.

Payment of the dividend, if approved by shareholders at the Annual General Meeting, will be paid on Tuesday, 16 May 2017.

Explanatory Notes:

- (i) Ordinary Resolutions 5(a) to 5(d) are for the re-appointment of Messrs Teo Chiang Long, Phua Bah Lee, Teoh Eng Hong and William Ho Ah Seng as Directors of the Company. These resolutions are to approve and authorise the continuation of the relevant Director in office, as a Director of the Company, from the date of this Annual General Meeting onwards without limitation in tenure save for prevailing applicable laws, listing rules and/or regulations, including the Constitution of the Company. This is consequent upon the repeal of Section 153 of the Companies Act, Chapter 50 with effect from 3 January 2016. The respective resolutions passed pursuant to Section 153(6) at the Annual General Meeting held on 21 October 2015 (as Section 153 was then still in force) could only permit the re-appointment of the relevant Director, being over 70 years of age, to hold office as a Director of the Company, until this Annual General Meeting.
- (ii) Ordinary Resolution 8 is to empower the Directors, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held, or the date such authority is varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding fifty per cent (50%) of the total number of issued shares (excluding treasury shares) of the Company, of which up to twenty per cent (20%) of the total number of issued shares (excluding treasury shares) may be issued other than on a *pro rata* basis to shareholders.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) of the Company at the time that Ordinary Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

- (iii) Special Resolution 9 is to adopt a new Constitution following the wide-ranging changes to the Companies Act, Chapter 50 (the "Companies Act") introduced pursuant to the Companies (Amendment) Act 2014 (the "Amendment Act"). The new Constitution will consist of the memorandum and articles of association of the Company which were in force immediately before 3 January 2016, and incorporate amendments to (*inter alia*) take into account the changes to the Companies Act introduced pursuant to the Amendment Act. Please refer to the Company's Letter to Shareholders dated 3 April 2017 for more details.

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 forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

SINGAPURA FINANCE LTD

(Company Registration No. 196900340N)

(Incorporated in the Republic of Singapore)

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) 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-Seventh 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, 28 April 2017 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 (of which Resolution Nos. 1 to 8 will be proposed as Ordinary Resolutions and Resolution No. 9 will be proposed as a Special Resolution) 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 18-month financial period ended 31 December 2016 together with the Auditors' Report | | |
| 2 | Declaration of a first and final dividend (one-tier tax-exempt) of 2 cents per share for the 18-month financial period ended 31 December 2016 | | |
| 3 | Re-election of Mr Tan Chin Han, Adam as a Director of the Company | | |
| 4 | Re-election of Ms Tan Hui Keng, Martha as a Director of the Company | | |
| 5(a) | Re-appointment of Mr Teo Chiang Long as a Director of the Company | | |
| 5(b) | Re-appointment of Mr Phua Bah Lee as a Director of the Company | | |
| 5(c) | Re-appointment of Mr Teoh Eng Hong as a Director of the Company | | |
| 5(d) | Re-appointment of Mr William Ho Ah Seng as a Director of the Company | | |
| 6 | Approval of Directors' fees of S\$570,000 for the 18-month financial period ended 31 December 2016 | | |
| 7 | Re-appointment of Messrs KPMG LLP as Auditors and authorisation for the Directors to fix their remuneration | | |
| Special Business | | | |
| 8 | Authority to issue shares and to make or grant instruments convertible into shares | | |
| 9 | Adoption of new Constitution | | |

(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 _____ 2017

| 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 applicable



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:
- (i) 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;
 - (ii) 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
 - (iii) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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Affix
Postage
Stamp

The Company Secretary
c/o Singapore Finance Ltd
150 Cecil Street #01-00
Singapore 069543

2nd fold here

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 48 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 3 April 2017.

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.

OUR SERVICES

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
- Equipment financing under the Local Enterprise Finance Scheme (LEFS) for Small Medium Enterprise

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



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