

Annual Report 2012



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CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I am pleased to present the annual report of the Group and the Company for the financial year ended 31 December 2012.

For 2012, Singapore's economy grew by 1.3% as compared to 5.2% in 2011. The slowdown in growth was mainly due to weakness in the externally-oriented sectors. Weighed down by the contraction in the electronics cluster, the manufacturing sector growth slowed sharply from 7.8% in the previous year to 0.1%. The overall GDP was supported by a buoyant construction sector which grew from 6.3% to 8.2% in 2012. Services grew by 1.2%, anchored by a pick-up in growth in business services to 3.9%, on the back of strong performance in the real estate segment. Growth in the finance and insurance sector and other services industries moderated to 0.5% and 0.1% respectively.

FINANCIAL REVIEW

Despite the economic slowdown and intense market competition, the Group managed to grow its loans and advances by 20.7% to \$1.423 billion, compared to \$1.180 billion a year ago. To support the loan growth, deposits and savings accounts of customers increased by 18.2% from \$1.379 billion as at 31 December 2011 to \$1.630 billion as at 31 December 2012.

However, the protracted low interest rate environment coupled with the stiff market competition continued to compress the interest margin. As a result, the Group's profit after tax declined by 37.8% to \$14.7 million for the financial year ended 31 December 2012, from \$23.6 million a year ago.

Interest income and hiring charges, driven primarily by higher loan balances, increased 1.2%. However, this was more than offset by a 26.5% increase in interest expense from a higher deposit base and rates resulting in a 7.5% decrease in net interest income and hiring charges.

In addition, a net allowance for loan losses of \$0.4 million was made for the year as compared to a write-back of \$8.5 million in the previous year.

Operating expenses declined by 3.3% due to a lower depreciation charge and provision for staff bonus as well as reduced promotional expenses.

There was a write-back of about \$1.9 million from overprovisions of tax in respect of prior years as compared to a write-back of \$1.8 million a year ago.

In November 2012, the Company successfully completed a rights issue exercise which raised net proceeds of \$62.8 million. The rights issue strengthened our capital base and provided funding for business expansion.

With the strengthening of the capital base, Group's total equity increased 30.8%, from \$241.3 million to \$315.7 million as at 31 December 2012. Net asset value per share declined from \$2.30 to \$2.00.

DIVIDENDS

Subject to the approval by the shareholders at the forthcoming Annual General Meeting, the Board is pleased to recommend a first and final one-tier tax exempt dividend of 5 cents per share.

2013 OUTLOOK

Global economic growth for 2013 is expected to remain subdued. In the US, the strength of the economic recovery will be restrained by fiscal tightening. In the Eurozone, economic growth is expected to remain stagnant, weighed down by ongoing fiscal tightening, private sector deleveraging, as well as high unemployment rates. In Asia, growth is likely to be moderate, supported by resilient domestic demand and modest growth in external demand. Against this macroeconomic backdrop, the outlook of the Singapore economy remains cautiously positive with growth forecast for 2013 at 1% to 3%.

CHAIRMAN'S STATEMENT

In addition to the weak economic outlook, the recent cooling property measures and the financing restrictions on car loans by the government are expected to moderate the growth in loans on residential properties and cars.

Given the challenging operating environment and stiff competition in the lending sector, the Group will continue to be cautious as we seek growth in our niche market and explore business expansion activities. We will remain prudent in our credit evaluation process and be focused on monitoring and maintaining asset quality. We will continue to improve operational efficiencies and exercise vigilance in cost management to sustain profitability as well as to maintain healthy financial and liquidity positions.

As part of service improvement, we participated in the AXS-Bill Payment system which, with its network of many machines strategically located island-wide, provides our customers with convenient access for payment of their loans. We will continue to build on our capabilities in customer service and enhance our market competitiveness.

In our commitment to protect shareholder interests, we will continue to review and improve our processes regularly and implement changes when needed to ensure that the Group adheres closely to the best practices in corporate governance.

ACKNOWLEDGEMENTS

I wish to express my appreciation to the Board members for their invaluable guidance and counsel. I would also like to thank all our staff for their contributions and ongoing commitment.

Last but not least, to our customers and shareholders, my sincere thanks for your continued confidence and support.

LEE SZE LEONG Chairman

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Date: 10 April 2013



CORPORATE DATA

BOARD OF DIRECTORS

Lee Sze Leong Chairman & Managing Director Lee Sze Siong Executive Director, Deputy Managing Director Tan Tong Guan Lead Independent & Non-Executive Director Dr Joseph Yeong Wee Yong Non-Independent & Non-Executive Director Lim Poh Suan Independent & Non-Executive Director Kim Seah Teck Kim Independent & Non-Executive Director Ng Tat Pun Independent & Non-Executive Director (appointed on 1 March 2012) Lim Sin Hoa Independent & Non-Executive Director (retired with effect from 25 April 2012) Tay Teng Guan Arthur Independent & Non-Executive Director (retired with effect from 25 April 2012)

AUDIT COMMITTEE

Tan Tong Guan *Chairman* Lim Poh Suan Kim Seah Teck Kim

RISK MANAGEMENT COMMITTEE

Dr Joseph Yeong Wee Yong *Chairman* Ng Tat Pun Lee Sze Leong Lee Sze Siong Head, Risk Management Head, Product Management Head, Finance Head, Credit Control Head, Compliance Head, Branches/Treasury

NOMINATING COMMITTEE

Kim Seah Teck Kim *Chairman* Tan Tong Guan Lee Sze Leong

REMUNERATION COMMITTEE

Lim Poh Suan *Chairman* Dr Joseph Yeong Wee Yong Ng Tat Pun

LOAN COMMITTEE

Lee Sze Leong *Chairman* Lee Sze Siong Dr Joseph Yeong Wee Yong Soon Chee Siong

REGISTERED & HEAD OFFICE

96 Robinson Road #01-01 SIF Building Singapore 068899 Tel: 6305 0300 Fax: 6305 0328 www.sif.com.sg

BRANCH OFFICES

Ang Mo Kio Branch Blk 715 Ang Mo Kio Ave 6 #01-4006 Singapore 560715 Tel: 6456 0588 Fax: 6456 9715

Bedok Branch Blk 202 Bedok North Street 1 #01-479/481 Singapore 460202 Tel: 6445 9596 Fax: 6449 3254

Clementi Branch Blk 450 Clementi Ave 3 #01-279 Singapore 120450 Tel: 6775 7248 Fax: 6775 3463

COMPANY SECRETARIES

Chan Kum Kit Tan Mui Sang

AUDITORS

Deloitte & Touche LLP 6 Shenton Way #32-00 DBS Building Tower Two Singapore 068809 Partner-in-charge: Giam Ei Leen (Number of years in charge: 5) Date of appointment – 1 April 2008

REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 Tel: 6536 5355

INVESTOR RELATIONS

96 Robinson Road #08-01 SIF Building Singapore 068899 Tel: 6438 7060 Fax: 6305 0281 Email: <u>enquiries@sif.com.sg</u>



BOARD OF DIRECTORS

LEE SZE LEONG

Age 54

Mr Lee is the Chairman and Managing Director. He was first appointed as a member of the Board on 20 February 1989 and was appointed as its Chairman and Managing Director in January 1997. He was last re-elected as director on 29 April 2010. He chairs the Loan Committee and is also a member of the Nominating Committee and Risk Management Committee. He was appointed the director of the Company's subsidiary, Sing Investments & Finance Nominees (Pte.) Ltd in October 1983.

Mr Lee has been active in various grassroots organizations and associations. He is presently the Honorary Chairman of the Tanjong Pagar-Tiong Bahru Citizens' Consultative Committee. He is the Chairman of the Hire Purchase, Finance and Leasing Association of Singapore and the Chairman of the Finance Houses Association of Singapore. Mr Lee is a member of the 56th Council of Singapore Chinese Chamber of Commerce & Industry and the Vice Chairman of its Commerce & Industry Committee.

Mr Lee is a non-executive director of Sing Holdings Ltd, a company listed on the SGX MainBoard.

Mr Lee was awarded the Public Service Medal (Pingat Bakti Masyarakat) in 1997 and Public Service Star (Bintang Bakti Masyarakat) in 2007. Mr Lee holds a degree in Business Administration from the University of Hawaii, Manoa, USA.

LEE SZE SIONG

Age 51

Mr Lee is the Deputy Managing Director. He joined the Company in 1986 and was appointed to the Board on 19 March 1997. He was appointed as Deputy Managing Director on 1 July 2010. Mr Lee was last re-elected as a director at the Company's Annual General Meeting on 26 April 2011. He currently oversees the Company's Credit Documentation & Operations, Credit Control, Finance, IT Support, Product Management, HR and Tenancy and Building Maintenance. He is a member of the Loan Committee and Risk Management Committee.

He is also a director of F.H. Lee Holdings Pte Ltd and Sing Investments & Finance Nominees (Pte.) Ltd. He holds a Bachelor of Business Administration degree from the University of Hawaii, USA and a Master in Accounting from the University of Southern Queensland, Australia.

TAN TONG GUAN *Age 49*

Mr Tan is a Lead Independent and Non-Executive Director. He joined the Board on 25 April 2005 and was last re-elected as a director at the Company's Annual General Meeting on 25 April 2012. Mr Tan was appointed as the Lead Independent Director in February 2011. He is the Chairman of the Audit Committee and a member of the Nominating Committee.

Mr Tan is the Executive Chairman of Smartflex Holdings Ltd, a company listed on the Catalist and an Executive Director of Tan Gee Beng Pte Ltd group of companies.

He holds a Bachelor of Accountancy degree from the National University of Singapore and is a Fellow (Non-Practising) member of the Institute of Certified Public Accountants of Singapore.

JOSEPH YEONG WEE YONG Age 61

Dr Yeong is a Non-Independent and Non-Executive Director. He joined the Board on 19 March 1997 and was last reelected as a director at the Company's Annual General Meeting on 26 April 2011. He is the Chairman of the Risk Management Committee and a member of the Loan Committee and the Remuneration Committee.

Dr Yeong is a member of the Singapore Government Pro-Enterprise Panel, a Director of the Singapore Clinical Research Institute Pte. Ltd, a Director of the Tan Kah Kee Foundation, Board member of Tan Kah Kee International Society, Steering Committee Member of Network China, Singapore and Advisory Board Member of the School of Business Administration, Jimei University, the People's Republic of China. He is also the Group Chairman of Ascensia Education Group and President/CEO of SGP International Management Academy (SIMA).

Dr Yeong holds a Ph.D in Management Science from the University of Waterloo, Canada. He had taught in the Business School of the National University of Singapore (NUS) for 21 years before setting up his own businesses in 2001. He is currently an Adjunct Professor of the NUS Lee Kuan Yew School of Public Policy.

BOARD OF DIRECTORS

LIM POH SUAN

Age 61

Mr Lim is an Independent and Non-Executive Director. He joined the Board on 1 July 2010 and was last re-elected as a director at the Company's Annual General Meeting on 26 April 2011. He is the Chairman of the Remuneration Committee and a member of the Audit Committee.

He retired as a founding partner of Baker Tilly TFWLCL, a certified public accounting firm, in 2010 and is currently a director of Transformation Consultants Pte Ltd.

Mr Lim holds a Bachelor of Accountancy degree from the National University of Singapore. He is a Fellow (Non-Practising) member of the Institute of Certified Public Accountants of Singapore and Fellow of the Association of Chartered Certified Accountants.

KIM SEAH TECK KIM Age 58

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Mr Seah is an Independent and Non-Executive Director. He joined the Board on 1 July 2010 and was last re-elected as a director at the Company's Annual General Meeting on 26 April 2011. He is the Chairman of the Nominating Committee and a member of the Audit Committee.

He is also a director of Texchem-Pack Holdings (S) Ltd, a company listed on the SGX MainBoard.

Mr Seah is in private legal practice and is a founding partner of A. Ang Seah & Hoe. He is currently the Legal Adviser to The Association of Banks in Singapore (ABS). He is also a member of the Paris-based International Chamber of Commerce (ICC) Banking Commission and an appointed expert on the ICC DOCDEX panel. He is a Fellow of the Singapore Mediation Centre and a member of the disciplinary panels of the Law Society of Singapore, Singapore Medical Council and the Singapore Pharmacy Council. He is also Chairman of the Patron Dispute Committee of the Casino Regulatory Authority, Singapore. He obtained a LL.M. in 1978 from Harvard Law School under a Fulbright Scholarship.

NG TAT PUN

Age 68

Mr Ng is an Independent and Non-Executive Director. He joined the Board on 1 March 2012 and was last re-elected as a director at the Company's Annual General Meeting on 25 April 2012. Mr Ng is a member of the Remuneration Committee and Risk Management Committee.

He has extensive experience in the banking and finance industry. He started his banking career with Citibank in 1971. Since then, he has served in various senior positions with local and international financial institutions. From 1988 to 1997, he was the Executive Vice President of OCBC Bank, Singapore, in charge of its International Banking and Financial Institutions business. In 1998, he was appointed the Executive Director and Chief Executive Officer of OCBC Bank, Malaysia. He was a Managing Director at JP Morgan Chase from 1999 to 2002, a Managing Director and subsequently a Senior Advisor at UBS AG. from 2003 to 2008.

He is an Independent and Non-Executive Director of Engro Corporation Limited and The Thai Beverage Public Company Limited, both companies listed on the SGX MainBoard. Mr Ng currently also serves as an Independent and Non-Executive Chairman of the Board of Directors of SP Chemicals Holdings Ltd. He holds a Bachelor of Arts degree (Economics and History) from the University of Singapore.

INTRODUCTION

Sing Investments & Finance Limited ("SIF"), through its Board, Board Committees and executives, recognizes the need to establish and maintain the highest standards of corporate governance policies and practices which reflect the requirements of the regulators as well as the expectations of shareholders and others who deal with our Company. These policies and practices remain under constant review as the corporate governance environment evolves continuously.



SIF Corporate Governance – 3 Key Pillars

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





SIF's "3 Pillars of Corporate Governance" is designed to assist the Board in assessing, monitoring performance and conformance to the Guidelines on Corporate Governance. The attributes instilled within the Board to ensure the effectiveness of its role and its guiding principles are as follows:

Leadership and Strategy

- To establish and document the Company's medium and long-term strategic plan and objectives, review the results periodically and disclose them to the public;
- To formalise terms of reference for the Board and delegated Board Committees;
- To establish a whistle-blowing or feedback channel; and
- To establish a policy and strategy to promote board renewal and succession planning.

Accountability and Audit

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

Communication with Stakeholders

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

Based on the above guiding principles of the 3 Pillars of Corporate Governance, the key drivers and their respective responsibilities towards the Company's corporate governance are as follows:

BOARD MATTERS

Board's Conduct of its Affairs

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

- Overseeing and formulating long-term business strategies and policies and ensuring that the necessary human resources are in place to meet the objectives;
- Identifying the principal risks of the Company's business and establishing a framework of prudential controls to assess and manage these risks;
- Monitoring and reviewing management performance, succession and development plans;
- Setting the Company's values and standards and ensuring that they are consistent with shareholders' objectives and expectations; and
- Maintaining a culture of integrity by reviewing and monitoring internal controls and procedures for financial reporting and compliance.

Board of Directors ("Board")

As of 31 Dec 2012, there were a total of 7 Board Members, of which 4 Directors were deemed to be independent by the Nominating Committee. A new independent and non-executive Director was appointed on 1 March 2012. The current Board comprises the following members:

- 1. Mr Lee Sze Leong
- 2. Mr Lee Sze Siong
- 3. Mr Tan Tong Guan⁽¹⁾
- 4. Dr Joseph Yeong Wee Yeong⁽²⁾
- 5. Mr Kim Seah Teck Kim⁽¹⁾
- 6. Mr Lim Poh Suan⁽¹⁾
- 7. Mr Ng Tat Pun⁽¹⁾⁽³⁾

Notes:

- (1) Independent and Non-executive Director
- (2) Non-independent and Non-executive Director
- (3) Mr Ng Tat Pun was appointed to the Board on 1 March 2012 and he joined the Remuneration and Risk Management Committees on 25 April 2012.

 \mbox{Mr} Lim Sin Hoa retired from the Board, Nominating, Remuneration and Loan Committees on 25 April 2012.

Mr Tay Teng Guan Arthur retired from the Board, Remuneration, Loan and Risk Management Committees on 25 April 2012.

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

Currently, Mr Lee Sze Leong is the Chairman of the Board and also the Managing Director/CEO of SIF. The Board is of the view that there is adequate accountability and transparency as reflected by the internal controls established within SIF. Major decisions and policy changes on significant matters are made in consultation with the respective Board Committees and reviewed by the Board.

Also, the Board believes that, notwithstanding that the Chairman and Managing Director/CEO is the same person, SIF's interest remains well served by:

- The benefit of a Chairman who is both knowledgeable about the industry and SIF's businesses and has significant experience in SIF to ensure the smooth and efficient implementation of decisions on major and pertinent issues;
- (2) The benefit of a majority of independent Directors exercising objective and independent judgement on corporate matters which ensure a balance of power and authority;
- (3) Board Committees are either chaired by or include the presence of independent Directors. All major decisions and policy changes are conducted through the respective committees; and
- (4) Further, SIF has appointed Mr Tan Tong Guan as the Lead Independent Director.

Lead Independent Director

Mr Tan Tong Guan was appointed as the Lead Independent Director in February 2011. He has been an independent Director on the Board since 25th April 2005.

The Lead Independent Director is appointed by the Board to serve in a lead capacity to coordinate the activities of the non-executive Directors in circumstances where it would be inappropriate for the Chairman to serve in such capacity, and to assist the Chairman and the Board to assure effective corporate governance in managing the affairs of the Board and the Group.

The specific responsibilities of the Lead Independent Director when acting in such capacity are as follows:

 Consult with the Chairman as to an appropriate schedule of Board meetings, seeking to ensure that the independent Directors can perform their duties responsibly while not interfering with on-going Company operations;

- Consult with the Chairman regarding the information, agenda and schedules of the meetings of the Board of Directors and Board Committees;
- Advise the Chairman as to the quality, quantity and timeliness of the information submitted by the Company's management that is necessary or appropriate for the independent Directors to effectively and responsibly perform their duties;
- Recommend to the Board of Directors and the Board Committees the retention of advisers and consultants who report directly to the Board of Directors;
- Call meetings of the independent Directors, as appropriate;
- Serve as chairman of the sessions of the independent Directors;
- Serve as principal liaison between the independent Directors and the Chairman and between the independent Directors and senior management;
- Ensure that independent Directors have adequate opportunities to meet and discuss issues in sessions of the independent Directors without the presence of the management;
- Communicate to management, as appropriate, the results of private discussions among independent Directors;
- Chair the meetings of the Board of Directors when the Chairman is not present;
- Respond directly to shareholder and other stakeholder questions and comments that are directed to the Lead Independent Director or to the independent Directors as a group, with such consultation with the Chairman and other Directors as the Lead Independent Director may deem appropriate; and
- Perform such other duties as the Board of Directors may from time to time delegate.

Board Composition

The Nominating Committee ("NC") seeks to ensure that the size of the Board is conducive for effective discussion and decision making, and that the Board has an appropriate number of independent Directors. The size and composition of the Board are reviewed periodically. The Board currently consists of four independent and non-executive Directors, one non-independent and non-executive Director and two executive Directors.

The NC seeks to maintain an appropriate balance of expertise, skills and attributes among the Directors, including core competencies in areas such as accounting and finance, risk management, business and management, and other relevant experience to achieve effective management among its members.

Potential conflicts of interest are also taken into consideration. The NC assesses the independence of each Director, taking into account the Code of Corporate Governance guidelines for assessing the independence element. On this basis, Mr Lee Sze Leong – Chairman & Managing Director, Mr Lee Sze Siong – Deputy Managing Director and Dr Joseph Yeong Wee Yong are the non-independent Directors on the Board.

The Lead Independent Director and the other members of the Board are considered to be independent Directors.

In assessing the independence of the Directors, the NC has examined the different relationships that might impair the Directors' independence and objectivity, and is satisfied that all the independent Directors are able to act with independent judgement. At present, majority of the Board are independent.

Board Committees

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

- 1. Audit Committee
- 2. Risk Management Committee
- 3. Nominating Committee
- 4. Remuneration Committee
- 5. Loan Committee

Audit Committee ("AC")

The AC comprises of Mr Tan Tong Guan (Chairman), Mr Lim Poh Suan and Mr Kim Seah Teck Kim, all of whom are independent and non-executive.

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

The AC, together with the Management and the external auditors, reviews the Group's audited financial statements, the quality of the accounting principles applied, the financial statement presentations and the items that affect the financials. Through the maintaining and application of appropriate accounting and financial reporting principles and policies and internal controls and procedures, the AC determines whether the financial statements comply with the accounting standards and applicable laws and regulations. The AC is also responsible for the appointment, remuneration, resignation or dismissal of the Head of Internal Audit function.

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

The AC holds at least one private meeting with the external auditor without the presence of Management. It examines the audit findings of the external and internal auditors. It also reviews with the Internal Audit Manager on the scope, results and effectiveness of the audits and approves the internal audit plan in consultation with the Management.

Risk Management Committee ("RMC")

The RMC is chaired by Dr Joseph Yeong Wee Yong and comprises Mr Ng Tat Pun, Mr Lee Sze Leong, Mr Lee Sze Siong and heads of Risk Management, Product Management, Finance, Credit Control, Compliance and Branches/Treasury.

The RMC assists the Board in identifying the principal risks of the Company's business and to institute a framework of prudential controls to assess and manage these risks. These risks include operational risk, market risk, credit risk, liquidity risk and risks related to asset and liability management, information technology, outsourcing and business continuity.

Nominating Committee ("NC")

The NC is chaired by Mr Kim Seah Teck Kim and the other two members are Mr Tan Tong Guan and Mr Lee Sze Leong. The majority of the directors in this Committee including the Chairman are independent.

The main role of the NC is to assess and recommend candidates for appointment and re-appointment on the Board and Committees.

The NC is also charged with the responsibility of determining annually whether a Director is independent. 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.

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.

Remuneration Committee ("RC")

The RC comprises Mr Lim Poh Suan (Chairman), Dr Joseph Yeong Wee Yong and Mr Ng Tat Pun, all of whom are non-executive and majority of whom are independent.

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

- To minimize the risk of any potential conflict of interest by putting in place formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors;
- To make recommendations to the Board on the Group's framework of remuneration for Directors and senior management executives with the aim to be fair and to avoid rewarding poor performance; and
- To review the adequacy and form of compensation for each of the Directors, the CEO and senior management executives to ensure that the compensation commensurate with the duties, responsibilities and risk involved in being an effective Director, CEO or senior management executive.

Loan Committee ("LC")

The LC is chaired by Mr Lee Sze Leong. Other members of the Committee include Dr Joseph Yeong Wee Yong, Mr Lee Sze Siong and Mr Soon Chee Siong (Head of Risk Management Department). To form a quorum, majority of the members must be present.

The LC plays an important role in view of the demands of a loan portfolio that continues to grow in size and complexity. The Committee looks at the applicant's financial statements and credit information for loan size above threshold to ensure compliance with the Company's lending policy and statutory obligations.

Meetings of the Board and Board Committees

The Board met 7 times during the financial year. The Chairman would brief the Board on the issues to be discussed during the Board meetings. The documents pertaining to important and complex issues would be circulated for the Board's review before the members meet to discuss them.

The Board's attendance at the Board and Board Committees' meetings during the financial year 2012 are set out as follows:

| Board / Board Committees | В | oard | Audit (| Committee | Man | Risk agement mmittee | Nominati | ng Committee | | ineration imittee | Director (without | executive rs' meeting presence of gement) |
|---|-------|----------|---------|--------------------|-------|----------------------------|----------|--------------------|-------|----------------------|----------------------|--|
| No. of meetings held | | 7 | | 4 | | 6 | | 2 | | 2 | | 1 |
| | Held* | Attended | Held* | Attended | Held* | Attended | Held* | Attended | Held* | Attended | Held* | Attended |
| Lee Sze Leong | 7 | 7 | NA | 4 By Invitation | 6 | 6 | 2 | 2 | NA | 2 By Invitation | NA | NA |
| Lee Sze Siong | 7 | 7 | NA | 4 By Invitation | 6 | 5 | NA | NA | NA | NA | NA | NA |
| Tan Tong Guan | 7 | 7 | 4 | 4 | NA | NA | 2 | 1 | NA | NA | 1 | 1 |
| Dr Joseph Yeong Wee Yong | 7 | 4 | NA | 2 By Invitation | 6 | 6 | NA | NA | NA | 1 By Invitation | 1 | 1 |
| Lim Poh Suan | 7 | 4 | 4 | 4 | NA | NA | NA | 1 By Invitation | 2 | 2 | 1 | 1 |
| Kim Seah Teck Kim | 7 | 7 | 4 | 4 | NA | NA | 2 | 2 | NA | 1 By Invitation | 1 | 1 |
| Ng Tat Pun (Appointed on 1 March 2012) | 6 | 6 | NA | 3 By Invitation | 4 | 4 and 1 By Invitation | / NA | NA | NA | 1 By Invitation | 1 | 1 |
| Lim Sin Hoa (Retired wef 25 April 2012) | 2 | 2 | NA | 2 By Invitation | NA | NA | 1 | 1 | 2 | 2 | 1 | 1 |
| Tay Teng Guan Arthur (Retired wef 25 April 2012) | 2 | 2 | NA | 2 By Invitation | 2 | 1 | NA | NA | 2 | 2 | 1 | 1 |

* Number of meetings held whilst a member

Notes

Mr Ng Tat Pun was appointed as Independent Director on 1 March 2012. With effect from 25 April 2012, the composition of the Board Committees during the Year 2012 were changed as follows:

| Risk Management Committee | e - From 1/1/2012 to 24/4/2012 | : Dr Joseph Yeong Wee Yong, Tay Teng Guan Arthur, Lee Sze Leong and Lee Sze Siong |
|---------------------------|--------------------------------|---|
| | - From 25/4/2012 to current | : Dr Joseph Yeong Wee Yong, Ng Tat Pun, Lee Sze Leong and Lee Sze Siong |
| Nominating Committee | - From 1/1/2012 to 24/4/2012 | : Lim Sin Hoa, Kim Seah Teck Kim, Tan Tong Guan and Lee Sze Leong |
| | - From 25/4/2012 to current | : Kim Seah Teck Kim, Tan Tong Guan and Lee Sze Leong |
| Remuneration Committee | - From 1/1/2012 to 24/4/2012 | : Tay Teng Guan Arthur, Lim Sin Hoa and Lim Poh Suan |
| | - From 25/4/2012 to current | : Lim Poh Suan, Dr Joseph Yeong Wee Yong and Ng Tat Pun |

Material Transactions Which Require Board Approval

As defined under the Schedule of Matters Reserved for the Board, material transactions, projects and commitments which require Board approval includes:

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

Process for the Selection and Appointment of New Directors to the Board

The NC establishes and reviews the profile required of Board Members and make recommendations to the Board on appointment, re-appointment and retirement of Directors.

The process for the selection and appointment of new Directors to the Board was reviewed, formalized and endorsed by the Board. The formal and transparent procedures for the selection and appointment of new Directors to the Board help promote understanding and confidence in that process. The appointment of new members to the Board is considered by the NC.

In the selection process, the NC determines the skills and experience appropriate for the appointee having regard to those of the existing Directors and any other likely changes to the Board. In addition, the NC also takes into consideration the current Board size and its mix, the additional skills and experience that will enhance the core competencies of the Board.

The NC assesses the suitability of the candidate and recommends the appointment to the Board. Formal letter setting out the director's duties and obligations will be given to new director upon appointment of each new director.

When appointed to the Board, all new directors receive an induction appropriate to their experience to familiarize them with matters relating to the Company's operations, strategies and practices. The objective of induction is to prepare the director such that he or she can become effective in his or her new role as soon as possible.

Board Performance

The NC ensures that the Board consists of Directors that possess the necessary experience, knowledge and skills required by the business so as to enable the Board to make sound and well considered decisions. Succession planning is initiated by the NC to determine if there is continuity of leadership for key Board members and Executive Directors. The NC reviews the performance of the Board as a whole and the performance of each Director on an annual basis based on the criteria developed by the NC and reviewed by the Board.

The NC takes into consideration quantitative criteria and qualitative measures when reviewing the performance of the Board.

The NC evaluates the performance of individual Directors on an annual basis. The NC takes into consideration the attendance, time commitment and overall participation and contribution of each Director. The result of the assessment is presented and reported to the Board.

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

(a) Number of Board Membership

Carrying out the duties and fulfilling the responsibilities of a Director requires a significant commitment of an individual's time and attention. The Board does not believe, however, that explicit limits on the number of other boards of Directors on which the Directors may serve, or on other activities the Directors may pursue, are appropriate. The Board, however, recognizes that excessive time commitments can interfere with an individual's ability to perform his or her duties effectively. Accordingly, Directors should not serve on more than five boards of Directors of public listed companies in addition to the Company's Board.

(b) Attendance at Meetings

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

On top of the evaluation exercise, the contributions and performance of each Director are assessed by the Committee as part of its periodic reviews of the composition of the Board and the various Board Committees. In the process, areas for improvement are identified to improve the effectiveness of the Board and its various committees.

All Directors met the above guidelines on the time commitment as required by the Board for the year 2012.

Continuous Development Programme

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

As part of the continuing Board members' development programme for year 2012, the Board has endorsed for all Directors to attend courses relating to Risk Management, Corporate Governance and Information Technology Risk Management Governance. The Executive Directors have also attended additional courses pertaining to Succession Planning.

In-house training was conducted to keep the Directors abreast of the latest issues relating to Corporate Governance. Other topics shared by in-house trainers include interest rate risk, business continuity plan and crisis management. An external consultant was engaged to train directors on issues related to Information Technology Risk Management. Some of our Directors have also participated in courses conducted by the Singapore Institute of Directors.

The courses attended are essential to equip Directors with appropriate skills to perform their roles on the Board and Board Committees.

Access to Information

Prior to each Board meeting, SIF's Management provides the Board with information relevant to matters on the agenda for the Board meeting. The Board also receives regular reports pertaining to the operational and financial performance of the Group. In addition, Directors receive reports from Internal Audit, Compliance and Risk Management Departments on SIF on a regular basis.

Such reports enable the Directors to be aware of key issues pertaining to internal control, compliance and risk management of the Company.

The Board has separate and independent access to the Senior Management and the Company Secretary at all times. The Company Secretary attends Board meetings and is responsible for, among other things, ensuring that Board procedures are observed and that applicable rules and regulations are complied with. Procedures are in place for Directors and Board Committees, where necessary, to seek independent professional advice at the Company's expense.

Investments

The Board reviews and manages the Company's long term investment portfolio with the view of diversifying the Company's assets as well as making gains from the investments. The Board formulates investment policies, strategies and guidelines and periodically reviews the investment portfolio.

Related Party Transactions

The Board ensures that the related party transactions with the Company are undertaken on an arm's length basis. The AC reviewed all material related party transactions and kept the Board informed of such transactions.

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

Disclosure of related party transactions during the year is shown on pages 79 and 80.

Oversight Functions

Whilst all employees have a responsibility towards achieving good corporate governance practices for the Company, a number of key independent functions oversee the Company's management and execution of corporate governance:

Compliance Department

The primary objective of the Compliance Department is to ensure that the Company, Management and staff comply with the laws and regulations of Singapore including the MAS Guidelines on Corporate Governance, Finance Companies Act, SGX Listing requirements, IRAS' guidelines and other MAS Notices. This is achieved through means of compliance testing, compliance tracking and compliance monitoring. The Compliance Department reports independently to the RMC.

Internal Audit Department

Internal audit activity is primarily directed at improving the Company's internal controls with the objective of improving the effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations. One of its functions is also to evaluate the effectiveness of the organization's risk management processes. The Internal Audit Department reports independently to the Audit Committee.

Risk Management Department

The Risk Management Department ensures that the risk framework, structure, policies and procedures remain aligned to the Company's risk appetite, business and regulatory requirements, through the development of risk models for measuring, identifying, assessing, mitigating and reporting risks. The Risk Management Department also manages risks and breaches, as well as assessing the impact of key risks to the business. The Risk Management Department pepartment reports independently to the RMC.

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

Risk Governance

The Board has reviewed and is satisfied with the adequacy of the risk management framework, policies, and processes that are currently in place. In addition, the programs that the RMC has planned for 2013 will better manage risks effectively.

Under the Group's risk governance framework, the Board has overall responsibility for providing leadership, overseeing risk appetite and ensuring that a robust risk and compliance culture prevails.

The Board is assisted by the RMC to oversee the development of robust Enterprise Wide Risk Management ("EWRM") policies and processes which are aligned with the strategic direction set by the Board, to identify and manage the material business risks as well as to establish Key Risk Indicators, risk tolerance and internal limits to guide risk-taking activities within the Group.

The RMC is chaired by a non-executive and nonindependent Director and is supported by the Risk Management and Compliance Departments. The Risk Management Department assists the RMC in developing and reporting risk management measurements, stress testing and control systems, providing risk assessments, gap analysis and recommendations, monitoring limits set by Board and reporting breaches, exceptions and deviations. Limits are key mechanisms to control allowable risk taking activities and are regularly reviewed in view of changing economic environment, market conditions, business strategies and regulatory changes. The Compliance Department ensures all policies and procedures are aligned to regulatory requirements and conducts compliance testing to ensure that policies, procedures and controls are functioning effectively.

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

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





In ensuring that risks are managed at the early stage of the risk taking process, introduction of new products, outsourcing arrangements, new/revision of policies are subjected to approval by the RMC. New and revision of policies are reviewed by the Risk Management, Compliance and Internal Audit. They are to ensure issues relating to risk, regulatory compliance and internal controls are addressed before submission to the RMC for approval. Credit Control Department provides independent inputs in valuations, credit evaluations and recommendations to enable risk to be priced appropriately in relation to the returns.

REMUNERATION MATTERS

Remuneration

The Listing Manual requires that, at a minimum, disclosure must be made as recommended in the Code of Corporate Governance that at least the top five key executives' remuneration be disclosed in bands of S\$250,000.

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

The broad guidelines that guide the RC in its management of remuneration, fees, benefits, and incentives for the Board of Directors and Senior Management are set out below.

Director Remuneration Policy

The overall Director remuneration packages of SIF comprise both fixed and variable components. The key principles of SIF's Director compensation philosophy are as follows:

- To establish a level of remuneration that is market competitive to attract, motivate and retain highlyskilled Directors to run the Company successfully, but at the same time avoiding paying more than what is necessary;
- To link a significant proportion of executive Director's remuneration to corporate and individual performance, so as to align the interests of executive Directors with those of shareholders; and
- To link the remuneration of non-executive Directors to the amount of responsibilities, effort and time spent by the Directors.

For executive Directors, the fixed component of the compensation package includes base salary (inclusive of employer's CPF) and other allowance and benefits such as medical and dental benefits, car programme allowance and club membership allowance. The fixed component makes up 60%–80% of the overall compensation of executive Director.



The variable component of the compensation package consists of short-term incentives and cash incentives, such as variable bonus and Directors' fees. The variable component makes up 20%–40% of the overall compensation of executive Director.

Directors' fees are recommended by the RC and are submitted for endorsement by the Board and approval by shareholders during the Annual General Meeting. No Director decides his own fees, ensuring check and balance controls are in place.

Directors' remuneration in bands of \$250,000 is shown in the Directors' Remuneration on page 95.

ACCOUNTABILITY AND AUDIT

Financial Reporting, Internal Controls & Compliance with Policies and Regulations

A system of effective internal controls plays a crucial role in the financing operations as it sets a foundation for the safe and sound operation of financial institutions, thus safeguarding the shareholders' investments and the Group's assets. The Board of Directors recognises that it has overall responsibility to ensure accurate financial reporting for the Group and the Group's system of internal controls. The Board, with the assistance of the AC and RMC, reviews the effectiveness of the Group's financial reporting and internal controls system and ensures the adequacy of the internal controls system as well as policies in relation to risk management and compliance. The Board, with the concurrence of the AC, is of the opinion that the internal controls addressing the financial, operational and compliance risks are adequate.

The Management provides all Directors periodically with accounts and reports on the Group's financial performance and commentary on the competitive conditions within the industry in which the Group operates, which are reviewed



by the Board at each Board meeting prior to the release of announcements on quarterly and full-year results of the Group. The Directors may at any time seek further information from and discuss with the Management on the Group's operations and performance.

Internal Audit

The Internal Audit function of the Group is well-established and the Head of Internal Audit continues to report to the AC. The AC ensures that the internal audit function is adequately resourced and has appropriate standing within the Company. Various audit tests are performed by the Internal Audit Department to ensure the integrity of the Group's financial system and operating procedures as well as the soundness of the Group's internal controls. The Internal Auditors have unfettered access to the AC, the Board, and the senior management where necessary, as well as the right to seek information and explanations. The AC approved the transfer of the Internal Audit Head to another department in 2012. A new Head of Internal Audit was appointed on 18 June 2012.

External Audit

The Board is responsible for the nomination of external auditors with the recommendation of the Audit Committee. Shareholders will then approve the appointment at the Annual General Meeting. The AC evaluates the external auditors based on aspects such as the performance and quality of their audit, and independence, and recommends their appointment to the Board.

SIF is in compliance with Rules 712 & 715 of the SGX-ST Listing Manual in relation to the appointment of its auditing firm. The AC has also reviewed the non-audit services provided during the financial year and the fees paid for such services. The AC is satisfied that the independence of the external auditors has not been impaired, and the external auditors have also provided a confirmation of their independence to the AC.



Compliance

The Compliance Department conducts tests to ensure that the Management and staff continue to observe all policies and guidelines set by the Board of Directors and comply with the applicable laws, regulations and professional standards, including those for anti-money laundering and countering the financing of terrorism. The Compliance Department also performs regular tracking of new regulations and guidelines announced by the relevant regulatory bodies, and ensure that the Company's internal policies and procedures are aligned to the regulatory requirements.

Risk Management

An effective enterprise-wide risk management (EWRM) framework is critical in ensuring the overall financial soundness of the Group's business operations and in creating sustainable growth in shareholders' value. In addition, it encourages sound business practice and decision making which adequately balances risk and reward.

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

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

Dealing in Company's Shares

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

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

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

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

Business and Ethical Conduct

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

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

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

The Company continuously exercises prudence in its business dealings. It ensures that all staff continues to observe high standards of professionalism and integrity in their dealings with the customers and business associates.

Whistle Blowing Policy

The Company has in place a whistle-blowing policy which encourages all staff to raise genuine concerns or suspicions about possible improprieties in accounting, auditing, financial reporting or any other fraudulent activities. Procedures for handling of feedback/complaints received from customers and independent investigations to be conducted have also been established.

The Company is committed to a high standard of ethical conduct and does not tolerate fraudulent practices. SIF undertakes to investigate complaints of suspected fraud in an objective manner and has put in place a whistle blowing policy and procedures which provide employees with welldefined and accessible channels within the Company, including a direct channel to the Audit Committee for reporting suspected fraud, corruption, dishonest practices or other similar matters.

The policy aims to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, protected from reprisal. On an ongoing basis, the whistle blowing policy is covered during staff training and periodic communication to all staff as part of the Company's efforts to promote awareness of fraud control.

COMMUNICATION WITH SHAREHOLDERS

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

The Company engages in regular and effective communication with its shareholders. All shareholders will receive the annual report of the Company and the notice of the Annual General Meeting. In addition, the Board also updates shareholders on the Company's quarterly financial results via Singapore Exchange's SGXNET. The financial results are also freely and publicly available at the Company's webpage at www.sif.com.sg.

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

The Company holds the Annual General Meeting at a central location with convenient access to public transportation. A registered shareholder who is unable to attend may choose to appoint a proxy to attend and vote on his behalf.

The Directors and Senior Management are in attendance to address queries and concerns about the Company. The Company's external auditors are also invited to attend to assist the Directors to address shareholders' queries that are related to the conduct of the audit and the preparation and content of the auditors' reports.

PERFORMANCE REVIEW



(1) PERFORMANCE REVIEW

| | 2012 \$'000 | 2011 \$'000 | Variance +/(–) (%) |
|---|--|--|--|
| Selected Income Statement Items | | | |
| Net interest income Non-interest income Total income | 30,111 4,026 34,137 | 32,551 3,704 36,255 | (7.5) 8.7 (5.8) |
| Operating expenses Profit from operations before impairment losses (Allowances for) Write-back of impairment losses on loans and advances Profit before income tax Profit after tax attributable to equity holders of the Group | (18,076) 16,061 (379) 15,682 14,696 | (18,689) 17,566 | (3.3) (8.6) NM (39.9) (37.8) |
| Selected Balance Sheet Items | , | 20,010 | |
| Total equity Total assets Loans and advances Deposits and savings accounts of customers | 315,707 1,977,623 1,423,325 1,630,041 | 241,341 1,657,600 1,179,655 1,378,505 | 30.8 19.3 20.7 18.2 |
| Key Financial Ratios (%) | | | |
| Net interest margin Non-interest income-to-total income Cost-to-income ratio Loans-to-deposits ratio Non-performing loans ratio Return on equity ⁽¹⁾ Return on total assets ⁽²⁾ | 1.8 11.8 53.0 87.3 0.5 4.7 0.7 | 2.2 10.2 51.5 85.6 1.3 9.8 1.4 | |
| Capital adequacy ratio | 19.6 | 18.4 | |
| Per Ordinary Share Data Basic earnings per share (cents) Net asset value per share (\$) | 12.22 2.00 | 20.83 2.30 | |

 $^{\scriptscriptstyle (1)}$ $\,$ Return on equity is computed based on ordinary shareholders' equity at balance sheet date.

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

NM – Not meaningful

PERFORMANCE REVIEW

The Group registered a profit after tax of \$14.7 million for the year ended 31 December 2012, a decline of 38% from \$23.6 million a year ago. The decline was attributable to the prolonged low interest rate environment which, coupled with the intense market competition, continued to compress the interest margin. In addition, a net allowance for loan losses was made as compared to a write-back in the previous year.

Net interest income and hiring charges declined by 7.5% as a result of a reduction in the interest spread. Net interest margin narrowed from 2.2% in 2011 to 1.8% in 2012.

Non-interest income increased by 8.7% mainly attributable to an increase of 10.9% in the rental income from investment properties. Operating expenses declined by 3.3% mainly due to a decrease in the depreciation charge as some of the systems and renovation costs had been fully depreciated in the previous year. In addition, lower business promotional expenses were incurred as part of cost management. Staff costs declined marginally by 0.4% due to a lower provision for staff bonus.

For the year, a net allowance for loan losses of \$0.4 million was made as compared to a write-back of \$8.5 million in the previous year. Adequate individual and collective impairment allowances for the loan portfolio were being set aside during the year.

The Group's loan assets expanded by 20.7% or \$243.7 million, from \$1,179.7 million as at 31 December 2011 to \$1,423.3 million as at 31 December 2012. In tandem with the higher loan base, deposits and savings accounts of customers increased by 18.2% to \$1,630.0 million as at 31 December 2012. Loans-to-deposits ratio increased to 87.3%, from 85.6% in the previous year.

The Group's total equity rose 30.8%, from \$241.3 million to \$315.7 million mainly due to net proceeds of \$62.8 million raised from a Rights Issue exercise in November. Net asset value per share fell from \$2.30 to \$2.00.

Subject to approval by the shareholders at the forthcoming Annual General Meeting, the Board is recommending a first and final onetier tax exempt dividend of 5 cents per share for the year under review.

(2) NET INTEREST INCOME

Interest-Earning Assets & Interest-Bearing Liabilities

| | | 2012 | | | 2011 | |
|---------------------------------------|-----------|----------|---------|-----------|----------|---------|
| | Average | | Average | Average | | Average |
| | Balance | Interest | Rate | Balance | Interest | Rate |
| | \$'000 | \$'000 | % | \$'000 | \$'000 | % |
| Interest-Earning Assets | | | | | | |
| Loans and advances | 1,293,559 | 37,730 | 2.9 | 1,046,432 | 37,241 | 3.6 |
| Singapore Government Securities | 153,262 | 4,967 | 3.2 | 154,807 | 5,082 | 3.3 |
| Other interest-earning assets | 229,928 | 1,642 | 0.7 | 253,634 | 1,473 | 0.6 |
| Total | 1,676,749 | 44,339 | 2.6 | 1,454,873 | 43,796 | 3.0 |
| Interest-Bearing Liabilities | | | | | | |
| Deposits and savings accounts | 1,411,667 | 13,901 | 1.0 | 1,237,674 | 10,827 | 0.9 |
| SPRING loans (unsecured) | 10,639 | 327 | 3.1 | 13,565 | 410 | 3.0 |
| Other liabilities | 11 | _ | - | 849 | 8 | 0.9 |
| Total | 1,422,317 | 14,228 | 1.0 | 1,252,088 | 11,245 | 0.9 |
| Net interest income/margin as a | | | | | | |
| percentage of interest-earning assets | | 30,111 | 1.8 | | 32,551 | 2.2 |

Net interest income declined by 7.5% attributed to a reduced interest spread due to the protracted low interest rate environment and the intense market competition.

Net interest margin as a percentage of interest-earning assets narrowed from 2.2% to 1.8% as a result of the lower yield from loans and advances coupled with the increase in the interest cost of deposits.

PERFORMANCE REVIEW

The table below analyses the changes in net interest income in 2012 over 2011 due to changes in volume and changes in rates.

(3) VOLUME AND RATE ANALYSIS

Increase/(Decrease) for 2012 over 2011

| Increase/(Decrease) for 2012 over 2011 | | 2012 | |
|--|------------------|----------------|-----------------|
| | Volume \$'000 | Rate \$'000 | Total \$'000 |
| Interest Income | | | |
| Loans and advances | 8,897 | (8,408) | 489 |
| Singapore Government Securities | (51) | (64) | (115) |
| Other assets | (142) | 311 | 169 |
| Total | 8,704 | (8,161) | 543 |
| Interest Expense | | | |
| Deposits and savings accounts | 1,566 | 1,508 | 3,074 |
| SPRING loans (unsecured) | (88) | 5 | (83) |
| Other liabilities | (8) | _ | (8) |
| Total | 1,470 | 1,513 | 2,983 |
| Net interest income | 7,234 | (9,674) | (2,440) |

(4) NON-INTEREST INCOME

| | 2012 \$'000 | 2011 \$'000 | Variance +/(–)% |
|--|----------------|----------------|--------------------|
| Fees and commissions | 466 | 433 | 7.6 |
| Dividends | 110 | 105 | 4.8 |
| Rental income from investment properties | 3,209 | 2,893 | 10.9 |
| Others | 241 | 273 | (11.7) |
| Total non-interest income | 4,026 | 3,704 | 8.7 |

Non-interest income increased by 8.7% to \$4.0 million in 2012. This was mainly contributed by a 10.9% increase in rental income from investment properties due to increase in the occupancy and rental rates.

(5) OPERATING EXPENSES

| | 2012 \$'000 | 2011 \$'000 | Variance +/(–)% |
|---|----------------|----------------|--------------------|
| Staff costs | 10,363 | 10,406 | (0.4) |
| Depreciation of property, plant and equipment | 1,064 | 1,514 | (29.7) |
| Depreciation of investment properties | 377 | 377 | _ |
| Other expenses | 6,272 | 6,392 | (1.9) |
| Total operating expenses | 18,076 | 18,689 | (3.3) |

Operating expenses declined by 3.3% mainly due to a decrease in the depreciation charge as some of the systems and renovation costs had been fully depreciated in the previous year. Staff costs declined marginally by 0.4% due to a lower provision for staff bonus. Decrease in other expenses was due to lower business promotional expenses incurred.

(6) IMPAIRMENT ALLOWANCES FOR LOANS AND ADVANCES

| | 2012 \$'000 | 2011 \$'000 | Variance +/(–)% |
|--|----------------|----------------|--------------------|
| Allowances for (Write-back of) allowances for loans and advances (net) | 379 | (8,517) | NM |
| Total | 379 | (8,517) | NM |

A net allowance for loan losses of \$0.4 million was made as compared to a write-back of \$8.5 million in the previous year.

5 YEAR FINANCIAL SUMMARY

| 18 Dec -0.75% 19 Dec | 22 Dec 2 | 0.02% 3 Dec | +1.77% 29 Dec | +2.33% +4.85% | 24 |
|---|-----------------------------|-----------------------------|----------------------------|----------------------------|--------------------------|
| ~ | | | - | | |
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Operating Revenue* | \$'000 44,339 | \$'000 43,796 | \$'000 52,686 | \$'000 63,404 | \$'000 66,436 |
| | | | | | |
| Profit and Revenue Reserves Profit before tax Profit after tax Revenue Reserve | 15,682 14,696 115,468 | 26,083 23,640 108,128 | 30,407 25,407 94,996 | 21,173 17,652 77,996 | 8,258 5,520 62,971 |
| Share Capital Issued | 180,008 | 117,199 | 117,199 | 117,199 | 117,199 |
| Capital Employed Total Assets Net Assets | 1,977,623 315,707 | 1,657,600 241,341 | 1,545,090 218,257 | 1,640,680 200,467 | 1,781,969 196,670 |
| Volume of Business Loans Deposits | 1,423,325 1,630,041 | 1,179,655 1,378,505 | 960,054 1,282,721 | 1,048,663 1,389,440 | 1,392,687 1,459,082 |
| Dividend and Earnings Per Share Dividend (net) Dividend per share (cents)** Earnings per share (cents)*** | 7,881 5.00 12.22 | 7,356 7.00 20.83 | 10,508 10.00 24.18 | 8,407 8.00 16.80 | 2,627 2.50 5.25 |
| Return after Tax on Total Assets (%) | 0.74 | 1.43 | 1.64 | 1.08 | 0.31 |
| Return after Tax on Net Assets (%) | 4.65 | 9.80 | 11.64 | 8.81 | 2.81 |
| Net Tangible Asset Per Share (\$) | 2.00 | 2.30 | 2.08 | 1.91 | 1.87 |

* The Operating Revenue for Year 2008 incorporated in the previous annual reports, included the Operating Revenue of the subsidiary before eliminations on consolidation. The figures for subsequent years have been adjusted to reflect the consolidated Operating Revenue to conform to the Financial Statements.

** One-tier tax exempt dividend.

*** Earnings per share is calculated based on the weighted average number of ordinary shares in issue during the year of 120,221,170 (Year 2011:113,490,550, & Years 2008 to 2010: 105,083,843) shares.

5 YEAR FINANCIAL SUMMARY



CORPORATE SOCIAL RESPONSIBILITY



Through the years, as part of corporate social responsibility, the Company has given back to society by contributing to and engaging in activities to help the needy and underprivileged.

In 2012, we have donated to institutions providing free and subsidized medical and healthcare services, welfare societies in aid of the less fortunate as well as educational funds. In addition, together with other volunteers, our staff distributed red packets to needy old folks at a Chinese New Year lunch organized by the Singapore Women's Association.

Our Company remains committed to worthy causes and will continue to support those in need.

In keeping our environment green and clean, our Company strives to reduce energy usage and consumables such as paper. To this end, staff are encouraged to print on both side of the paper and print documents only when necessary. We have also enhanced our system to avail reports in soft copies which has cut down paper usage significantly. To reduce power consumption, electrical devices and equipment are switched off when not in use and lights in the buildings appropriately dimmed after office hours.

We will continue to improve on the level of awareness amongst staff and increase recycling efforts in all aspects of our operations.

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REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2012.

1 DIRECTORS

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

Lee Sze Leong Lee Sze Siong Tan Tong Guan Dr Joseph Yeong Wee Yong Lim Poh Suan Kim Seah Teck Kim Ng Tat Pun (Appointed on 1 March 2012)

Pursuant to Article 109 of the Company's Articles of Association, Mr Lee Sze Leong, Dr Joseph Yeong Wee Yong and Mr Kim Seah Teck Kim retire by rotation and being eligible, offer themselves for re-election.

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

| | Holdings in the director | | Other holdin the director to have a | r is deemed |
|---|-----------------------------|-----------------------|---|-------------------------|
| Name of directors | At beginning of the year | At end of the year | At beginning of the year | At end of the year |
| Sing Investments & Finance Limited (Ordinary shares) | | | | |
| Lee Sze Leong | 216,721 | 345,081 | 28,166,300 | 42,255,450 |
| Lee Sze Siong Tan Tong Guan | 300,395 101,540 | 450,592 152,310 | 28,166,300 1,190,100 | 42,255,450 1,785,150 |

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2013.

REPORT OF THE DIRECTORS

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements.

During the financial year, the Company has engaged in transactions in the normal course of business with immediate family members of certain directors and with companies in which the directors have significant financial interests. However, the directors have not received, nor will they become entitled to receive, any benefits arising out of these transactions other than those which they may be entitled to as customers or as shareholders of these companies.

5 SHARE OPTIONS

(a) Options to take up unissued shares

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

(b) Options exercised

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

(c) Unissued shares under option

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

6 AUDIT COMMITTEE

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

Tan Tong Guan (Chairman) Lim Poh Suan Kim Seah Teck Kim

They are all independent non-executive directors.

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

The Audit Committee has held 3 meetings since the last Annual General Meeting. In performing its functions, the Audit Committee met with the Company's 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.

REPORT OF THE DIRECTORS

6 AUDIT COMMITTEE (CONT'D)

The Audit Committee also reviewed the following:

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

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

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

7 AUDITORS

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

ON BEHALF OF THE BOARD OF DIRECTORS

Lee Sze Leong Chairman

Tan Tong Guan Director

15 February 2013

STATEMENT BY DIRECTORS

In the opinion of the directors:

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 32 to 94 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; 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.

ON BEHALF OF THE BOARD OF DIRECTORS

Lee Sze Leong Chairman

Tan Tong Guan Director

15 February 2013

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SING INVESTMENTS & FINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Sing Investments & Finance Limited (the "Company") and its subsidiary (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 94.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Public Accountants and Certified Public Accountants Singapore

Giam Ei Leen Partner

15 February 2013

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

| | Note | Group | | Company | |
|---------------------------------------|------|-----------|-----------|-----------|-----------|
| | | 2012 | 2011 | 2012 | 2011 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash on deposit, at banks and in hand | | 268,615 | 221,053 | 268,560 | 220,982 |
| Other assets | 6 | 5,756 | 5,601 | 5,756 | 5,601 |
| Investments | 7 | 196,803 | 172,314 | 196,531 | 172,077 |
| Loans and advances due | | | | | |
| within twelve months | 8 | 391,779 | 426,388 | 391,779 | 426,388 |
| Statutory deposit with the Monetary | | | | | |
| Authority of Singapore ("MAS") | | 40,422 | 35,247 | 40,422 | 35,247 |
| Total current assets | | 903,375 | 860,603 | 903,048 | 860,295 |
| Non-current assets | | | | | |
| Property, plant and equipment | 9 | 17,495 | 18,146 | 17,495 | 18,146 |
| Investment properties | 10 | 25,207 | 25,584 | 25,207 | 25,584 |
| Subsidiary | 11 | _ | _ | 25 | 25 |
| Loans and advances due | | | | | |
| after twelve months | 8 | 1,031,546 | 753,267 | 1,031,546 | 753,267 |
| Total non-current assets | | 1,074,248 | 796,997 | 1,074,273 | 797,022 |
| Total assets | | 1,977,623 | 1,657,600 | 1,977,321 | 1,657,317 |

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

| | | Group | | Company | |
|---------------------------------|------|-----------|-----------|-----------|-----------|
| | Note | 2012 | 2011 | 2012 | 2011 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities | | | | | |
| Deposits and savings accounts | | | | | |
| of customers | 13 | 1,630,041 | 1,378,505 | 1,630,770 | 1,379,231 |
| Other liabilities | 14 | 16,135 | 15,305 | 15,652 | 14,808 |
| SPRING loans due within | | | | | |
| twelve months (unsecured) | 15 | 4,947 | 6,513 | 4,947 | 6,513 |
| Provision for employee benefits | 16 | 219 | 224 | 219 | 224 |
| Current tax payable | | 2,713 | 6,795 | 2,713 | 6,795 |
| Total current liabilities | | 1,654,055 | 1,407,342 | 1,654,301 | 1,407,571 |
| Non-current liabilities | | | | | |
| SPRING loans due after | | | | | |
| twelve months (unsecured) | 15 | 3,667 | 5,887 | 3,667 | 5,887 |
| Deferred tax liabilities | 12 | 4,194 | 3,030 | 4,158 | 2,999 |
| Total non-current liabilities | | 7,861 | 8,917 | 7,825 | 8,886 |
| Total liabilities | | 1,661,916 | 1,416,259 | 1,662,126 | 1,416,457 |
| Equity attributable to equity | | | | | |
| holders of the Company | 17 | 100.000 | 117 100 | 100.000 | 117 100 |
| Share capital | 17 | 180,008 | 117,199 | 180,008 | 117,199 |
| Reserves | 18 | 135,699 | 124,142 | 135,187 | 123,661 |
| Total equity | | 315,707 | 241,341 | 315,195 | 240,860 |
| Total liabilities and equity | | 1,977,623 | 1,657,600 | 1,977,321 | 1,657,317 |
| Off-balance sheet items | | | | | |
| Undrawn Ioan commitments | 25 | 558,922 | 360,603 | 558,922 | 360,603 |
| Guarantees issued | 26 | 3,734 | 3,034 | 3,734 | 3,034 |
| Total off-balance sheet items | | 562,656 | 363,637 | 562,656 | 363,637 |

See accompanying notes to financial statements.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

| | | Group | |
|---|------|----------|----------|
| | Note | 2012 | 2011 |
| | - | \$'000 | \$'000 |
| Revenue | | | |
| Interest income and hiring charges | 21 | 44,339 | 43,796 |
| Interest expense | 21 | (14,228) | (11,245) |
| Net interest income and hiring charges | | 30,111 | 32,551 |
| Fees and commissions | | 466 | 433 |
| Dividends | 21 | 110 | 105 |
| Rental income from investment properties | | 3,209 | 2,893 |
| Other income | 21 | 241 | 273 |
| Income before operating expenses | | 34,137 | 36,255 |
| Staff costs | 21 | (10,363) | (10,406) |
| Depreciation of property, plant and equipment | 9 | (1,064) | (1,514) |
| Depreciation of investment properties | 10 | (377) | (377) |
| Other operating expenses | 21 | (6,272) | (6,392) |
| Profit from operations before impairment losses | | 16,061 | 17,566 |
| (Allowances for) Write back of impairment losses | | | |
| on loans and advances | 8 | (379) | 8,517 |
| Profit before income tax | | 15,682 | 26,083 |
| Income tax expense | 22 | (986) | (2,443) |
| Profit for the year attributable to equity holders of the Company | | 14,696 | 23,640 |
| Earnings per share (cents) | | | |
| – Basic | 23 | 12.22 | 20.83* |
| - Diluted | 23 | 12.22 | 20.83* |

* Restated

See accompanying notes to financial statements.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

| | Group | |
|---|--------|---------|
| | 2012 | 2011 |
| | \$'000 | \$'000 |
| Profit for the year | 14,696 | 23,640 |
| Available-for-sale financial assets | | |
| Net change in fair value of available-for-sale financial assets | 5,080 | 11,991 |
| - Income tax on components of other comprehensive income | (863) | (2,039) |
| Other comprehensive income for the year, net of tax | 4,217 | 9,952 |
| Total comprehensive income for the year | | |
| attributable to equity holders of the Company | 18,913 | 33,592 |

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2012

| Share Statutory value Accumulated Note capital reserve reserve profits | Total |
|---|----------|
| | Total |
| | |
| \$'000 \$'000 \$'000 \$'000 | \$'000 |
| Group | |
| At 1 January 2011 117,199 67,303 6,062 27,693 | 218,257 |
| Total comprehensive income for the year – – 9,952 23,640 | 33,592 |
| Transfer from accumulated profits tostatutory reserve-5,909-(5,909) | _ |
| Final one-tier tax exempt dividend paid for financial year 2010 of 10 cents per share 24 (10,508) | (10,508) |
| | |
| At 31 December 2011 117,199 73,212 16,014 34,916 | 241,341 |
| Total comprehensive income for the year4,21714,696 | 18,913 |
| Transfer from accumulated profits tostatutory reserve-7,347-(7,347) | _ |
| Issue of Rights Shares 62,809 – – – | 62,809 |
| Final one-tier tax exempt dividend paid for financial year 2011 of 7 cents | (|
| per share 24 <u>– – – (7,356)</u> | (7,356) |
| At 31 December 2012 180,008 80,559 20,231 34,909 | 315,707 |

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2012

| | | | | Fair | | |
|---|------|---------|-----------|---------|-------------|----------|
| | | Share | Statutory | value | Accumulated | |
| | Note | capital | reserve | reserve | profits | Total |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Company | | | | | | |
| At 1 January 2011 | | 117,199 | 67,303 | 5,898 | 27,364 | 217,764 |
| Total comprehensive income for the year | | - | - | 9,967 | 23,637 | 33,604 |
| Transfer from accumulated profits to statutory reserve | | - | 5,909 | - | (5,909) | - |
| Final one-tier tax exempt dividend paid for financial year 2010 of 10 cents per share | 24 | _ | _ | _ | (10,508) | (10,508) |
| • | 21 | 117 100 | 70.010 | 15.005 | | |
| At 31 December 2011 | | 117,199 | 73,212 | 15,865 | 34,584 | 240,860 |
| Total comprehensive income for the year | | _ | _ | 4,188 | 14,694 | 18,882 |
| Transfer from accumulated profits to statutory reserve | | - | 7,347 | - | (7,347) | _ |
| Issue of Rights Shares | | 62,809 | - | - | - | 62,809 |
| Final one-tier tax exempt dividend paid for financial year 2011 of 7 cents | | | | | | |
| per share | 24 | _ | - | - | (7,356) | (7,356) |
| At 31 December 2012 | | 180,008 | 80,559 | 20,053 | 34,575 | 315,195 |
| | | | | | | |

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

| | Group | |
|---|-----------|-----------|
| | 2012 | 2011 |
| | \$'000 | \$'000 |
| Operating activities | | |
| Profit before income tax | 15,682 | 26,083 |
| Adjustments for: | | |
| Impact of accrual of interest income | (5) | 327 |
| Impact of accrual of interest expense | 2,473 | (1,743) |
| Depreciation of property, plant and equipment | 1,064 | 1,514 |
| Depreciation of investment properties | 377 | 377 |
| Property, plant and equipment written off | - | 4 |
| Allowances for (Write-back) of | | |
| impairment losses on loans and advances | 379 | (8,517) |
| Dividends receivable | | (105) |
| Operating cash flows before movements in working capital | 19,970 | 17,940 |
| Changes in working capital | | |
| Other assets | 16 | (723) |
| Loans and advances | (244,049) | (211,084) |
| Statutory deposit with the MAS | (5,175) | (6,657) |
| Deposits and savings accounts of customers | 251,536 | 95,784 |
| Other liabilities | (1,645) | (328) |
| SPRING loans | (3,786) | (4,074) |
| Provision for employee benefits | (5) | 5 |
| Cash generated from (used in) operations | 16,862 | (109,137) |
| Income taxes paid | (4,766) | (4,700) |
| Net cash from (used in) operating activities | 12,096 | (113,837) |
| Investing activities | | |
| Purchase of investments | (22,574) | _ |
| Purchase of property, plant and equipment and investment properties | (413) | (569) |
| Proceeds from disposal of investments | 3,000 | 9,645 |
| Dividends received | - | 32 |
| Net cash (used in) from investing activities | (19,987) | 9,108 |
| Financing activities | | |
| Dividends paid | (7,356) | (10,508) |
| Net proceeds from Rights Issue | 62,809 | _ |
| Net cash from (used in) financing activities | 55,453 | (10,508) |
| Net increase (decrease) in cash and cash equivalents | 47,562 | (115,237) |
| Cash and cash equivalents at beginning of the year | 221,053 | 336,290 |
| Cash and cash equivalents at end of the year | 268,615 | 221,053 |

1 GENERAL

The Company (Registration Number 196400348D) is incorporated in the Republic of Singapore and has its principal place of business and registered office at 96 Robinson Road, #01-01 SIF Building, Singapore 068899. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars, which is the functional currency of the Company.

The principal activities of the Company are those of a licensed finance company. The principal activities of the subsidiary are those of a nominee service company.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2012 were authorised for issue by the Board of Directors on 15 February 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the historical cost basis except for the revaluation of certain financial instruments, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

2.2 ADOPTION OF NEW AND REVISED STANDARDS

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2012. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

| FRS 1 | Presentation of Financial Statements |
|---------|---|
| | (Amendments related to Presentation of Items of Other Comprehensive Income) |
| FRS 27 | Separate Financial Statements (Revised) |
| FRS 32 | Financial Instruments: Presentation |
| | (Amendments related to offsetting Financial Assets and Liabilities) |
| FRS 107 | Financial Instruments: Disclosure |
| | (Amendments related to offsetting Financial Assets and Liabilities) |
| FRS 110 | Consolidated Financial Statements |
| | |

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and an entity controlled by the Company (its subsidiary). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies into line with the Company.

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

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

2.4 FINANCIAL INSTRUMENTS

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

Effective interest method

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

Financial assets

Investments are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Available-for-sale financial assets

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

(b) Loans and receivables

Loans and advances and other assets that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

(c) Impairment of financial assets

A financial asset is assessed at the end of each reporting period to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit or loss. Any cumulative loss in respect of an available-forsale financial asset recognised previously in other comprehensive income are reclassified to profit or loss.

Impairment losses in respect of financial assets measured at amortised cost and available-for-sale debt securities are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 FINANCIAL INSTRUMENTS (CONT'D)

(c) Impairment of financial assets (cont'd)

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses once recognised in the profit or loss in respect of available-for-sale equity securities are not reversed through the profit or loss. Any subsequent increase in fair value of such assets is recognised directly in other comprehensive income.

Calculation of recoverable amount

Loans and advances

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

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

(d) Derecognition of financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 FINANCIAL INSTRUMENTS (CONT'D)

Financial liabilities and equity instruments

Classification as debt or equity

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

(a) Equity instruments

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

(b) Other financial liabilities

Other liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in profit or loss in the period in which they are incurred.

(c) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 OPERATING LEASES

When entities within the Group are lessees of an operating lease

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

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

When entities within the Group are lessors of an operating lease

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

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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 cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss on the date of retirement or disposal.

Depreciation on other property, plant and equipment is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The estimated useful lives are as follows:

| Leasehold land | _ | remaining life of the lease |
|--|---|---|
| Freehold and leasehold buildings | _ | shorter of 50 years and remaining life of the lease |
| Furniture, office equipment and motor vehicles | _ | 5 years |
| Renovation | _ | 5 years |
| Computers | - | 3 years |

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

2.7 INVESTMENT PROPERTIES

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

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

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

| Leasehold land | _ | remaining life of the lease |
|----------------------------------|---|---|
| Freehold and leasehold buildings | _ | shorter of 50 years and remaining life of the lease |

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash-generating unit 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 cash-generating unit. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at the end of each reporting period 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.

2.9 PREPAID COMMISSION ON LOANS AND ADVANCES

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

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

2.10 PROVISION

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 REVENUE RECOGNITION

(a) Interest income and expense

Interest income and expense are recognised in the profit or loss as they accrue, taking into account the effective yield of the asset or liability or an applicable fixed or floating rate. Where charges are added to the principal financed at the commencement of the period, the general principle adopted for crediting income to the profit or loss is to spread the income over the period in which the repayments are due using the following bases for the various categories of financing business:-

Income earned on hire purchase

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

Income earned on loans, factoring accounts and debt securities

Interest income is recognised in the profit or loss using the effective interest rate method.

Income from bank deposits

Interest income from bank deposits is accrued on a time-apportioned basis using the effective interest rate method.

(b) Fee and commission income

Fee and commission income are recognised in the profit or loss on an accrual basis when the services are rendered.

(c) <u>Dividend income</u>

Dividend income is recognised when the Group's right to receive payment is established.

(d) Rental income

Rental income receivable under operating leases is recognised in the profit or loss on a straight-line basis over the term of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 EMPLOYEE BENEFITS

(a) Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

(b) Short-term benefits

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

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.13 INCOME TAX EXPENSE

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement and statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in Singapore where the Company and subsidiary operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 INCOME TAX EXPENSE (CONT'D)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity).

2.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Management discussed with the Audit Committee the development, selection, disclosure, and application of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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

The management are of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

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

Impairment losses on loans, advances and receivables

The Group reviews its loan portfolio to assess impairment at least on a semi-annual basis. To determine whether an impairment loss should be recorded in the profit or loss, 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 default in the loan portfolio.

In addition, management uses estimates based on historical loss experience for loans, advances and receivables with credit risk characteristics and objective evidences of impairment similar to those in the loan portfolio. The methodology and assumptions used are reviewed regularly to reduce any differences between estimates and actual loss experience.

The carrying amount of loans and advances are disclosed in Note 8 to the financial statements.

Income tax

The Company makes provision for income tax based on the taxable profit. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. In determining the amount of taxable profit, management exercises judgement, and the amount is subject to the approval of the local tax authority.

A reconciliation of the income tax is disclosed in Note 22 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Financial risk management policies and objectives

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

- credit risk
- liquidity risk
- market risk
- operational risk

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

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

Risk governance

Under the Group's risk governance framework, the Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Risk Management Committee (RMC) is led by two independent directors and is tasked to oversee the development of robust enterprisewide risk management policies and processes. Apart from credit risk, liquidity risk, market risk, capital and balance sheet management, which were undertaken by the various committees, the RMC oversees the management of operational risk, information technology risk, outsourcing risk, reputational risk, compliance and business continuity management.

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

Senior management is accountable to the Board for ensuring the implementation of risk management policies. The business units shall be responsible for managing the risks of their respective activities and ensure compliance of the Group's policies. Control functions assist senior management in providing checks and controls as well as independent risk assessments.

(i) Credit risk

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

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

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

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

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

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(i) Credit risk (cont'd)

Maximum exposure to credit risk

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

Set out below is a breakdown of the net (of allowances for impairment) amounts of loans and advances by loan type (based on underlying collateral assets):

| | Performing \$'000 | Group and Company Non-performing \$'000 | r Total \$'000 |
|------------------------------------|----------------------|---|----------------------|
| Loan type | | | |
| <u>31 December 2012</u> | | | |
| Land and construction | 710,062 | _ | 710,062 |
| Commercial properties | 454,606 | 2,407 | 457,013 |
| Motor vehicles | 305,139 | (48) | 305,091 |
| Private residential | 248,521 | 980 | 249,501 |
| Block discounting | 177,051 | _ | 177,051 |
| Machinery and equipment | 46,968 | 167 | 47,135 |
| Share loans | 30,850 | _ | 30,850 |
| Shipping | 8,504 | 68 | 8,572 |
| HDB flats | 5,048 | 754 | 5,802 |
| Factoring and accounts receivables | 3,589 | _ | 3,589 |
| Others | 1,994 | 2 | 1,996 |
| | 1,992,332 | 4,330 | 1,996,662 |
| Less: Collective impairment | (14,384) | (31) | (14,415) |
| Total | 1,977,948 | 4,299 | 1,982,247 |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(i) Credit risk (cont'd)

| | Group and Company | | | |
|------------------------------------|-------------------|----------------|-----------|--|
| | Performing | Non-performing | Total | |
| | \$'000 | \$'000 | \$'000 | |
| Loan type | | | | |
| <u>31 December 2011</u> | | | | |
| Private residential | 439,824 | 2,877 | 442,701 | |
| Land and construction | 312,797 | _ | 312,797 | |
| Commercial properties | 279,954 | 5,228 | 285,182 | |
| Motor vehicles | 279,545 | 426 | 279,971 | |
| Block discounting | 154,443 | 8 | 154,451 | |
| Machinery and equipment | 32,788 | 803 | 33,591 | |
| Share loans | 23,450 | _ | 23,450 | |
| Shipping | 7,216 | 101 | 7,317 | |
| HDB flats | 5,979 | 693 | 6,672 | |
| Factoring and accounts receivables | 3,670 | - | 3,670 | |
| Others | 2,376 | 34 | 2,410 | |
| | 1,542,042 | 10,170 | 1,552,212 | |
| Less: Collective impairment | (11,876) | (78) | (11,954) | |
| Total | 1,530,166 | 10,092 | 1,540,258 | |

Collaterals

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

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(i) Credit risk (cont'd)

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

| | Group and Company | | |
|----------------|-------------------|--------|--|
| | 2012 | 2011 | |
| | \$'000 | \$'000 | |
| Properties | 14,758 | 28,710 | |
| Equipment | 678 | 1,025 | |
| Motor vehicles | 600 | 1,624 | |
| Vessels | 120 | 150 | |
| | 16,156 | 31,509 | |

The Group does not disclose the fair value of collateral held as security on loans and advances past due but not impaired as it is not practicable to do so.

The nature and carrying amount of assets obtained by taking possession of collateral held as security are as follows:

| | Group and Company | |
|------------------------------|-------------------|--------|
| | 2012 | 2011 |
| | \$'000 | \$'000 |
| Motor vehicles and equipment | - | 26 |

Credit quality

The Group categorises its loans and advances in accordance with MAS Notice to Finance Companies No. 811 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore (MAS). In addition, loans and advances are required under FRS 107 Financial Instruments: Disclosures to be categorised into "impaired", "past due but not impaired" and "neither past due nor impaired". Past due loans refer to loans that are overdue by one day or more. Impaired loans are non performing loans with specific allowances made.

(a) <u>Performing loans</u>

- Pass grade indicates that the timely repayment of the outstanding credit facilities is not in doubt.
- Special mention grade indicates that the credit facilities exhibit potential weaknesses that, if not corrected in a timely manner, may adversely affect future repayments and warrant close attention by the Group.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(i) Credit risk (cont'd)

(b) Non-performing loans

- Substandard grade indicates that the credit facilities exhibit definable weaknesses either in respect of business, cash flow or financial position of the borrower that may jeopardise repayment on existing terms.
- Doubtful grade indicates that the credit facilities exhibit severe weaknesses such that the prospect of full recovery of the outstanding credit facilities is questionable and the prospect of a loss is high, but the exact amount remains undeterminable.
- Loss grade indicates that the amount of loan recovery is assessed to be insignificant.

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

| Loans | s grading | 2012 \$'000 | 2011 \$'000 |
|-------|---|-----------------------|-----------------------|
| Loans | s and advances to customers | | |
| (i) | Individually impaired | | |
| | Substandard Loss | 4,330 3,078 | 10,170 5,719 |
| | Gross amount Less: Allowance for impairment | 7,408 (3,078) | 15,889 (5,719) |
| | Gross amount net of specific impairment | 4,330 | 10,170 |
| (ii) | Collectively impaired Past due but not impaired | | |
| | Pass Special mention | 3,221 2,940 | 2,286 3,213 |
| | Gross amount | 6,161 | 5,499 |
| | Neither past due nor impaired Pass Special mention | 1,230,450 196,799 | 1,030,933 145,007 |
| | Gross amount | 1,427,249 | 1,175,940 |
| | Gross amount: collectively impaired | 1,433,410 | 1,181,439 |
| | Loans and advances net of specific impairment Less: Collective impairment | 1,437,740 (14,415) | 1,191,609 (11,954) |
| | Carrying amount | 1,423,325 | 1,179,655 |
| | Ageing of loans and advances that are past due but not impaired < 3 months | 6,161 | 5,499 |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(i) Credit risk (cont'd)

As of 31 December 2012, the Group has loans and advances of \$1,436,758 which the terms have been renegotiated (2011: \$Nil). As at 31 December 2012, the loans were graded as individually impaired, for which impairment of \$1,021,003 was provided in respect of the loans (2011: \$Nil).

Bad debts will be written off when debt recovery is remote, e.g. borrower has been made bankrupt, or all recovery actions have been exhausted. Approval of the Managing Director or Loan Committee as appropriate is obtained for write off of bad debts above certain amounts. Any proposal for write off of director and director-related loans must be accepted by the Board of Directors and approved by the MAS.

The RMC is delegated the authority by the Board to oversee the Group's credit activities and risk management process, including reviewing periodically the credit policies, guidelines and procedures of the Group, evaluating the risk profile of the Group's loan portfolio, reviewing and managing the quality and profitability of its loan assets etc.

Concentration of credit risk

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

| | Loans and to cust | |
|--|----------------------|----------------|
| | 2012 \$'000 | 2011 \$'000 |
| Carrying amount | 1,423,325 | 1,179,655 |
| Concentration by sector | | |
| Building and construction | 621,959 | 455,153 |
| Hire purchase finance | 228,842 | 218,183 |
| Professional and individuals | 174,634 | 168,598 |
| Block discounting | 104,588 | 93,598 |
| General commerce | 85,464 | 82,772 |
| Housing loans | 77,446 | 66,708 |
| Financial institutions, and investment and holding companies | 88,967 | 51,668 |
| Transport, storage and communication | 29,737 | 14,615 |
| Manufacturing | 5,498 | 795 |
| Factoring | 345 | 792 |
| Others | 20,260 | 38,727 |
| | 1,437,740 | 1,191,609 |
| Less: Collective impairment | (14,415) | (11,954) |
| Total | 1,423,325 | 1,179,655 |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(ii) Liquidity risk

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

The daily liquidity position is closely managed by Treasury and independently monitored by the RMD via daily report covering the next 14 days' funding needs. In addition, projected funds flow position for the next 1 and 6 months are reviewed on a monthly basis. The RMC also reviews the Monthly Liquidity Gap Analysis (contractual and behavioral), and the Liquidity Stress Test to ensure that liquidity risk is managed within established tolerance levels and mismatch limits. Early Warning System and contingency funding plans are in place, with monitoring and triggering mechanisms to alert management of potential liquidity risk.

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

At 31 December 2012, the Group had available \$101 million (2011: \$101 million) of undrawn committed credit lines in respect of which all conditions precedent have been met.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(ii) Liquidity risk (cont'd)

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

| | Total \$'000 | Up to 1 month \$'000 | Over 1 to 3 months \$'000 | Over 3 to 12 months \$'000 | Over 1 to 5 years \$'000 | Over 5 years \$'000 | Non- specific maturity \$'000 |
|---|------------------|----------------------------|------------------------------------|-------------------------------------|-----------------------------------|---------------------------|--|
| Group | | | | | | | |
| 31 December 2012 | | | | | | | |
| Assets | | | | | | | |
| Statutory deposit with the Monetary | | | | | | | |
| Authority of Singapore | 40,422 | 40,422 | _ | _ | _ | _ | _ |
| Singapore Government | 10,122 | 10,122 | | | | | |
| securities | 193,449 | - | _ | - | 22,532 | 170,917 | _ |
| Loans and advances to customers | 1,423,325 | 152,953 | 35,718 | 75,778 | 541,740 | 617,136 | _ |
| Cash on deposit, at | , , | , | , | , | , | , | |
| banks and in hand | 268,615 | 164,615 | 71,000 | 33,000 | - | - | - |
| Others | 5,636 | 344 | 1,852 | 3,440 | | | |
| Total Assets | 1,931,447 | 358,334 | 108,570 | 112,218 | 564,272 | 788,053 | - |
| Liabilities Deposits and savings accounts | | | | | | | |
| of customers | 1,630,041 | 256,733 | 262,605 | 889,620 | 164,758 | - | 56,325 |
| SPRING loans | 8,614 | 989 | 828 | 3,130 | 3,667 | - | - |
| Others | 16,354 | 2,756 | 1,742 | 9,787 | 1,358 | - | 711 |
| Total Liabilities | 1,655,009 | 260,478 | 265,175 | 902,537 | 169,783 | _ | 57,036 |
| Net Liquidity Gap | 276,438 | 97,856 | (156,605) | (790,319) | 394,489 | 788,053 | (57,036) |
| Off-balance sheet Undrawn Ioan | | | | | | | |
| commitments Guarantees issued | 558,922 3,734 | 558,922 3,734 | _ | _ | - | _ | - |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(ii) Liquidity risk (cont'd)

| | | | Over | Over | Over | | Non- |
|----------------------------------|-----------|---------|-----------|-----------|---------|---------|----------|
| | | Up to 1 | 1 to 3 | 3 to 12 | 1 to 5 | Over 5 | specific |
| | Total | month | months | months | years | years | maturity |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Group | | | | | | | |
| 31 December 2011 | | | | | | | |
| Assets | | | | | | | |
| Statutory deposit | | | | | | | |
| with the Monetary | | | | | | | |
| Authority of | | | | | | | |
| Singapore | 35,247 | 35,247 | - | - | - | - | - |
| Singapore | | | | | | | |
| Government | | | | | | | |
| securities | 169,639 | - | - | 3,047 | 22,843 | 143,749 | - |
| Loans and advances | | | | | | | |
| to customers | 1,179,655 | 122,672 | 52,369 | 143,045 | 383,969 | 477,600 | - |
| Cash on deposit, at | | | | | | | |
| banks and in hand | 221,053 | 70,017 | 54,001 | 97,035 | - | - | - |
| Others | 4,786 | 288 | 1,661 | 2,837 | - | - | - |
| Total Assets | 1,610,380 | 228,224 | 108,031 | 245,964 | 406,812 | 621,349 | - |
| Liabilities | | | | | | | |
| Deposits and savings accounts | | | | | | | |
| of customers | 1,378,505 | 193,248 | 266,385 | 726,363 | 170,848 | - | 21,661 |
| SPRING loans | 12,400 | 1,350 | 1,107 | 4,057 | 5,886 | - | - |
| Others | 15,529 | 1,980 | 1,446 | 9,575 | 1,485 | - | 1,043 |
| Total Liabilities | 1,406,434 | 196,578 | 268,938 | 739,995 | 178,219 | _ | 22,704 |
| Net Liquidity Gap | 203,946 | 31,646 | (160,907) | (494,031) | 228,593 | 621,349 | (22,704) |
| Off-balance sheet | | | | | | | |
| Undrawn Ioan | | | | | | | |
| commitments | 360,603 | 360,603 | - | - | - | - | - |
| Guarantees issued | 3,034 | 3,034 | - | - | - | - | - |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(ii) Liquidity risk (cont'd)

| | Total \$'000 | Up to 1 month \$'000 | Over 1 to 3 months \$'000 | Over 3 to 12 months \$'000 | Over 1 to 5 years \$'000 | Over 5 years \$'000 | Non- specific maturity \$'000 |
|--|-----------------|----------------------------|------------------------------------|-------------------------------------|-----------------------------------|---------------------------|--|
| Company | | | | | | | |
| 31 December 2012 | | | | | | | |
| Assets | | | | | | | |
| Statutory deposit with the Monetary | | | | | | | |
| Authority of Singapore | 40,422 | 40,422 | - | - | - | - | - |
| Singapore Government | | | | | | | |
| securities | 193,449 | - | - | - | 22,532 | 170,917 | - |
| Loans and advances | 1 400 005 | 150.050 | 05 710 | 75 770 | E 41 7 40 | 617 106 | |
| to customers Cash on deposit, at | 1,423,325 | 152,953 | 35,718 | 75,778 | 541,740 | 617,136 | - |
| banks and in hand | 268,560 | 164,560 | 71,000 | 33,000 | _ | _ | _ |
| Others | 5,389 | 344 | 1,852 | 3,168 | - | _ | 25 |
| Total Assets | 1,931,145 | 358,279 | 108,570 | 111,946 | 564,272 | 788,053 | 25 |
| Liabilities | | | | | | | |
| Deposits and savings accounts | | | | | | | |
| of customers | 1,630,770 | 257,224 | 262,605 | 889,858 | 164,758 | - | 56,325 |
| SPRING loans | 8,614 | 989 | 828 | 3,130 | 3,667 | - | - |
| Others | 15,871 | 2,756 | 1,742 | 9,787 | 1,358 | - | 228 |
| Total Liabilities | 1,655,255 | 260,969 | 265,175 | 902,775 | 169,783 | - | 56,553 |
| Net Liquidity Gap | 275,890 | 97,310 | (156,605) | (790,829) | 394,489 | 788,053 | (56,528) |
| Off-balance sheet | | | | | | | |
| Undrawn Ioan | | | | | | | |
| commitments | 558,922 | 558,922 | - | - | - | - | - |
| Guarantees issued | 3,734 | 3,734 | - | - | - | - | - |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(ii) Liquidity risk (cont'd)

| Compony | Total \$'000 | Up to 1 month \$'000 | Over 1 to 3 months \$'000 | Over 3 to 12 months \$'000 | Over 1 to 5 years \$'000 | Over 5 years \$'000 | Non- specific maturity \$'000 |
|-------------------------------|-----------------|----------------------------|------------------------------------|-------------------------------------|-----------------------------------|---------------------------|--|
| <u>Company</u> | | | | | | | |
| 31 December 2011 | | | | | | | |
| Assets | | | | | | | |
| Statutory deposit | | | | | | | |
| with the Monetary | | | | | | | |
| Authority of | | | | | | | |
| Singapore | 35,247 | 35,247 | - | - | - | - | - |
| Singapore | | | | | | | |
| Government | | | | | | | |
| securities | 169,639 | - | - | 3,047 | 22,843 | 143,749 | - |
| Loans and advances | | | | | | | |
| to customers | 1,179,655 | 122,672 | 52,369 | 143,045 | 383,969 | 477,600 | - |
| Cash on deposit, at | | 60 0 I C | 54.001 | 07.005 | | | |
| banks and in hand | 220,982 | 69,946 | 54,001 | 97,035 | - | - | - |
| Others | 4,574 | 288 | 1,661 | 2,600 | | - | 25 |
| Total Assets | 1,610,097 | 228,153 | 108,031 | 245,727 | 406,812 | 621,349 | 25 |
| Liabilities | | | | | | | |
| Deposits and savings accounts | | | | | | | |
| of customers | 1,379,231 | 193,738 | 266,385 | 726,599 | 170,848 | _ | 21,661 |
| SPRING loans | 12,400 | 1,350 | 1,107 | 4,057 | 5,886 | - | - |
| Others | 15,032 | 1,989 | 1,446 | 9,575 | 1,485 | - | 537 |
| Total Liabilities | 1,406,663 | 197,077 | 268,938 | 740,231 | 178,219 | - | 22,198 |
| Net Liquidity Gap | 203,434 | 31,076 | (160,907) | (494,504) | 228,593 | 621,349 | (22,173) |
| Off-balance sheet | | | | | | | |
| Undrawn Ioan | | | | | | | |
| commitments | 360,603 | 360,603 | - | - | _ | - | - |
| Guarantees issued | 3,034 | 3,034 | - | - | _ | - | - |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(ii) Liquidity risk (cont'd)

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

| | Carrying amount \$'000 | Gross nominal outflow \$'000 | Up to 1 month \$'000 | Over 1 to 3 months \$'000 | Over 3 to 12 months \$'000 | Over 1 to 5 years \$'000 | Non- specific maturity \$'000 |
|--|------------------------------|---------------------------------------|----------------------------|------------------------------------|-------------------------------------|-----------------------------------|--|
| Group | | | | | | | |
| 31 December 2012 | | | | | | | |
| Deposits and savings accounts | | | | | | | |
| of customers | | (1,639,714) | (256,915) | (263,159) | (896,420) | (166,895) | (56,325) |
| SPRING loans | 8,614 | (8,852) | (991) | (833) | (3,197) | (3,831) | - |
| Other liabilities | 16,135 | (16,135) | (2,756) | (1,742) | (9,568) | (1,358) | (711) |
| Total Liabilities Undrawn Loan Commitments | 1,654,790 558,922 | (1,664,701) (558,922) | (260,662) | (265,734) | (909,185) | (172,084) | (57,036) |
| | | (2,223,623) | (819,584) | (265,734) | (909,185) | (172,084) | (57,036) |
| Group | | | | | | | |
| 31 December 2011 | | | | | | | |
| Deposits and savings accounts | | | | | | | |
| of customers | 1,378,505 | (1,385,745) | (193,357) | (266,844) | (731,067) | (172,816) | (21,661) |
| SPRING loans | 12,400 | (12,657) | (1,353) | (1,112) | (4,142) | (6,050) | - |
| Other liabilities | 15,305 | (15,305) | (2,047) | (1,446) | (9,351) | (1,427) | (1,034) |
| Total Liabilities | 1,406,210 | (1,413,707) | (196,757) | (269,402) | (744,560) | (180,293) | (22,695) |
| Undrawn Loan | | | | | | | |
| Commitments | 360,603 | (360,603) | (360,603) | | | | |
| | 1,766,813 | (1,774,310) | (557,360) | (269,402) | (744,560) | (180,293) | (22,695) |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(ii) Liquidity risk (cont'd)

| | Carrying amount | Gross nominal outflow | Up to 1 month | Over 1 to 3 months | Over 3 to 12 months | Over 1 to 5 years | Non- specific maturity |
|-------------------------------|--------------------|-----------------------------|------------------|--------------------------|---------------------------|-------------------------|------------------------------|
| Company | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 31 December 2012 | | | | | | | |
| Deposits and savings accounts | | | | | | | |
| of customers | 1,630,770 | (1,640,445) | (257,407) | (263,159) | (896,659) | (166,895) | (56,325) |
| SPRING loans | 8,614 | (8,852) | (991) | (833) | (3,197) | (3,831) | - |
| Other liabilities | 15,652 | (15,652) | (2,756) | (1,742) | (9,568) | (1,358) | (228) |
| Total Liabilities | 1,655,036 | (1,664,949) | (261,154) | (265,734) | (909,424) | (172,084) | (56,553) |
| Undrawn Loan | | | | | | | |
| Commitments | 558,922 | (558,922) | (558,922) | - | - | - | - |
| | 2,213,958 | (2,223,871) | (820,076) | (265,734) | (909,424) | (172,084) | (56,553) |
| | | | | | | | |

Company

31 December 2011

| Deposits and | | | | | | | |
|-------------------|-----------|-------------|-----------|-----------|-----------|-----------|----------|
| savings accounts | | | | | | | |
| of customers | 1,379,231 | (1,386,472) | (193,847) | (266,844) | (731,304) | (172,816) | (21,661) |
| SPRING loans | 12,400 | (12,657) | (1,353) | (1,112) | (4,142) | (6,050) | - |
| Other liabilities | 14,808 | (14,808) | (2,055) | (1,446) | (9,351) | (1,427) | (529) |
| Total Liabilities | 1,406,439 | (1,413,937) | (197,255) | (269,402) | (744,797) | (180,293) | (22,190) |
| Undrawn Loan | | | | | | | |
| Commitments | 360,603 | (360,603) | (360,603) | - | _ | - | |
| | 1,767,042 | (1,774,540) | (557,858) | (269,402) | (744,797) | (180,293) | (22,190) |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(ii) Liquidity risk (cont'd)

The negative net liquidity gap for the maturity band for up to 12 months as at 31 December 2012 (2011: up to 12 months) is due to the fact that most of the fixed deposits constituting the main liability on the Group's statement of financial position have relatively shorter maturity periods of up to 12 months as at 31 December 2012 (2011: up to 12 months), as compared to the tenures of loans and advances which constitute the Group's main asset.

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

(iii) Market risk

(1) Interest rate risk

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

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

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(iii) Market risk (cont'd)

(1) Interest rate risk (cont'd)

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

| | Effective weighted average interest % | Non- interest bearing \$'000 | 0 – 3 months \$'000 | 3 – 12 months \$'000 | 1 – 5 years \$'000 | > 5 years \$'000 | Total \$'000 |
|--|---|---------------------------------------|---------------------------|----------------------------|--------------------------|---------------------|------------------|
| Group | | | | | | | |
| 31 December 2012 | | | | | | | |
| Financial Assets | | | | | | | |
| Statutory deposit with the Monetary Authority of | | | | | | | |
| Singapore Singapore Government | _ | 40,422 | _ | _ | - | _ | 40,422 |
| securities Loans and advances | 3.22 | _ | - | _ | 22,532 | 170,917 | 193,449 |
| to customers Cash on deposit, at | 2.56 | - | 595,857 | 378,098 | 241,308 | 208,062 | 1,423,325 |
| banks and in hand Other assets | 0.75 | 1,791 5,636 | 233,824 | 33,000 | - | - | 268,615 5,636 |
| | - | 47,849 | 829,681 | 411,098 | 263,840 | 378,979 | 1,931,447 |
| Financial Liabilities | - | | | | | | |
| Deposits and savings accounts | | | | | | | |
| of customers | 1.04 | 56,325 | 519,337 | 889,621 | 164,758 | - | 1,630,041 |
| SPRING loans | 3.00 | - | 1,817 | 3,130 | 3,667 | - | 8,614 |
| Other liabilities | | 16,354 | - | - | - | - | 16,354 |
| | | 72,679 | 521,154 | 892,751 | 168,425 | - | 1,655,009 |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(iii) Market risk (cont'd)

(1) Interest rate risk (cont'd)

| % | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
|-----------|----------|--------|--------|--------|-----------|--------|
| interest | bearing | months | months | years | > 5 years | Total |
| average | interest | 0 – 3 | 3 – 12 | 1 – 5 | | |
| weighted | Non- | | | | | |
| Effective | | | | | | |

Group

31 December 2011

Financial Assets

| Statutory deposit with the Monetary Authority of | | | | | | | |
|--|------|--------|---------|---------|---------|---------|-----------|
| Singapore | - | 35,247 | - | - | - | - | 35,247 |
| Singapore | | | | | | | |
| Government | | | | | | | |
| securities | 3.32 | - | - | 3,047 | 22,843 | 143,749 | 169,639 |
| Loans and advances | | | | | | | |
| to customers | 3.24 | - | 513,136 | 268,220 | 212,452 | 185,847 | 1,179,655 |
| Cash on deposit, at | | | | | | | |
| banks and in hand | 0.74 | 13,472 | 110,546 | 97,035 | - | - | 221,053 |
| Other assets | | 4,786 | - | - | - | - | 4,786 |
| | _ | 53,505 | 623,682 | 368,302 | 235,295 | 329,596 | 1,610,380 |
| Financial Liabilities | | | | | | | |
| Deposits and | | | | | | | |
| savings accounts | | | | | | | |
| of customers | 0.89 | 21,661 | 459,633 | 726,363 | 170,848 | - | 1,378,505 |
| SPRING loans | 3.06 | - | 2,456 | 4,057 | 5,887 | - | 12,400 |
| Other liabilities | | 15,529 | - | - | - | - | 15,529 |
| | | 37,190 | 462,089 | 730,420 | 176,735 | - | 1,406,434 |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(iii) Market risk (cont'd)

(1) Interest rate risk (cont'd)

| Effective | | | | | | |
|-----------|----------|--------|--------|--------|-----------|--------|
| weighted | Non- | | | | | |
| average | interest | 0 – 3 | 3 – 12 | 1 – 5 | | |
| interest | bearing | months | months | years | > 5 years | Total |
| % | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |

Company

31 December 2012

Financial Assets

| Statutory deposit with the Monetary Authority of | | | | | | | |
|--|------|--------|---------|---------|---------|---------|-----------|
| Singapore | - | 40,422 | - | - | - | - | 40,422 |
| Singapore | | | | | | | |
| Government | | | | | | | |
| securities | 3.22 | - | - | - | 22,532 | 170,917 | 193,449 |
| Loans and advances | | | | | | | |
| to customers | 2.56 | - | 595,857 | 378,098 | 241,308 | 208,062 | 1,423,325 |
| Cash on deposit, at | | | | | | | |
| banks and in hand | 0.75 | 1,736 | 233,824 | 33,000 | - | - | 268,560 |
| Other assets | | 5,389 | _ | _ | | _ | 5,389 |
| | _ | 47,547 | 829,681 | 411,098 | 263,840 | 378,979 | 1,931,145 |
| Financial Liabilities | | | | | | | |
| Deposits and | | | | | | | |
| savings accounts | | | | | | | |
| of customers | 1.04 | 56,325 | 519,829 | 889,858 | 164,758 | - | 1,630,770 |
| SPRING loans | 3.00 | - | 1,817 | 3,130 | 3,667 | - | 8,614 |
| Other liabilities | | 15,871 | - | _ | _ | - | 15,871 |
| | _ | 72,196 | 521,646 | 892,988 | 168,425 | - | 1,655,255 |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(iii) Market risk (cont'd)

(1) Interest rate risk (cont'd)

| | Effective | | | | | | |
|-------------------------------|-----------|----------|---------|---------|---------|-----------|-----------|
| | weighted | Non- | | | | | |
| | average | interest | 0 – 3 | 3 – 12 | 1 – 5 | | |
| | interest | bearing | months | months | years | > 5 years | Total |
| | % | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Company | | | | | | | |
| 31 December 2011 | | | | | | | |
| Financial Assets | | | | | | | |
| Statutory deposit | | | | | | | |
| with the Monetary | | | | | | | |
| Authority of | | | | | | | |
| Singapore | - | 35,247 | - | - | - | - | 35,247 |
| Singapore | | | | | | | |
| Government | | | | | | | |
| securities | 3.32 | - | - | 3,047 | 22,843 | 143,749 | 169,639 |
| Loans and advances | | | | | | | |
| to customers | 3.24 | - | 513,136 | 268,220 | 212,452 | 185,847 | 1,179,655 |
| Cash on deposit, at | | | | | | | |
| banks and in hand | 0.74 | 13,401 | 110,546 | 97,035 | - | - | 220,982 |
| Other assets | - | 4,574 | | _ | | _ | 4,574 |
| | | 53,222 | 623,682 | 368,302 | 235,295 | 329,596 | 1,610,097 |
| Financial Liabilities | | | | | | | |
| Deposits and savings accounts | | | | | | | |
| of customers | 0.89 | 21,661 | 460,123 | 726,599 | 170,848 | - | 1,379,231 |
| SPRING loans | 3.06 | - | 2,456 | 4,057 | 5,887 | - | 12,400 |
| Other liabilities | - | 15,032 | - | _ | - | - | 15,032 |
| | - | 36,693 | 462,579 | 730,656 | 176,735 | _ | 1,406,663 |
| | | . , | . ,=.= | , | .,. 20 | | ,, |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(iii) Market risk (cont'd)

(1) Interest rate risk (cont'd)

Interest rate sensitivity analysis

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at 31 December 2012, a 100 basis point increase/(decrease) in the interest rate at the end of the reporting period would increase/(decrease) profit by \$3,013,000 (2011: increase/ (decrease) profit by \$1,876,000).

(2) Market risk on investments

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

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

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

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

Singapore Government Securities ("SGS")

The Group purchases SGS as part of its liquid assets for purpose of maintaining the minimum liquid assets required under the Finance Companies Act.
4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(iii) Market risk (cont'd)

(2) Market risk on investments (cont'd)

Securities listed on the SGX

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

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

(3) Equity price risk on investments

The Group is exposed to equity risks arising from equity investments classified as availablefor-sale. Available-for-sale equity investments are held for strategic rather than trading purposes. The Group does not actively trade available-for-sale investments. No sensitivity analysis is prepared as the Group does not expect material adjustment to the profit or loss arising from the effect of the price changes on investments.

(iv) Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Potential loss may be in the form of financial loss or other damages, for example, loss of reputation and public confidence that will impact the Group's credibility and ability to transact, maintain liquidity and develop new businesses.

The Operational Risk Framework uses several tools, including operational risk event management and key risk indicator monitoring to manage and control operational risk. To pro-actively manage operational risk, the Group uses risk control self assessment and process risk mapping. In addition, all policy changes, new products, and outsourcing arrangement are subjected to approval by the RMC to ensure checks and controls are adequate and risks are adequately mitigated.

The RMC review all material outsourcing arrangements before the appointment of the vendors to ensure due diligence is carried out to determine the vendor's viability, capability, reliability, track record and financial position. Periodical reviews on existing material outsourcing arrangements are also subject to RMC's approval.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(iv) Operational risk (cont'd)

The RMC review and approve all Business Continuity Plans (BCPs) to ensure that they cover reasonably estimated and probable events that could significantly impact the normal operations of the Group. RMD makes recommendations to the RMC to enhance the Business Continuity Management (BCM) policies and procedures and carries out periodical BCP tests and ensures Disaster Recovery (DR) arrangements and tests are adequate.

All units and operations of the Group are subjected to compliance testing by the Compliance Department and inspection by the Internal Auditors who prioritise their audit tasks by developing a risk-based audit plan. The compliance testing and internal audit plans for the year are approved by the RMC and the Group's Audit Committee respectively.

The objectives of such periodic reviews undertaken by the Internal Auditor and the Compliance Department are to assist the management in assessing and evaluating the internal controls of the Group. The findings of the Internal Audit and the Compliance teams are discussed with the Heads of the business and operation units and submitted to the Group's management for information and action. Furthermore, the Internal Auditor's independent summary reports are tabled for the deliberation of the Group's Audit Committee before any recommendation of follow up action is made to the Board of Directors.

(v) Information technology risk

Information technology ("IT") risk is any risk related to information technology and information security. The IT Risk Committee meets monthly to address issues relating to IT risk and report to the RMC on any material incident or development.

The roles and responsibilities of the Committee are to identify potential Information Security threat and assess the vulnerability associated with the threats if the controls are not in place; review and evaluate gaps and vulnerabilities in security program and control mechanism in place and approve appropriate measures to mitigate such risks; assess critical parts of the information system in data gathering, processing, storage and access to ensure the security, reliability and recoverability of IT infrastructural assets; regular testing or practice on the contingency procedures and verification of recovery requirements and readiness of backup site to assess for adequacy, effectiveness, staff ability to execute on the contingency procedures, the overall restore operational capability; provide stability, reliability and consistency of customer service deliveries; and ensure alignment of IT capability, capacity and process to the Company's business strategy.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(vi) Fair value of financial assets and financial liabilities

In assessing the fair value of financial instruments, the Group uses a variety of methods and make assumptions that are based on market conditions existing at the end of each reporting period.

Although the directors 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 transaction as at 31 December 2012.

Methodologies

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

(1) Liquid assets

The carrying values of certain on-balance sheet financial instruments approximate fair values. These include statutory deposit with the Monetary Authority of Singapore, cash on deposit, at banks and in hand. These financial instruments are short-term in nature or are receivable on demand and the related amounts approximate fair value.

(2) Investments

The fair values of quoted debt and equity securities are determined based on bid prices at the end of the reporting period without any deduction for transaction costs.

(3) Loans and advances

The fair value of loans and advances that reprice within six months from the end of the reporting period approximates the carrying value. The fair value of all other loans and advances were calculated using discounted cash flow techniques based on the maturity of the loans. The discount rates are based on market related rates for similar types of loans at the end of the reporting period.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(vi) Fair value of financial assets and financial liabilities (cont'd)

(4) Deposits and other borrowings

The fair value of non-interest bearing deposits, saving accounts and fixed deposits which mature within six months is estimated to be the carrying value at the end of the reporting period. The fair value of other term deposits was calculated using discounted cash flow techniques, based on the deposit type and its related maturity. The discount rates are based on market related rates of similar types of deposits at the end of the reporting period.

(5) Guarantees and commitments to extend credit

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

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(vi) Fair value of financial assets and financial liabilities (cont'd)

Summary

The following table provides an analysis of carrying and fair values for each item discussed above, where applicable, and the categories of financial instruments:

| | Carrying amount 2012 | Fair value 2012 | Carrying amount 2011 | Fair value 2011 |
|--------------------------------------|----------------------------|-----------------------|----------------------------|-----------------------|
| _ | \$'000 | \$'000 | \$'000 | \$'000 |
| Group | | | | |
| Financial Assets | | | | |
| Loans and receivables: | | | | |
| Statutory deposit with the | | | | |
| Monetary Authority of Singapore | 40,422 | 40,422 | 35,247 | 35,247 |
| Loans and advances | 1,423,325 | 1,435,441 | 1,179,655 | 1,192,894 |
| Cash on deposit, at banks | | | | |
| and in hand | 268,615 | 268,615 | 221,053 | 221,053 |
| Other assets | 2,282 | 2,282 | 2,111 | 2,111 |
| | | | | |
| Available-for-sale financial assets: | | | | |
| Investments | 196,803 | 196,803 | 172,314 | 172,314 |
| | 1,931,447 | 1,943,563 | 1,610,380 | 1,623,619 |
| Financial Liabilities | | | | |
| Amortised costs: | | | | |
| Deposits and savings | | | | |
| accounts of customers | 1,630,041 | 1,634,911 | 1,378,505 | 1,383,043 |
| SPRING loans | 8,614 | 8,614 | 12,400 | 12,400 |
| Other liabilities | 16,135 | 16,135 | 15,305 | 15,305 |
| | 1,654,790 | 1,659,660 | 1,406,210 | 1,410,748 |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(vi) Fair value of financial assets and financial liabilities (cont'd)

| <u>Company</u> | Carrying amount 2012 \$'000 | Fair value 2012 \$'000 | Carrying amount 2011 \$'000 | Fair value 2011 \$'000 |
|--------------------------------------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| Financial Assets | | | | |
| Loans and receivables: | | | | |
| Statutory deposit with the | | | | |
| Monetary Authority of Singapore | 40,422 | 40,422 | 35,247 | 35,247 |
| Loans and advances | 1,423,325 | 1,435,441 | 1,179,655 | 1,192,894 |
| Cash on deposit, at banks | | | | |
| and in hand | 268,560 | 268,560 | 220,982 | 220,982 |
| Other assets | 2,282 | 2,282 | 2,111 | 2,111 |
| Available-for-sale financial assets: | | | | |
| Investments | 196,531 | 196,531 | 172,077 | 172,077 |
| - | 1,931,120 | 1,943,236 | 1,610,072 | 1,623,311 |
| • Financial Liabilities | | | · · · · | |
| Amortised costs: | | | | |
| Deposits and savings | | | | |
| accounts of customers | 1,630,770 | 1,635,640 | 1,379,231 | 1,383,769 |
| SPRING loans | 8,614 | 8,614 | 12,400 | 1,303,703 |
| Other liabilities | 15,652 | 15,652 | 14,808 | 14,808 |
| - | | | | |
| | 1,655,036 | 1,659,906 | 1,406,439 | 1,410,977 |

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices in the Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset and liability that are not based on observable market date (unobservable inputs) (Level 3).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Financial risk management policies and objectives (cont'd)

(vi) Fair value of financial assets and financial liabilities (cont'd)

Financial instruments measured at fair value:

| | Gro | oup | Com | pany |
|--------------------------------------|---------|---------|---------|---------|
| | Total | Level 1 | Total | Level 1 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 31 December 2012 | | | | |
| Financial Assets | | | | |
| Available-for-sale financial assets: | | | | |
| Quoted equity securities | 3,354 | 3,354 | 3,082 | 3,082 |
| Singapore Government securities | 193,449 | 193,449 | 193,449 | 193,449 |
| | 196,803 | 196,803 | 196,531 | 196,531 |
| 31 December 2011 | | | | |
| Financial Assets | | | | |
| Available-for-sale financial assets: | | | | |
| Quoted equity securities | 2,675 | 2,675 | 2,438 | 2,438 |
| Singapore Government securities | 169,639 | 169,639 | 169,639 | 169,639 |
| | 172,314 | 172,314 | 172,077 | 172,077 |

(b) Capital risk management policies and objectives

The Group maintains a capital adequacy ratio ("CAR") which complies with the requirements of the Finance Companies Act. CAR is the percentage of adjusted core capital to total risk-weighted assets.

(i) The Group's adjusted core capital includes share capital, statutory reserves and retained earnings.

The fair value reserve relating to unrealised gains (loss) on equity securities and certain debt securities instruments classified as available-for-sale are excluded from the Group's adjusted core capital.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(b) Capital risk management policies and objectives (cont'd)

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

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

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

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

| | Gro | ир |
|-------------------------------|---------|---------|
| | 2012 | 2011 |
| | \$'000 | \$'000 |
| Capital element | | |
| Core capital | | |
| Share capital | 180,008 | 117,199 |
| Disclosed reserves* | 115,468 | 108,128 |
| | 295,476 | 225,327 |
| * Excludes fair value reserve | | |

| | Gro | up |
|---------------------------------------|-----------|-----------|
| | 2012 | 2011 |
| | \$'000 | \$'000 |
| Risk weighted assets | | |
| Comprising: | | |
| On-balance sheet items | 1,479,086 | 1,207,874 |
| Off-balance sheet items | 31,331 | 13,938 |
| | 1,510,417 | 1,221,812 |
| Capital adequacy ratio: | | |
| Core capital/risk weighted assets (%) | 19.56 | 18.44 |

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(b) Capital risk management policies and objectives (cont'd)

(iii) Capital allocation

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

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

5 RELATED COMPANY AND RELATED PARTY TRANSACTIONS

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

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

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

5 RELATED COMPANY AND RELATED PARTY TRANSACTIONS (CONT'D)

Other than disclosed elsewhere in the financial statements, the transactions with directors of the Company and other related parties are as follows:

| | | Group and Company | | |
|-------|--|-------------------|--------|--|
| | | 2012 | 2011 | |
| | _ | \$'000 | \$'000 | |
| At 31 | December | | | |
| (a) | Loans, advances and hire purchase receivable | _ | 950 | |
| (b) | Deposits | 10,860 | 28,119 | |
| (c) | Profit or loss transactions Interest income on loans and advances and hiring | (00) | (100) | |
| | charges in respect of hire purchases receivables | (23) | (106) | |
| | Interest expenses on deposits | 137 | 97 | |
| | Professional fee | 6 | 17 | |
| | – Rental income | (217) | (215) | |

6 OTHER ASSETS

| | Group and | l Company |
|--|-----------|-----------|
| | 2012 | 2011 |
| | \$'000 | \$'000 |
| Accrued interest receivables | 2,282 | 2,111 |
| Prepaid commission | 2,951 | 3,000 |
| Prepaid interest on deposits | 7 | 12 |
| Prepayments, deposits and other assets | 516 | 478 |
| | 5,756 | 5,601 |

7 INVESTMENTS

| | Gro | up | Company | |
|-------------------------------------|---------|---------|---------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Investments available-for-sale | | | | |
| Quoted equity securities | 3,354 | 2,675 | 3,082 | 2,438 |
| Singapore Government securities | 193,449 | 169,639 | 193,449 | 169,639 |
| | 196,803 | 172,314 | 196,531 | 172,077 |
| Other unquoted investments, at cost | 29 | 29 | 29 | 29 |
| Impairment loss | (29) | (29) | (29) | (29) |
| | _ | _ | - | _ |
| | 196,803 | 172,314 | 196,531 | 172,077 |

8 LOANS AND ADVANCES

| | Group and Company | | |
|---|-------------------|-----------|--|
| | 2012 | 2011 | |
| | \$'000 | \$'000 | |
| Housing, factoring receivables and other loans | 1,105,721 | 883,193 | |
| Hire purchase receivables | 360,690 | 342,334 | |
| Interest in suspense | (1,798) | (1,896) | |
| Unearned interests | (23,795) | (26,303) | |
| Allowances for impairment on loans and advances | (17,493) | (17,673) | |
| | 1,423,325 | 1,179,655 | |
| Due within 12 months | 391,779 | 426,388 | |
| Due after 12 months | 1,031,546 | 753,267 | |
| | 1,423,325 | 1,179,655 | |

Allowances for impairment on hire purchase receivables due within twelve months and due after twelve months amounted to \$4,026,208 (2011: \$5,127,814) and \$2,301,884 (2011: \$2,218,216) respectively.

8 LOANS AND ADVANCES (CONT'D)

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

| | Group and Company | |
|--|-------------------|---------|
| | 2012 | 2011 |
| | \$'000 | \$'000 |
| Specific allowance | | |
| At 1 January | 5,719 | 6,958 |
| Write-back of impairment losses during the year | (2,082) | (814) |
| Receivables written off against allowances | (559) | (425) |
| At 31 December | 3,078 | 5,719 |
| General allowance | | |
| At 1 January | 11,954 | 19,657 |
| Allowances for (Write-back of) impairment losses during the year | 2,461 | (7,703) |
| At 31 December | 14,415 | 11,954 |
| Total allowances for impairment on loans and advances | | |
| At 1 January | 17,673 | 26,615 |
| At 31 December | 17,493 | 17,673 |

The hire purchase receivables are as follows:

| | Group and Company | | |
|---------------------------------|-------------------|----------|-----------|
| | Gross | Interest | Principal |
| | \$'000 | \$'000 | \$'000 |
| 2012 | | | |
| Within 1 year | 117,353 | 9,628 | 107,725 |
| After 1 year but within 5 years | 222,900 | 13,023 | 209,877 |
| After 5 years | 20,437 | 703 | 19,734 |
| | 360,690 | 23,354 | 337,336 |
| 2011 | | | |
| Within 1 year | 105,916 | 10,162 | 95,754 |
| After 1 year but within 5 years | 211,441 | 14,440 | 197,001 |
| After 5 years | 24,977 | 865 | 24,112 |
| | 342,334 | 25,467 | 316,867 |

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

9 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings \$'000 | Freehold land and buildings \$'000 | Furniture and office equipment \$'000 | Motor vehicles \$'000 | Renovation \$'000 | Computers \$'000 | Total \$'000 |
|---------------------------|--|---|--|-----------------------------|----------------------|---------------------|-----------------|
| Group and Company | | | | | | | |
| Cost: | | | | | | | |
| At 1 January 2011 | 10,646 | 8,530 | 240 | 627 | 2,218 | 2,225 | 24,486 |
| Additions | - | - | - | _ | 113 | 456 | 569 |
| Disposal/Write off | | - | - | _ | _ | (5) | (5) |
| At 31 December 2011 | 10,646 | 8,530 | 240 | 627 | 2,331 | 2,676 | 25,050 |
| Additions | | - | 132 | _ | 27 | 254 | 413 |
| At 31 December 2012 | 10,646 | 8,530 | 372 | 627 | 2,358 | 2,930 | 25,463 |
| Accumulated depreciation: | | | | | | | |
| At 1 January 2011 | 1,915 | 244 | 148 | 148 | 1,493 | 1,443 | 5,391 |
| Depreciation for the year | 65 | 199 | 47 | 125 | 443 | 635 | 1,514 |
| Disposal/Write off | | - | - | - | - | (1) | (1) |
| At 31 December 2011 | 1,980 | 443 | 195 | 273 | 1,936 | 2,077 | 6,904 |
| Depreciation for the year | 65 | 200 | 46 | 126 | 237 | 390 | 1,064 |
| At 31 December 2012 | 2,045 | 643 | 241 | 399 | 2,173 | 2,467 | 7,968 |
| Carrying amount: | | | | | | | |
| At 31 December 2012 | 8,601 | 7,887 | 131 | 228 | 185 | 463 | 17,495 |
| At 31 December 2011 | 8,666 | 8,087 | 45 | 354 | 395 | 599 | 18,146 |

9 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Description of material properties (including investment properties) held are as follows:

| _ | Carrying amount 2012 \$'000 | Market value 2012 \$'000 | Carrying amount 2011 \$'000 | Market value 2011 \$'000 |
|---|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| A 17-storey office building at 96 Robinson Road, Singapore, 068899, on freehold and leasehold land, with an estimated gross floor area of 7,844.38 square metres. Approximately 38.23% (2011: 38.23%) of the lettable space is used as the head office of the Company and the remaining area is for rental. Tenure of lease is 99 years commencing 1 October 1996. | 39,626 | 109,000 | 40,196 | 105,000 |
| A shop at Block 202, Bedok North Street 1, #01-479 to 485, Singapore 460202, with a floor area of approximately 269 square metres on leasehold land. 134.50 square metres are used as branch premises and the remaining area is for rental. Tenure of lease is 86 years commencing 1 July 1992. | 1,433 | 4,200 | 1,484 | 4,000 |
| A shop at Block 715, Ang Mo Kio Avenue 6, #01-4006, Singapore, 560715, with a floor area of approximately 110 square metres on leasehold land used as branch premise. Tenure of lease is 86 years commencing 1 July 1993. | 636 | 1,900 | 657 | 1,800 |
| | 41,695 | 115,100 | 42,337 | 110,800 |

10 INVESTMENT PROPERTIES

| | Group and | Company |
|----------------------------------|-----------|---------|
| | 2012 | 2011 |
| | \$'000 | \$'000 |
| At cost: | | |
| At 1 January and 31 December | 28,794 | 28,794 |
| Accumulated depreciation: | | |
| At 1 January | 3,210 | 2,833 |
| Depreciation charge for the year | 377 | 377 |
| At 31 December | 3,587 | 3,210 |
| Carrying amount: | | |
| At 31 December | 25,207 | 25,584 |

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

Market valuation of the investment properties were provided by Jones Lang Lasalle, a firm of independent professional valuers that have appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of the investment properties is as disclosed in Note 9.

11 SUBSIDIARY

| | Con | Company | | |
|-----------------------------|--------|---------|--|--|
| | 2012 | 2011 | | |
| | \$'000 | \$'000 | | |
| Equity investments, at cost | 25 | 25 | | |

Details of the subsidiary are as follows:

| Name of subsidiary | Sing Investments & Finance Nominees (Pte.) Ltd. |
|-----------------------------------|---|
| Principal activities | Nominee services |
| Country of incorporation/business | Singapore |
| Equity held by the Group | 100% (2011: 100%) |

The subsidiary is audited by Deloitte & Touche LLP Singapore.

12 DEFERRED TAX LIABILITIES

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

| | At 31 December 2010 \$'000 | Recognised in profit or loss for the year (Note 22) \$'000 | Recognised in other comprehensive income (Note 18) \$'000 | At 31 December 2011 \$'000 | Recognised in profit or loss for the year (Note 22) \$'000 | Recognised in other comprehensive income (Note 18) \$'000 | At 31 December 2012 \$'000 |
|--------------------------------------|-------------------------------------|---|--|-------------------------------------|---|--|-------------------------------------|
| Group | | | | | | | |
| Deferred tax assets (liabilities) | | | | | | | |
| Loans and advances | 333 | (11) | _ | 322 | (322) | _ | _ |
| Employee benefits | 37 | 1 | - | 38 | (1) | - | 37 |
| Property, plant and | | | | | | | |
| equipment | (149) | 40 | - | (109) | 21 | - | (88) |
| Investments | (1,242) | - | (2,039) | (3,281) | - | (862) | (4,143) |
| | (1,021) | 30 | (2,039) | (3,030) | (302) | (862) | (4,194) |
| Company | | | | | | | |
| Deferred tax assets (liabilities) | | | | | | | |
| Loans and advances | 333 | (11) | - | 322 | (322) | - | - |
| Employee benefits | 37 | 1 | - | 38 | (1) | - | 37 |
| Property, plant and | | | | | | | |
| equipment | (149) | 40 | _ | (109) | 21 | - | (88) |
| Investments | (1,208) | - | (2,042) | (3,250) | - | (857) | (4,107) |
| | (987) | 30 | (2,042) | (2,999) | (302) | (857) | (4,158) |

13 DEPOSITS AND SAVINGS ACCOUNTS OF CUSTOMERS

| | Group | | Company | |
|------------------------------------|-----------|-----------|-----------|-----------|
| | 2012 2011 | | 2012 | 2011 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Fixed deposits | 1,560,816 | 1,342,393 | 1,560,816 | 1,342,393 |
| Fixed deposits from subsidiary | _ | _ | 729 | 726 |
| Savings accounts and call deposits | 12,900 | 14,451 | 12,900 | 14,451 |
| Project accounts | 56,325 | 21,661 | 56,325 | 21,661 |
| | 1,630,041 | 1,378,505 | 1,630,770 | 1,379,231 |

14 OTHER LIABILITIES

| | Gro | Group | | pany |
|---------------------------------|--------|--------|--------|--------|
| | 2012 | 2011 | 2012 | 2011 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Accrued interest payable | 9,786 | 7,314 | 9,786 | 7,314 |
| Accrued operating expenses | 3,563 | 5,064 | 3,550 | 5,056 |
| Amount due to subsidiary | _ | - | 28 | 8 |
| Factoring current accounts | 423 | 170 | 423 | 170 |
| Deposits for safe deposit boxes | | | | |
| and rental deposits | 828 | 856 | 828 | 856 |
| Unclaimed dividends | 595 | 590 | 97 | 93 |
| Others | 940 | 1,311 | 940 | 1,311 |
| | 16,135 | 15,305 | 15,652 | 14,808 |

15 SPRING LOANS (UNSECURED)

| | Group and | Group and Company | | |
|----------------------|-----------|-------------------|--|--|
| | 2012 | 2011 | | |
| | \$'000 | \$'000 | | |
| Due within 12 months | 4,947 | 6,513 | | |
| Due after 12 months | 3,667 | 5,887 | | |
| | 8,614 | 12,400 | | |

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

16 PROVISION FOR EMPLOYEE BENEFITS

| | Group and | Group and Company | | |
|--|-----------|-------------------|--|--|
| | 2012 | 2011 | | |
| | \$'000 | \$'000 | | |
| Liability for short-term accumulating compensated absences | 219 | 224 | | |

17 SHARE CAPITAL

| | Group and Company | | | | |
|--------------------------|-------------------|---------------|---------|---------|--|
| | 2012 | 2011 | 2012 | 2011 | |
| | No. of shares | No. of shares | \$'000 | \$'000 | |
| | ('000) | ('000) | | | |
| Issued and fully paid: | | | | | |
| At beginning of the year | 105,084 | 105,084 | 117,199 | 117,199 | |
| Issue of rights shares | 52,542 | - | 62,809 | | |
| At 31 December | 157,626 | 105,084 | 180,008 | 117,199 | |

52,541,921 fully paid ordinary shares were issued at \$1.20 per share pursuant to a rights issue exercise undertaken by the Company during the financial year.

Net proceeds of \$62,808,875 were raised from the Rights Issue on 12 November 2012 and the amount had been fully utilised towards the expansion of the Company's loan portfolio by 3 December 2012. The utilisation is in line with the intended uses of the Net Proceeds as stated in the Offer Information Statement.

The holders of ordinary shares, which have no par value, are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

18 RESERVES

| | Group | | Com | pany |
|---------------------|-----------|---------|---------|---------|
| | 2012 2011 | | 2012 | 2011 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Statutory reserve | 80,559 | 73,212 | 80,559 | 73,212 |
| Fair value reserve | 20,231 | 16,014 | 20,053 | 15,865 |
| Accumulated profits | 34,909 | 34,916 | 34,575 | 34,584 |
| | 135,699 | 124,142 | 135,187 | 123,661 |

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

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

19 SEGMENT REPORTING

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

20 DIRECTORS' REMUNERATION

Directors' remuneration is recognised in the following line items in the profit or loss:

| | Group | | |
|--|--------|--------|--|
| | 2012 | | |
| | \$'000 | \$'000 | |
| Salaries and other benefits | 1,437 | 1,267 | |
| Contributions to defined contribution plan | 23 | 21 | |
| Directors' fees | 527 | 499 | |
| Others | 57 | 67 | |
| | 2,044 | 1,854 | |

21 PROFIT BEFORE INCOME TAX

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

| | Gr | Group | | |
|------------------------------------|--------|--------|--|--|
| | 2012 | 2011 | | |
| | \$'000 | \$'000 | | |
| Interest income and hiring charges | | | | |
| Loans and advances and others | 37,730 | 37,241 | | |
| Cash and bank deposits | 1,642 | 1,473 | | |
| Available-for-sale investments | 4,967 | 5,082 | | |
| | 44,339 | 43,796 | | |
| Interest expense | | | | |
| Deposits and others | 14,228 | 11,237 | | |
| Interest-bearing borrowings | | 8 | | |
| | 14,228 | 11,245 | | |

21 PROFIT BEFORE INCOME TAX (CONT'D)

| | Group | |
|---|--------|--------|
| | 2012 | 2011 |
| | \$'000 | \$'000 |
| Dividends | | |
| Quoted equity securities | 110 | 105 |
| Other income | | |
| Bad debts recovered | 32 | 72 |
| Rental income from safe boxes | 209 | 201 |
| | 241 | 273 |
| Staff costs | | |
| Salaries and other benefits | 9,384 | 9,488 |
| Contributions to defined contribution plan | 984 | 913 |
| (Decrease) Increase in liability for short-term accumulating | | |
| compensated absences | (5) | 5 |
| | 10,363 | 10,406 |
| Other operating expenses | | |
| Audit fees – paid to auditors of the Company | | |
| – Current year | 75 | 68 |
| Reversal of overprovision for prior years | (12) | - |
| Non-audit fees: | | |
| – paid to auditors of the Company | 21 | 20 |
| – paid to other auditors | 6 | 43 |
| Property, plant and equipment written off | - | 4 |
| Operating expenses on investment preparties | 692 | 679 |
| | 953 | 772 |
| Maintenance, utilities and property tax | 853 | 773 |
| Operating expenses on investment properties Maintenance, utilities and property tax Legal and professional fees Commission expense | 124 | 71 |
| Maintenance, utilities and property tax | | |

22 INCOME TAX EXPENSE

| | Gro | oup |
|--|---------|---------|
| | 2012 | 2011 |
| | \$'000 | \$'000 |
| Current tax expense | | |
| Current year | 2,547 | 4,236 |
| Adjustments with respect to prior years | (1,863) | (1,763) |
| | 684 | 2,473 |
| Deferred tax credit (debit) | | |
| Reversal of temporary differences (Note 12) | 302 | (30) |
| Total income tax expense | 986 | 2,443 |
| Reconciliation of effective tax rate | | |
| Profit before income tax | 15,682 | 26,083 |
| Income tax using Singapore tax rate of 17% (2011: 17%) | 2,666 | 4,434 |
| Adjustments with respect to prior years | (1,863) | (1,763) |
| Expenses not deductible for tax purposes | 182 | (14) |
| Income not subject to tax | (32) | (33) |
| Tax effect of income subject to concessionary tax rate | | |
| of 10% (2011: 10%) | (126) | (151) |
| Others | 159 | (30) |
| Total Income tax expense | 986 | 2,443 |

23 EARNINGS PER SHARE

| | 2012 \$'000 | Group 2011 \$'000 | 2011 \$'000 As previously reported |
|--|----------------|-------------------------|--|
| Basic and diluted earnings per share are based on: | | | |
| Net profit attributable to ordinary shareholders | 14,696 | 23,640 | 23,640 |
| | 2012 ('000) | Group 2011 ('000) | 2011 ('000) As previously reported |
| Weighted average number of ordinary shares | | | |
| outstanding during the year | 105,084 | 105,084 | 105,084 |
| Weighted average number of rights shares issued | 15,137 | 8,407 | _ |
| Weighted average number of ordinary shares | 120,221 | 113,491 | 105,084 |

There were no potential dilutive ordinary shares for the years ended 31 December 2012 and 2011.

24 DIVIDENDS

After the reporting period, the Directors proposed the following dividends. These have not been provided for at the end of the reporting period.

| | \$'000 |
|---|--------|
| Annual dividend propose of: | |
| 2012: 5 cents per share, one-tier tax exempt | 7,881 |
| 2011: 7 cents per share, one-tier tax exempt | 7,356 |
| 2010: 10 cents per share, one-tier tax exempt | 10,508 |

25 COMMITMENTS

| | Group and Company | | |
|--|-------------------|-----------|--|
| | 2012 | 2011 | |
| | \$'000 | \$'000 | |
| Capital commitments | | | |
| Commitments for capital expenditure contracted but not | | | |
| provided for in the financial statements | 393 | 78 | |
| Operating lease commitments The Group as lessee | Group and | i Company | |
| | 2012 | 2011 | |
| | \$'000 | \$'000 | |
| Payment recognised as an expense during the year: | | | |
| Minimum lease payments under operating leases | 279 | 265 | |

The Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

| | Group and | Group and Company | | | | |
|---------------------------------|-----------|-------------------|------|------|------|------|
| | 2012 | 2012 | 2012 | 2012 | 2012 | 2011 |
| | \$'000 | \$'000 | | | | |
| Payable: | | | | | | |
| Within 1 year | 302 | 232 | | | | |
| After 1 year but within 5 years | 366 | 154 | | | | |
| | 668 | 386 | | | | |

Operating lease payments represent rentals payable by the Group and the Company for some of its branches' premises. Leases are negotiated for an average term of 3 years (2011: 3 years) and rentals are fixed for an average of 3 years (2011: 3 years).

25 COMMITMENTS (CONT'D)

Operating lease commitments (cont'd)

The Group as lessor

The Group and the Company leases out its investment properties. Non-cancellable operating lease rentals are receivable as follows:

| | Group and | Group and Company | | |
|---------------------------------|-----------|-------------------|--|--|
| | 2012 | 2011 | | |
| | \$'000 | \$'000 | | |
| Receivable: | | | | |
| Within 1 year | 2,219 | 2,601 | | |
| After 1 year but within 5 years | 491 | 1,204 | | |
| | 2,710 | 3,805 | | |

Other commitment

| | Group and Company | | |
|--------------------------|-------------------|---------|--|
| | 2012 2011 | | |
| | \$'000 | \$'000 | |
| Undrawn Ioan commitments | 558,922 | 360,603 | |

26 CONTINGENT LIABILITIES (UNSECURED)

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

| | Group and Company | | |
|-------------------|-------------------|--------|--|
| | 2012 | 2011 | |
| | \$'000 | \$'000 | |
| Guarantees issued | 3,734 | 3,034 | |

As at 31 December 2012, guarantees issued for the Group and the Company's operational requirement amounted to \$88,600 (2011: \$84,900).

ADDITIONAL INFORMATION

Year ended 31 December 2012

DIRECTORS' REMUNERATION

The following table shows the makeup (in percentage terms) of the average remuneration of directors. They are grouped by bands of \$250,000 for the year ended 31 December 2012.

| Remuneration bands | Salary & Employer's CPF % | Bonus % | Directors' Fee % | Others % | Total % |
|----------------------------|---------------------------------|------------|---------------------|-------------|------------|
| \$1,000,000 to \$1,249,999 | | | | | |
| Lee Sze Leong | 59.5 | 32.7 | 5.78 | 2.02 | 100 |
| \$500,000 to \$749,999 | | | | | |
| Lee Sze Siong | 62.21 | 29.40 | 6.49 | 1.9 | 100 |
| Below \$250,000 | | | | | |
| Tan Tong Guan | _ | _ | 100 | _ | 100 |
| Dr Joseph Yeong Wee Yong | - | _ | 100 | _ | 100 |
| Tay Teng Guan Arthur | - | _ | 100 | _ | 100 |
| Lin Sin Hoa | - | _ | 100 | _ | 100 |
| Lim Poh Suan | - | _ | 100 | - | 100 |
| Kim Seah Teck Kim | - | - | 100 | _ | 100 |

STATISTICS OF SHAREHOLDINGS

As at 12 March 2013

DISTRIBUTION OF SHAREHOLDINGS

| Size of Holdings | No. of Shareholders | % | No. of Shares | % |
|---------------------|------------------------|--------|------------------|--------|
| 1 – 999 | 161 | 7.18 | 35,436 | 0.02 |
| 1,000 - 10,000 | 1,183 | 52.74 | 5,900,138 | 3.74 |
| 10,001 - 1,000,000 | 877 | 39.10 | 54,918,258 | 34.84 |
| 1,000,001 and above | 22 | 0.98 | 96,771,932 | 61.40 |
| Total | 2,243 | 100.00 | 157,625,764 | 100.00 |

TWENTY LARGEST SHAREHOLDERS

| No. | Name | No. of Shares | % |
|-------|---------------------------------------|---------------|-------|
| 1 | F.H. Lee Holdings Pte Ltd | 39,733,950 | 25.21 |
| 2 | Citibank Nominees Singapore Pte Ltd | 10,081,827 | 6.40 |
| 3 | Phillip Securities Pte Ltd | 8,027,670 | 5.09 |
| 4 | SUTL Corporation Pte Ltd | 4,068,818 | 2.58 |
| 5 | Amelia | 4,061,311 | 2.58 |
| 6 | Lee Heng Wah @ Lee Heng Guan | 3,000,000 | 1.90 |
| 7 | Koh Boon Hong | 2,708,600 | 1.72 |
| 8 | Tan Chee Jin | 2,600,000 | 1.65 |
| 9 | Sing Holdings Limited | 2,521,500 | 1.60 |
| 10 | United Overseas Bank Nominees Pte Ltd | 1,906,561 | 1.21 |
| 11 | Morph Investments Ltd | 1,828,000 | 1.16 |
| 12 | DBS Nominees Pte Ltd | 1,807,675 | 1.15 |
| 13 | Cosmos Investment Pte Ltd | 1,785,150 | 1.13 |
| 14 | Ang Hao Yao (Hong Haoyao) | 1,688,000 | 1.07 |
| 15 | HSBC (Singapore) Nominees Pte Ltd | 1,677,020 | 1.06 |
| 16 | Aw Seoh Bee | 1,650,000 | 1.05 |
| 17 | Ang Chian Poh | 1,444,250 | 0.92 |
| 18 | Aw Soo Eng | 1,375,000 | 0.87 |
| 19 | Tai Mah Sawmill Co (Pte) Ltd | 1,276,000 | 0.81 |
| 20 | CIMB Securities (Singapore) Pte Ltd | 1,225,600 | 0.78 |
| Total | | 94,466,932 | 59.94 |

STATISTICS OF SHAREHOLDINGS

As at 12 March 2013

SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2013

| | No. of S | Shares | |
|--|--------------------------------|------------------------------|--|
| | Shareholdings registered | Shareholdings in which | |
| | in the name of Substantial | Substantial Shareholders are | |
| Name | Shareholders or their Nominees | deemed to have an interest | |
| | | | |
| Lee Fee Huang ⁽¹⁾ | 601,650 | 42,555,450 | |
| Lee Sze Leong ⁽²⁾ | 345,081 | 42,255,450 | |
| Lee Sze Siong ⁽³⁾ | 450,592 | 42,255,450 | |
| Lee Sze Hao (4) | 444,213 | 42,255,450 | |
| Lee Yit ⁽⁵⁾ | 69,300 | 42,255,450 | |
| F.H. Lee Holdings (Pte) Limited ⁽⁶⁾ | 39,733,950 | 2,521,500 | |

Notes:-

- Lee Fee Huang is deemed to be interested in 300,000 shares held by his wife, Wee Yah Heong, 39,733,950 shares held by F.H. Lee Holdings (Pte) Limited and 2,521,500 shares held by Sing Holdings Limited.
- (2) Lee Sze Leong is deemed to be interested in 39,733,950 shares held by F.H. Lee Holdings (Pte) Limited and 2,521,500 shares held by Sing Holdings Limited.
- (3) Lee Sze Siong is deemed to be interested in 39,733,950 shares held by F.H. Lee Holdings (Pte) Limited and 2,521,500 shares held by Sing Holdings Limited.
- (4) Lee Sze Hao is deemed to be interested in 39,733,950 shares held by F.H. Lee Holdings (Pte) Limited and 2,521,500 shares held by Sing Holdings Limited.
- (5) Lee Yit is deemed to be interested in 39,733,950 shares held by F.H. Lee Holdings (Pte) Limited and 2,521,500 shares held by Sing Holdings Limited.
- (6) F.H. Lee Holdings (Pte) Limited is deemed to be interested in 2,521,500 shares held by Sing Holdings Limited.

Free Float of equity

As at 12 March 2013, approximately 70.56% of issued share capital of the Company were held in the hands of the public (on the basis of information available to the Company). Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Voting rights of ordinary shareholders

Every member of the Company present in person or by proxy or represented by attorney shall, on a show of hands, have one vote, and in the case of a poll, one vote for every share of which he is a holder.

Directors' shareholdings as at 21 January 2013

As shown in the Report of the Directors, the shares held by the Directors as at 31 December 2012 remain unchanged as at 21 January 2013.

NOTICE OF ANNUAL GENERAL MEETING

TO ALL SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sing Investments & Finance Limited will be held at 2 Shenton Way, 2nd Floor Auditorium SGX Centre 1, Singapore 068804 on Thursday, 25 April 2013 at 3.00 p.m. for the following purposes:-

AS ORDINARY BUSINESS

- 1. To receive and, if approved, to adopt the Directors' Report and Accounts for the year ended (Resolution 1) 31st December 2012 together with the Auditors' Report thereon.
- 2. To approve the payment of \$475,000 as Directors' Fees for the year ended 31st December (Resolution 2) 2012. (2011: \$522,500).
- 3. To declare a first and final dividend of 5 Cents per ordinary share (tax exempt) for the financial (Resolution 3) year ended 31st December 2012.
- 4. To re-elect Mr Lee Sze Leong as Director, who retires pursuant to Article 109 of the Articles of (Resolution 4) Association of the Company.
- 5. To re-elect Dr Joseph Yeong Wee Yong as Director, who retires pursuant to Article 109 of the (Resolution 5) Articles of Association of the Company.
- 6. To re-elect Mr Kim Seah Teck Kim as Director, who retires pursuant to Article 109 of the Articles (Resolution 6) of Association of the Company.
- 7. To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company for the next financial (Resolution 7) year and to authorise the Directors to fix their remuneration.
- 8. To transact any other business of an Annual General Meeting.

AS SPECIAL BUSINESS

9. To consider and, if thought fit, to pass with or without modifications, the following resolutions which will be proposed as Ordinary Resolutions:--

"That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual (Resolution 8) of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to:

 (a) (i) allot and issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

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

provided that:

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

NOTICE OF ANNUAL GENERAL MEETING

BY ORDER OF THE BOARD

Chan Kum Kit Tan Mui Sang Company Secretaries

Singapore, 10 April 2013

Notes:

- (1) A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 96 Robinson Road #01-01 SIF Building, Singapore 068899 not less than 48 hours before the time for holding the Meeting.
- (2) Mr Lee Sze Leong, will upon re-election under item 4 above, continue to serve as Chairman of the Board and the Loan Committee and as a Member of the Nominating Committee and the Risk Management Committee. Mr Lee Sze Leong is the Managing Director/Chief Executive Officer of the Company.
- (3) Dr Joseph Yeong Wee Yong, a Non-Executive and Non-Independent Director, will upon re-election under item 5 above, continue to serve as a Member of the Remuneration and Loan Committees and the Chairman of the Risk Management Committee.
- (4) Mr Kim Seah Teck Kim, an Independent and Non-Executive Director, will upon re-election under item 6 above, continue to serve as a Member of the Audit Committee and Chairman of the Nominating Committee.
- (5) The ordinary resolution 8 proposed in item 9 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares and convertible securities in the Company up to a number not exceeding in total 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company for the time being for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders pursuant to this Resolution shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company.

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

SING INVESTMENTS & FINANCE LIMITED

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

PROXY FORM

| IMI | POR | TAN | I |
|-----|-----|-----|---|
| | | | |

- For investors who have used their CPF monies to buy Sing Investments & Finance Limited shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We

of

(Name)

(Address)

being a member/members of Sing Investments & Finance Limited hereby appoint:

| Name | Address | NRIC/ Passport Number | Percentage of shareholdings represented |
|------|---------|-----------------------------|---|
| | | | |

and/or (delete as appropriate):

| · · · · · · · · · · · · · · · · · · · | |
|---------------------------------------|--|
| | |
| | |
| | |
| | |
| | |
| | |

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held on 25 April 2013 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated with an "X" hereunder. If no specific direction as to voting is given, the proxy/ proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

| No. | Resolutions relating to: | For | Against |
|-----|--|-----|---------|
| 1 | Adoption of Accounts and Reports | | |
| 2 | Approval of Directors' Fees | | |
| 3 | Declaration of Final Dividend | | |
| 4 | Re-election of Mr Lee Sze Leong as a Director | | |
| 5 | Re-election of Dr Joseph Yeong Wee Yong as a Director | | |
| 6 | Re-election of Mr Kim Seah Teck Kim as a Director | | |
| 7 | Re-Appointment of Messrs Deloitte & Touche LLP as Auditors and to authorize Directors to fix their remuneration | | |
| 8 | As special business – approval of general mandate for the Directors to issue new shares or convertible instruments | | |

Dated this _____ day of _____ 2013.

Total Number of Shares Held

Signature(s) of Member(s)/Common Seal IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

- 1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf.
- 2. Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
- 3. A proxy need not be a member of the Company.
- 4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and also in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by you.
- 5. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 96 Robinson Road #01-01 SIF Building, Singapore 068899 not less than 48 hours before the time set 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 common seal or under the hand of its attorney or a duly authorised officer.
- 7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- 8. The Company shall be entitled to reject any instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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PROXY FORM FOR ANNUAL GENERAL MEETING

Affix Postage Stamp

The Company Secretary SING INVESTMENTS & FINANCE LIMITED 96 Robinson Road #01-01 SIF Building Singapore 068899

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SING INVESTMENTS & FINANCE LIMITED

(Incorporated in the Republic of Singapore on 13 November 1964) (Registration Number: 196400348D)

> 96 Robinson Road #01-01 SIF Building Singapore 068899

Tel : 6305 0300 Fax : 6305 0418 Website : www.sif.com.sg



HOUSING LOAN



AUTO LOAN



SHARE LOAN



COMMERCIAL PROPERTY LOAN



LAND AND CONSTRUCTION LOAN



SMALL MEDIUM ENTERPRISE LOAN (SME)