LOOKING FORWARD

IFS CAPITAL LIMITED ANNUAL REPORT

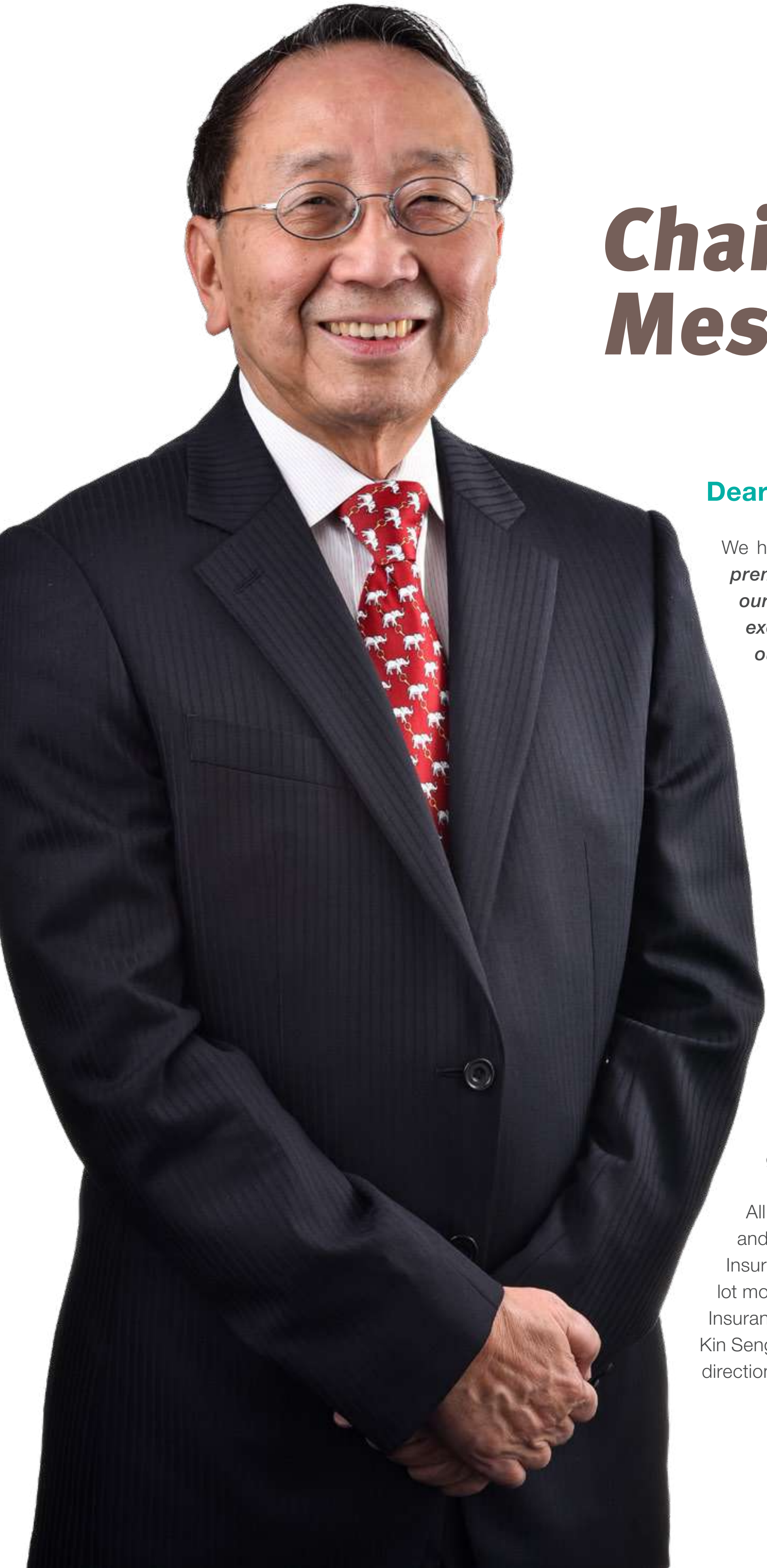
2018

IFS Capital Limited

IFS Capital Limited ("IFS"), as a regional Group provides commercial finance services like factoring, hire-purchase/leasing, loans, government-assisted schemes and trade/export finance, to small and medium sized enterprises ("SMEs"). The Group also provides bonds and guarantees, credit insurance and general insurance through its wholly-owned subsidiary, ECICS Limited.

IFS was incorporated in Singapore in 1987 and has been listed on the Mainboard of the Singapore Exchange since July 1993.

Contents



Chairman's Message

Dear Fellow Stakeholders,

We hold fast to our mission statement – ***To be the premier regional financial services provider to our clients through commitment to service excellence, creating sustainable value for our stakeholders***

To this end, we must continue to grow our clientele base. In 2018, our number of SME clients (excluding insurance policy holders) has grown from 747 to 865. Our core business i.e. lending to SMEs across the ASEAN region has gained momentum. For the third year running, we continue to improve on our profitability.

2018 BUSINESS REVIEW

It was a challenging year but the Group still managed to grow its profitability despite the headwinds of trade protectionism, a tightening monetary environment, and heightened geopolitical tension. Our Factoring volume grew from $1,475 million to $1,610 million while our lending and factoring assets grew by 39% from $274 million to $380 million.

All our lending companies are now profitable and performed better than 2017. Regretfully, our Insurance arm continues to be a drag for the Group. A lot more work still needs to be done in 2019 to turn our Insurance business around. We have on board, Mr Choi Kin Seng, our new CEO for ECICS to help us set the right direction for ECICS.

"We are pleased to propose a dividend pay-out of 0.55 Singapore cents per share representing a dividend yield of around 2.4% for the Financial Year 2018. This is an improvement from the 0.3 Singapore cents per share declared in 2017."

We made a couple of strategic decisions. We moved our office in Singapore and in Indonesia and we sold our Suntec office premise. This allowed us to free our capital and to use it more productively i.e. to generate more business. At the same time, we have savings in our operating expenses.

Excluding the sale of Suntec, we still managed to achieve positive results. Highlights of which are as follows;

1) Operating income dipped from $43.1 million to $37.6 million mainly due to cessation of interest income recognition arising from Non-Performing loans as well as the lower production volume from our insurance business

2) Expenses and Provisions were controlled at $22.9 million (PY: $23.0 million) and $ 0.7m (PY: $3.5 million) respectively

3) Net Profit Before Tax of $6.3 million was better than the previous year of $5.8 million; though profit attributable to shareholders declined marginally.

We are pleased to propose a dividend pay-out of 0.55 Singapore cents per share representing a dividend yield of around 2.4% for the Financial Year 2018. This is an improvement from the 0.3 Singapore cents per share declared in 2017.

OUTLOOK – 2019

The business climate in 2019 is likely to remain challenging. On the home front, we are excited that our Singapore office was selected by the Ministry of Law to pilot new business models for consumer moneylending. This puts us in good stead to enlarge our lending horizon to include the consumer market.

Over the past couple of years, we have established a firm foundation to power ahead. I feel confident in welcoming the New Year. As a Group, we will remain steadfast to pursue our strategy and work towards improved profitability in a sustainable manner. Without a doubt, we will have to continue to update ourselves, embrace technology and keep pace with the changing global environment, while remaining grounded in our strong relationships with our valued stakeholders and clients.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to take this opportunity to thank Mr Kwah Thiam Hock for his invaluable contributions to the Group for more than 40 years. Mr Kwah will be stepping down and will not be seeking re-election to the Board. I would also like to thank our clients, associates, business partners, employees and shareholders for their continued support.

With a grateful heart

Chairman

LIM HUA MIN

28 March 2019

Group Financial Highlights

$'000	2018	2017	2016	2015	2014
INCOME STATEMENT					
Gross operating income	**44,786**	48,173	39,342	38,184	40,179
– interest income	**28,136**	24,612	22,668	25,222	24,607
– net earned premium	**6,853**	11,071	6,843	4,459	3,880
– fees & commission	**8,000**	6,687	7,422	6,985	8,694
– investment income	**1,797**	5,803	2,409	1,518	2,998
Profit/(loss) before tax - by business segment					
– Lending business	**11,780**	10,508	2,084	(8,616)	(5,119)
– Insurance	**(5,509)**	(4,730)	(1,852)	(4,011)	(2,488)
Profit/(loss) - Overall					
– before tax					
– from operations	**6,271**	5,778	232	(12,627)	(7,607)
– from disposal of Suntec Office	**16,318**	–	–	–	–
– after tax	**19,863**	3,614	(1,123)	(13,878)	(6,327)
– attributable to Owners of the Company	**17,987**	1,956	(2,565)	(15,151)	(7,694)
BALANCE SHEET					
Number of shares ('000)	**375,970**	375,970	375,970	150,388	150,388
Issued share capital	**137,302**	137,302	137,302	88,032	88,032
Shareholders' funds	**169,205**	152,291	151,007	102,016	120,581
Non-controlling interests ("NCI")	**15,355**	14,024	12,618	11,468	11,221
Total assets	**506,455**	411,016	405,443	393,478	404,265
Total liabilities	**321,895**	244,701	241,818	279,994	272,463
DIVIDEND INFORMATION					
Dividends proposed/paid for the year (net of tax)	**2,068**	1,128	–	–	2,256
Dividend cover (number of times)#	**6.32**	3.15	–	–	3.61
Gross dividends declared per share#					
– Ordinary (cents)	**0.55**	0.30	–	–	1.50
Dividend yield (%) as of 31 December	**2.4**	1.2	–	–	3.7
FINANCIAL RATIOS					
Earnings/(loss) per share (cents)*	**0.44**	0.52	(1.30)	(10.07)	(5.12)
Net tangible assets per share ($)	**0.45**	0.40	0.40	0.67	0.80
Return on average shareholders' funds (%)*	**1.0**	1.3	(2.03)	(13.6)	(6.2)
Cost-income ratio (%)	**59.0**	50.6	63.7	66.5	60.1

* Note: Gain of $16.318 million arising from disposal of Suntec office has been excluded in the calculation.

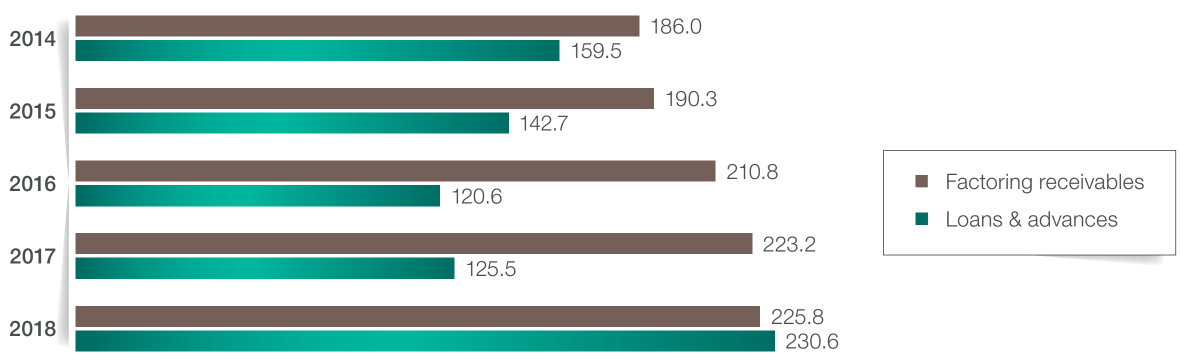
\# Note: Gross dividends per share and times covered are stated based on the dividend proposed / paid relating to the respective financial years and expressed over the company's profit.

Performance at a Glance

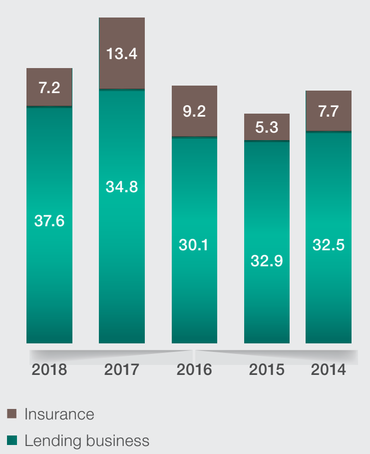
Gross Operating Income (By countries) %

	2018	2017	2016	2015	2014
Singapore					
- Lending business	31.3%	29.0%	27.7%	32.7%	28.6%
- Insurance	16.2%	27.8%	23.3%	13.9%	19.2%
Thailand	41.5%	34.3%	36.1%	37.5%	36.1%
Malaysia	5.8%	4.8%	7.9%	10.2%	11.0%
Indonesia	5.2%	4.1%	5.0%	5.7%	5.1%
	100%	100%	100%	100%	100%

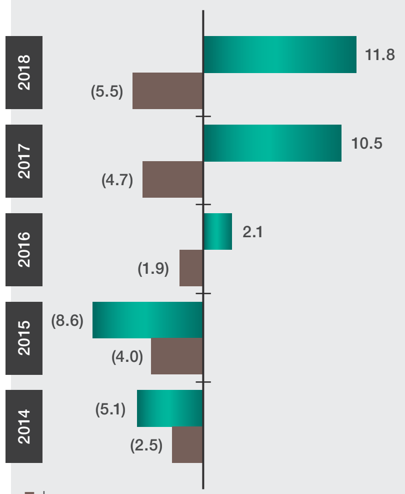
Outstanding Loan Book (S$ million)



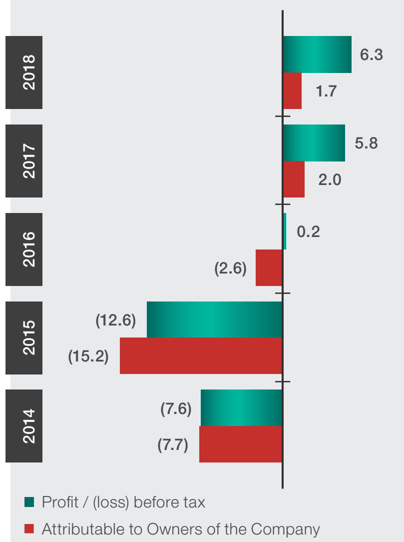
Gross Operating Income
(S$ million)



Profit / (loss) before tax
– by business segment
(S$ million)



Profit / (loss) - Overall
(S$ million)



LIM HUA MIN

Chairman and Non-Executive Director

Mr Lim Hua Min is the Chairman of IFS Capital Limited and its subsidiary, ECICS Limited. He was appointed Chairman of IFS Capital Limited on 20 May 2003.

Mr Lim is also the Executive Chairman of the PhillipCapital Group of Companies. He began his career holding senior positions in the Stock Exchange of Singapore ("SES") and the Securities Research Institute. He has served on a number of committees and sub-committees of SES. In 1997, he was appointed Chairman of SES Review Committee, which was responsible for devising a conceptual framework to make Singapore's capital markets more globalised, competitive and robust. For this service, he was awarded the Public Service Medal in 1999 by the Singapore Government. In 2014, he was also awarded "IBF Distinguished Fellow", the highest certification mark bestowed by The Institute of Banking and Finance on industry captains who are the epitome of professional stature, integrity and achievement. Mr Lim had also served as a Board Member in the Inland Revenue Authority of Singapore from September 2004 to August 2010.

Mr Lim holds a Bachelor of Science Degree (Honours) in Chemical Engineering from the University of Surrey and obtained a Master's Degree in Operations Research and Management Studies from Imperial College, London University.

GABRIEL TEO CHEN THYE

Lead Independent Director
Non-Executive Director

Mr Gabriel Teo was appointed as a Director of IFS Capital Limited on 2 November 1999. On 23 January 2013, he was also appointed as a Lead Independent Director.

Mr Teo spent more than 20 years in the banking industry in the region, holding senior appointments with global institutions. He was Head of Corporate Banking at Citibank, Chief Executive Officer of Chase Manhattan Bank and Regional Managing Director of Bankers Trust. He was also previously managing his own consultancy firm, Gabriel Teo & Associates and Chairman of One Marina Property Services Pte Ltd. Currently, he serves on the boards of Sunningdale Tech Ltd and Tenet Sompo Insurance Pte Ltd as well as non-profit organisations.

Mr Teo holds a Bachelor of Business Administration degree from the National University of Singapore and Masters in Business Administration in Finance from Cranfield School of Management. He had also attended the Executive Program in Management at Columbia Business School.

MANU BHASKARAN

Independent Non-Executive Director

Mr Manu Bhaskaran was appointed as a Director of IFS Capital Limited on 26 February 2004. Mr Bhaskaran also served on the Board of IFS Capital Limited from 26 June 2002 to 20 May 2003.

Mr Bhaskaran is presently Partner at the Centennial Group, a Washington DC-based strategic advisory group and Founding CEO of its Singapore subsidiary. Mr Bhaskaran also serves on the boards of the Centennial Group, Aspen Networks Inc, Luminor Capital Pte Ltd, MinorCap Pte Ltd, Shining Star Solutions and Services Private Limited, Jebsen and Jessen (SEA) Pte Ltd and CIMB Investment Bank Berhad. In addition, he is a member of the Regional Advisory Board for Asia of the International Monetary Fund while also serving as Vice-President of the Economics Society of Singapore and Council Member of the Singapore Institute of International Affairs. Mr Bhaskaran is also an adjunct senior research fellow at the Institute of Policy Studies. Mr Bhaskaran was formerly Managing Director and Chief Economist of SG Securities Asia Ltd.

Mr Bhaskaran holds a Bachelor of Arts (Honours) from Magdalene College, Cambridge University and a Masters in Public Administration from John F Kennedy School of Government, Harvard University. He is also a CFA charterholder.

KWAH THIAM HOCK
Independent Non-Executive Director

Mr Kwah Thiam Hock is currently a Director of IFS Capital Limited. He was first appointed as an Executive Director of IFS Capital Limited on 4 May 1987. On 18 December 2006, Mr Kwah retired as Executive Director but continued to serve as a Non-Executive Director of IFS Capital Limited. On 23 January 2013, Mr Kwah was redesignated as an Independent Director of IFS Capital Limited. Previously, Mr Kwah also served as Chief Executive Officer/ Principal Officer of ECICS Limited from 1 June 2003 to 18 December 2006 and as Advisor and Principal Officer of ECICS Limited from 5 July 2007 to 14 September 2009 and from 9 May 1991 to 26 October 2016 as a Director of ECICS Limited, subsidiary of IFS Capital Limited.

Mr Kwah is presently an Independent Director of Wilmar International Limited, Excelpoint Technology Limited and Teho International Inc Ltd. He is also a co-owner and director of Pivot Medical Services. Mr Kwah was previously an independent Director of Select Group Limited.

Mr Kwah holds a Bachelor of Accountancy from University of Singapore. Mr Kwah is also a Fellow Member of the Australian Society of Accountants, the Institute of Singapore Chartered Accountants as well as the Association of Chartered Certified Accountants (UK).

LAW SONG KENG
Independent Non-Executive Director

Mr Law Song Keng is currently a Director of IFS Capital Limited. He was appointed as a Director of IFS Capital Limited on 31 January 2011. He also served as a Director of ECICS Limited, subsidiary of IFS Capital Limited, from 31 January 2011 to 26 October 2016.

Mr Law is presently the Chairman of Frasers Hospitality Asset Management Pte Ltd, Frasers Hospitality Trust Management Pte Ltd, and Concord Insurance Company Limited. He also serves on the board of Great Eastern Holdings Ltd, Asia Capital Reinsurance Group Pte Ltd, ACR Capital Holdings Pte Ltd and Asia Capital Reinsurance Malaysia Sdn Bhd. Mr Law was previously Managing Director and Chief Executive Officer of Overseas Assurance Corporation, a life and general insurer. A Public Service Commission Scholar, Mr Law had also served as Deputy Managing Director (Administration & Insurance) and as Insurance Commissioner at the Monetary Authority of Singapore, President of the Life Insurance Association, President of the General Insurance Association, President of the Singapore Actuarial Society and Chairman of the Singapore Insurance Institute. In addition, Mr Law had also served as a Board Member in the Inland Revenue Authority of Singapore, Singapore Deposit Insurance Corporation, Central Provident Fund Board and Manulife (Singapore) Pte Ltd.

Mr Law holds a Master of Science (Actuarial Science) from Northeastern University and a Bachelor of Science (Maths, First Class Honours) from the University of Singapore. He is also a Fellow Member of the Society of Actuaries, USA.

TAN HAI LENG EUGENE
Executive Director & Group Chief Executive Officer

Mr Tan Hai Leng Eugene was appointed Group Chief Executive Officer and Director of IFS Capital Limited in October 2015. Mr Tan is also holding directorship in various entities within the Group and is responsible for its overall management.

Mr Tan has more than 30 years of experience in the banking industry. Prior to joining IFS Capital Limited, he held senior positions in various banks with banking experience that extended across the ASEAN region. From 1993 to 2013, Mr Tan was with Citibank Singapore, where he helped to start the commercial banking business in Singapore and was appointed in 2007 as the Managing Director for Commercial Banking to take charge of commercial banking businesses in ASEAN. Mr Tan was also accredited the status of Senior Credit Officer (SCO) in Citibank Singapore, in recognition of competency in Risk Management.

Mr Tan holds a Bachelor of Arts and Social Sciences (majored in Political Science and History) Degree from the National University of Singapore.

Group Management Team

TAN HAI LENG EUGENE
Executive Director &
Group Chief Executive Officer

CHIONH YI CHIAN
Group Chief Risk Officer
Risk Management, Legal, Compliance & Secretariat

Yi Chian joined IFS Capital Limited in 1995. Prior to joining the Group, she practiced law in Singapore. She was appointed as the Group Chief Risk Officer in May 2009 and is responsible for risk management, legal, compliance and secretariat functions. She was appointed as a Director of ECICS Limited from February 2009 to October 2016. Yi Chian holds a Master's degree in Law as well as a Bachelor of Laws (Honours) from the National University of Singapore. In addition, she holds a Graduate Diploma in Compliance awarded by the International Compliance Association and is also a CFA charterholder.

ANG IRIS
Group Chief Financial Officer
Finance, Corporate Development

Iris joined IFS Capital Limited as the Group Chief Financial Officer in February 2017. She is responsible for all accounting, financial and treasury management functions, including debt and equity fund raising and managing investor relations for the Group. Prior to joining the Group, she has over 10 years of experience as Chief Financial Officer in several listed companies in Singapore. Iris holds a professional qualification from the Association of Chartered Certified Accountants and is a fellow member of the Institute of Singapore Chartered Accountants.

RANDY SIM CHENG LEONG
Chief Executive Officer and Country Head
IFS Capital Limited

Randy joined IFS Capital Limited in February 2016 as the Chief Executive Officer and Country Head for Singapore Office. He is responsible for the overall management of IFS Capital Limited's business in Singapore. Randy began his career with the Singapore Economic Development Board and was responsible for promoting investments into Singapore and industry strategy development. Prior to joining IFS Capital Limited, he spent 8 years in Citibank across its consumer and commercial banking businesses. Randy graduated from Singapore's Nanyang Technological University with a Bachelor of Engineering (Honours) Degree in Electrical and Electronics Engineering.

CHOI KIN SENG
Chief Executive Officer
ECICS Limited

Kin Seng joined ECICS Limited in January 2019, as the Chief Executive Officer. Kin Seng holds a Bachelor of Science from Universiti Malaysia Sabah. He started his career in the Insurance industry in Malaysia. In 2005, he moved to Singapore when he joined MACS-UIB Insurance Brokers Pte Ltd. In 2008, he joined Etiqa Insurance Bhd, Singapore Branch. Rising through the ranks, he was appointed as the Chief Executive in 2014. He also had the honour of winning the prestigious ‘Claims Awards Asia 2014 under the category of Claims Innovation of the Year’ during his stint with Etiqa. Prior to joining ECICS Limited, he was with FWD Singapore, as the Chief Operations Officer. Altogether, Kin Seng has at least 15 years of experience in the Insurance Industry.

TAN LEY YEN
Director and Chief Executive Officer
IFS Capital (Thailand) Public Company Limited

Ley Yen was appointed as the Chief Executive Officer in February 2007 of IFS Capital (Thailand) Public Company Limited. He was seconded to the Thailand’s subsidiary as General Manager in May 1991 and was appointed Executive Director in October 2000. He has been with the Group since August 1985 and was seconded to PB International Factors Sdn. Bhd. as its General Manager in September 1990. Prior to joining the Group, he was with a local bank for several years. Ley Yen holds a MBA in International Management from the University of London and a Bachelor of Science (Honours) in Management Sciences from the University of Manchester Institute of Science and Technology.

AB. RAZAK KHALIL
Chief Executive Officer and Country Head
IFS Capital (Malaysia) Sdn. Bhd.

Razak was appointed as the General Manager and Country Head of IFS Capital (Malaysia) Sdn. Bhd. in January 2015. He joined the Malaysia’s subsidiary in June 2010 as the Head of Marketing and was responsible to grow the business in Malaysia. Prior to joining the Group, he worked with established organizations including Pembangunan Leasing Corporation (Subsidiary of Development Bank of Malaysia), Philips Malaysia and ISS Facility Services in various capacities which include Marketing, Credit & Legal, Logistics & Planning, Corporate Purchasing and Facilities Management. Razak holds a Bachelor of Science in Applied Science from Sunderland University, United Kingdom.

GIOVANNI FLORENTINUS E.J
President Director and Country Head
PT. IFS Capital Indonesia

Giovanni joined in January 2016 and was appointed as the President Director and Country Head of PT. IFS Capital Indonesia in January 2016. Prior to joining the Group, he was the Assets Based Finance Risk Head of Bank Danamon Indonesia for 11 years. He was then responsible for all risk matters related to the Asset Based Financing. Overall, he has more than 25 years of working experience in the leasing and banking industry. He has held senior positions in his past employments including Gunung Sewu Kencana, Garishindo Buana Finance Indonesia and Brahma Saka Cipta. Giovanni holds a Bachelor Degree from the University of Indonesia majoring in Accountancy.

Our Journey

IFS Capital Limited

To be the premier regional financial services provider to our clients through commitment to service excellence, creating sustainable value for our stakeholders.

1975
Export Credit Insurance Corporation of Singapore was set up to promote the country's export drive

1987
Expanded from credit insurance to financing, with the incorporation of International Factors (Singapore) Ltd

1990-1992
Regional expansion into Indonesia, Malaysia, Philippines and Thailand

1993
IFS Capital Limited listed on the Mainboard of the Singapore Exchange

2003
Phillip Assets became the largest shareholder after a shareholders' restructuring exercise

2010
IFS Capital (Thailand) Public Company Limited listed on the Stock Exchange of Thailand

2016
IFS became a subsidiary of Phillip Assets after a rights issue

Corporate Structure

IFS Capital Limited

Corporate Social Responsibility

Going One Step Further in Our Outreach

In advocating CSR, we should always take up the responsibility to account for impact and periodical progression. Year after year, we strive to steer our business to higher commercial profitability by bringing financing solutions to SMEs to help sustain their businesses, and bringing insurance to meet the needs of companies and individuals. Weaving our corporate ethos into our CSR approach and avenue of giving, our social work is thus focused on bringing sustenance to the needy and helping to secure their basic means of living. A successful integration will not only institute community benefits, but also bring us closer to niche communities out there.

As a Group, we always want to innovate and expand the reach in our CSR efforts. 2018 is the year when IFS Singapore, together with our subsidiary ECICS Limited, went one step further to enrich the lives of the socially disadvantaged by partnering with Dignity Kitchen. Dignity Kitchen is Singapore's first and only community food court run by people with physical disabilities. They go through a comprehensive Train-and-Place Program that prepares them for work in the food court kitchen and ultimately earns them a stable income through this mean. There are 7 stalls selling a variety of local Singaporean food where the public can patronise. On top of that, elderly groups from Care Centres are invited and arranged to come to Dignity Kitchen almost every day for a hearty lunch, totally free of charge.
As we volunteer at Dignity Kitchen, we are not just bringing sustenance to the elderly by serving them home-cooked lunch and desserts. We spend hours mingling among them to interact, listen to their life stories, respond in love, sing karaoke together, and even dance cha-cha with them spontaneously. Even though befriending seems trivial, it helps to alleviate the isolation of the seniors, helping them find acceptance socially. This engagement allows our employees to gain deeper perspectives and appreciation of this underserved community.

In addition, we continue to participate in the Corporate Share Program under the umbrella of Community Chest ("Chest") where donations will be channelled to the various social service and charity programs supported by Chest. Beyond Singapore, IFS Thailand has an excellent CSR strategy that embeds giving as a mandate. In January, donations were given to support the Children Day's activity of Plookjit Elementary School, and on 12 June, donations were made to support the renovation of Wat Makham School. Beyond just monetary aid, IFST printed a Thai-English book "The Oriental Magpies" for elementary students and distributed to 6 schools in need; scholarships were also given out to employee's children who met the Company's qualifying standard. 6 children received this scholarship on 4 August.

Apart from active contributions to the education sector, IFST also takes keen interests in the welfare of multiple socially disregarded communities. The Company donated supplies to a HIV rehabilitation & Orphanage Center – Wat Phrabat

Nam Phu, Saraburi on 23 June; 10 wheelchairs to the Thai Disabled Development Foundation on 26 June; and organised recreation activities for the elderly at Nakorn Prathom Home on 6 October.

During Hari Raya celebration in July 2018, IFS Malaysia organised a lunch event for our clients and business partners at Sime Darby Convention Centre. What was most purposeful was that we invited a group of orphans and their caretakers from Klang to join the celebration. They were served with a variety of traditional food, and were given ang pow (pocket money) and door gifts contributed by staff! Hari Raya is one of the most important festival for the Malay community. It is heartening and imperative that on such an important occasion, our resources and spirit of sharing render a generous room of inclusiveness to the less fortunate members of the society.

These social endeavours are a part of our business practices and model which is propelled by socially conscious and responsible principles. Next year, we shall look at building more platforms for social strengthening. As an organisation, we shall continuously seek to enhance the returns of our outreach in terms of how much it has improved the lives and conditions of communities in need. May the good work that we do throughout the year serve to enable growth and drive far-reaching social sustainability in the various countries that we operate in.

Sustainability Report

Dear Stakeholders,

IFS Capital Limited issued its inaugural Sustainability Report in 2017. Our sustainability journey may have just started, but we are optimistic that our continuous efforts to enhance our existing policies, practices and performance measurements in corporate sustainability will ensure sustainable and long-term growth in our business and shape positive change for our Group and its stakeholders.

We would like to share our continuing efforts in 2018 to ensure we remain sustainable.

LIM HUA MIN
Chairman

TAN HAI LENG EUGENE
Group Chief Executive Officer

ENVIRONMENT

The mission of our Group is to provide the best support for under-served micro, small and medium business (SMEs). We are constantly working towards funding these SMEs with risk-weighted equitable financing solutions so as to help them grow their businesses sustainably.

We have recently launched *Multiply* – a fully digital service that addresses the under-served SMEs segment by using non-traditional credit decision methods. Our small ticket, pay-as-you-use products offer deserving SMEs affordable access to capital. If we are unable to extend our lending services, our Group has also introduced a business matching services, *Lendingpot*, to assist SMEs to find alternative financing providers. *Lendingpot* also generates content to inform and educate small business owners about better financial management and business insights.

During the year, we have introduced the adoption of cloud computing to realise our environmental sustainability goals. The gradual shift to the cloud platform reduces hardware requirements and effectively reduces carbon footprint of the Group. The IT infrastructure, being a unique blend of front and back office capabilities enables greater productivity in business processes, scalability and enhanced communication and collaboration among our people.

SOCIAL

We put our people first. We believe that people is our most important resource to achieve sustainability. In this respect, the value of talent management and the open and transparent communications with staff cannot be under-estimated. Senior management regularly shares the Group's business performance, business strategies and directions with our staff. Feedback from the staff is also highly encouraged through our Employees' Satisfaction Survey.

We are pleased to note that during the periods 2016 and 2018, the Group registered an improvement of 17% in the employees' satisfaction survey. 83% of the employees' population felt connected and engaged with the company while 88% are happy working in the Group.

We also acknowledge the importance of giving back to society. Hence, we strongly encourage our staff to support the communities in which we operate in. In Singapore, our staff volunteered to assist Dignity Kitchen, which provides sustenance to the socially disadvantaged. In Thailand, we support education by providing books and scholarships to underprivileged children. In Malaysia, we share our joy with orphans when we invited them for our Hari Raya celebration.

GOVERNANCE

Governance is a key component of sustainability. In 2018, we successfully launched our Compliance e-learning portal across our Group. With the launch of this portal, we are now able to ensure that all staff are properly trained and they now have the same understanding in terms of compliance standards and expectations.

We have thus far rolled out 3 training modules, namely Cyber Securities, Code of Business Conduct and Guidelines & Procedures on Prevention of Money Laundering and Financing of Terrorism. We expect to roll out another 3 modules this year to complete the course.

Corporate Governance Report

The Board of Directors is committed to maintaining high standards of corporate governance in the Company in order to protect the interests of its shareholders. This report sets out the corporate governance practices of the Company during the financial year ended 31 December 2018, with specific reference made to the principles of the Singapore Code of Corporate Governance 2012 (the "Code").

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS
Principle 1

Board Responsibility

The Board oversees the businesses and affairs of the Group. In addition to its statutory responsibilities, the Board:
- sets the Group's overall strategic direction and long-term objectives and ensures the necessary financial and human resources are in place for the Group to meet its objectives;
- reviews the Group's operational and financial performance;
- reviews the performance of management;
- identifies the key stakeholder groups and recognises that their perceptions affect the Group's reputation;
- sets the Group's values and standards (including ethical standards) and ensures that obligations to shareholders and other stakeholders are understood and met;
- provides oversight to ensure a proper framework of internal control and risk management is in place; and
- considers sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Directors discharge their duties and responsibilities in the best interest of the Group at all times and make decisions independently and objectively.

Delegation by the Board

The Board has set up two Board committees, namely the Audit Committee and the Executive Resource and Compensation Committee, to assist the Board in the execution of its responsibilities. The two Board committees are constituted with clear terms of reference, setting out specific roles and responsibilities. The details on the composition and functions of the Audit Committee and the Executive Resource and Compensation Committee can be found in the subsequent sections in this Report.

Management is responsible for the day-to-day operations of the Group as well as ensuring the implementation of the agreed Group's strategies and sound system of risk management and internal controls. The Group Chief Executive Officer is assisted by a Management Committee chaired by the Group Chief Executive Officer and comprising senior management staff. In the absence of the Group Chief Executive Officer, the appointed designate is authorised to make decisions on his behalf.

Board Meetings and Attendance

The Board holds four scheduled meetings in a year. In addition, special meetings may be convened as and when warranted to deliberate on urgent substantive matters.

During the financial year ended 31 December 2018, the Board held five meetings.

Corporate Governance Report

The attendance of the Board members at the Board and Board committee meetings during the financial year ended 31 December 2018 is set out as follows:

Attendance at Board and Board Committee Meetings

	Board		Audit Committee		ERCC	
Name of Director	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Lim Hua Min	5	5	NA	NA	2	2
Gabriel Teo Chen Thye	5	5	4	4	2	2
Law Song Keng	5	5	4	4	NA	NA
Manu Bhaskaran	5	5	4	4	2	2
Kwah Thiam Hock	5	5	NA	NA	NA	NA
Tan Hai Leng Eugene	5	5	NA	NA	NA	NA

ERCC Executive Resource and Compensation Committee
NA Not applicable

Board Approval

The Board has a formal schedule of matters reserved to it for its decision and these include:

- Group strategic direction and long-term plans;
- Announcements of financial results;
- Statutory accounts;
- Declaration of dividends;
- Budgets and financial planning;
- Establishment of joint ventures;
- Investments or increase in investments in businesses, projects, subsidiaries and associated companies;
- Acquisition or disposal of significant assets, businesses, subsidiaries or associated companies;
- Capital expenditure or any expenditure of significant amount;
- Borrowings of the Company beyond a certain limit in amount as set by the Board; and
- All major transactions or events.

Board Induction and Training

Upon appointment as a Director, each Director is briefed on his role, duties and obligations and key governance practices as a member of the Board.

The Company conducts a comprehensive induction programme to familiarise new directors with the Group's business and industry-specific knowledge. The induction programme gives new directors an understanding of the Group's operations to enable them to assimilate into their new roles.

Corporate Governance Report

Development and training of directors is an ongoing process so that they can perform their duties appropriately. Such development and training programme is reviewed by the Executive Resource and Compensation Committee. The directors are provided with continuing briefings or updates in areas such as directors' duties and responsibilities, corporate governance, relevant changes in laws and regulations, changes in financial reporting standards and issues which have a direct impact on financial statements as well as industry trends and developments relevant to the Group's business operations. The Company Secretary regularly circulates availability of relevant training courses which the directors may attend, with costs borne by the Company.

During the financial year ended 31 December 2018, the Board members were provided with updates to keep them abreast of industry trends, developments in accounting standards and changes in relevant laws and regulations and the code of corporate governance through presentations by Company Secretary, management and external auditors during Board or Board committee meetings.

BOARD COMPOSITION AND GUIDANCE

Principle 2

Board Independence

As at 31 December 2018, the Board comprises 6 directors of whom 4 are independent directors. The nature of the directors' appointments on the Board is set out as follows:

Directors	Board Membership
Lim Hua Min	Non-Executive, Non-Independent, Chairman
Gabriel Teo Chen Thye	Lead Independent Director
Law Song Keng	Independent
Manu Bhaskaran	Independent
Kwah Thiam Hock	Independent
Tan Hai Leng Eugene	Executive, Group Chief Executive Officer

Annual Review of Director's Independence

The Executive Resource and Compensation Committee conducts a review and determines annually the independence of each director. The Board, taking into account the views of the Executive Resource and Compensation Committee, considers Mr Gabriel Teo Chen Thye, Mr Manu Bhaskaran, Mr Law Song Keng and Mr Kwah Thiam Hock to be independent directors.

In relation to Mr Gabriel Teo Chen Thye, Mr Manu Bhaskaran and Mr Kwah Thiam Hock who have served on the Board for more than nine years from the date of their respective first appointment, the Executive Resource and Compensation Committee and the Board have subject their independence status to a particularly rigorous review in the light of Guideline 2.4 of the Code. The Board is of the view that there is no automatic correlation between a director's tenure on the board and his independence and so a person's independence should not be determined arbitrarily on the basis of the number of years' of service on the board. In the review of the independence of Mr Gabriel Teo Chen Thye, Mr Manu Bhaskaran and Mr Kwah Thiam Hock, the Executive Resource and Compensation Committee took into account the directors' inputs, views and judgment calls made during their deliberations and is satisfied with their independence in character and judgement and that they would be able to continue to present objective and independent views. The Board, taking into account the views of the Executive Resource and Compensation Committee, is satisfied that Mr Gabriel Teo Chen Thye, Mr Manu Bhaskaran and Mr Kwah Thiam Hock continue to demonstrate their ability to exercise strong independent judgment in their deliberations and act in the best interests of the Group, and that their length of service on the Board has not affected their independence. Accordingly, the Board determines these directors to be independent, notwithstanding that they have served more than nine years on the Board.

Each of the above Directors had recused himself from the Board's deliberations on his independence.

Corporate Governance Report

Board Composition and Size

The Board has examined its size and is satisfied that a size of 6 members is currently appropriate for the Company, taking into account the nature and scope of the Group's businesses. The Executive Resource and Compensation Committee assesses the Board's composition each year and is satisfied that the Board currently has the appropriate mix of expertise and experience for the Board to carry out its duties effectively.

Details of the directors' academic and professional qualifications, appointment dates on the Board and other appointments are set out on pages 31 to 34.

Role of Non-Executive Directors

At Board Meetings, there is a deliberate culture of having Directors and management engage in open and constructive discussions on issues and proposals. The Non-Executive Directors also meet on a need-be basis without the presence of management to facilitate a more open evaluation of Management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Principle 3

Separation of the Role of Chairman and the Group Chief Executive Officer

The Chairman and the Group Chief Executive Officer of the Company are separate persons and are not related to each other.

The Chairman is a Non-Executive Director while the Group Chief Executive Officer is an Executive Director. The roles of the Chairman and the Group Chief Executive Officer are kept separate and the division of responsibilities between them is set out in writing.

The Chairman is primarily responsible for the workings of the Board. The Chairman's responsibilities include approving the schedules of meetings and meeting agenda (with the assistance of the Company Secretary). As Chairman of the Board, he also leads the Board in its discussions and deliberation, facilitates effective contribution by Non-Executive Directors and exercises control over the timeliness of information flow between the Board and management.

The Group Chief Executive Officer manages the business of the Group, implements the Board's decisions and is responsible for the day-to-day operations of the Group.

Corporate Governance Report

Role of the Lead Independent Director

The Lead Independent Director is appointed by the Board and the role of the Lead Independent Director includes meeting with the independent directors periodically without the presence of other directors and where necessary to provide feedback to the Chairman after such meetings. He will also be available to shareholders where they have concerns for matters which contact through the normal channels of the Chairman, the Group Chief Executive Officer or Group Chief Financial Officer has failed to resolve, or where such contact is inappropriate.

BOARD MEMBERSHIP
Principle 4

The Board has established the Executive Resource and Compensation Committee that performs both the roles of nominating committee and remuneration committee.

Executive Resource and Compensation Committee

As at 31 December 2018, the Executive Resource and Compensation Committee comprises 3 members, the majority of whom are independent:

Manu Bhaskaran	Chairman, Independent
Lim Hua Min	Member, Non-Independent
Gabriel Teo Chen Thye	Member, Independent

The Executive Resource and Compensation Committee functions under the terms of reference as approved by the Board. Under the terms of reference, the Executive Resource and Compensation Committee (in respect of its function as a nominating committee):

(i) assists the Board to assess the effectiveness of the Board as a whole as well as the contribution of the directors to the effectiveness of the Board;

(ii) establishes a formal process for the Group on the appointment of directors, re-nomination and re-election of directors;

(iii) considers and determines the independence of the directors, at least annually;

(iv) recommends to the Board on all Board appointments and re-appointments and approves appointments of key management personnel; and

(v) reviews the training and professional development programme for directors.

Corporate Governance Report

Directors' Time Commitments

The Executive Resource and Compensation Committee assesses if a director is able to and has been adequately carrying out his duties as a director of the Company, taking into account the director's number of listed company board representations and other principal commitments.

To address the time commitments of directors who sit on multiple boards, the meeting dates of the Board and Board committees are scheduled in advance at the beginning of each calendar year.

All directors are aware of his time commitment obligations. For the financial year ended 31 December 2018, each director signed a confirmation that, having regard to all his commitments, he has devoted sufficient time and attention to the affairs of the Company. The Executive Resource and Compensation Committee believes that putting a numerical limit on the number of listed board directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

The Executive Resource and Compensation Committee is of the view that the current qualitative assessment coupled with the annual confirmation of time commitment by directors are sufficient. Accordingly, the Board has not set a numerical limit on the maximum number of listed board representations a director can hold.

The Executive Resource and Compensation Committee is satisfied that all directors have discharged their duties adequately for the financial year ended 31 December 2018.

As at 31 December 2018, no alternate director has been appointed to the Board.

Criteria and Process for Nomination and Selection of New Directors

The Company has put in place a formal process for the selection of new directors to increase transparency of the nominating process in identifying and evaluating nominees for directors.

The Executive Resource and Compensation Committee leads the process as follows:

(i) the Committee evaluates the desired balance and diversity of skills, knowledge, gender and experience for the Board and, in the light of such evaluation and in consultation with management, determines the role and the desirable competencies and attributes for a particular appointment;

(ii) various sources may be used to look for potential candidates;

(iii) the Committee meets with the short-listed candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and

(iv) the Committee makes recommendations to the Board for approval.

In assessing a potential candidate, the Executive Resource and Compensation Committee would take into account factors such as the candidate's integrity and reputation, attributes, capabilities, qualifications and past experience.

All proposed appointment of potential new directors is reviewed by the Executive Resource and Compensation Committee before the recommendation is put up to the Board for its approval.

Corporate Governance Report

Rotation and Re-election of Directors/Re-appointment of Directors

The directors submit themselves for re-nomination and re-election at regular intervals in accordance with the Company's Constitution which requires one-third of the directors for the time being to retire from office by rotation at each Annual General Meeting (or, if the number is not a multiple of three, the number nearest to but not less than one-third).

In accordance with the Company's Constitution, all new appointees to the Board, if not elected by the shareholders at the Annual General Meeting, will only hold office until the next Annual General Meeting after the date of their appointment whereupon they will seek re-election at the Annual General Meeting.

For the forthcoming Annual General Meeting, Mr Lim Hua Min and Mr Kwah Thiam Hock are due to retire from office by rotation under the Company's Constitution.

Mr Lim Hua Min will offer himself for re-election at the forthcoming Annual General Meeting. The detailed information on Mr Lim Hua Min can be found in the directors' profile under "Board of Directors" on pages 6 to 7 and in the details of directors on pages 31 to 34.

As part of the board renewal plan and in anticipation of the nine-year rule on director's independence under the Rules of SGX-ST Listing Manual (effective 1 January 2022), Mr Kwah Thiam Hock, having served on the Board for more than nine years from the date of his first appointment, has decided not to offer himself for re-election as a director of the Company.

The Executive Resource and Compensation Committee is currently in the process of identifying and shortlisting potential candidates to fill the vacancy. After its evaluation, the Executive Resource and Compensation Committee will make its recommendation to the Board on the suitable candidate to be appointed as a new director of the Company.

BOARD PERFORMANCE
Principle 5

Board Evaluation

The Board has implemented a process carried out by the Executive Resource and Compensation Committee for assessing the effectiveness of the Board and its Board committees. In the beginning of each year, the Executive Resource and Compensation Committee conducts a self-assessment process that involves the completion of evaluation questionnaires on issues which include Board and Board committee performance, effectiveness, processes and composition. The collated results are reviewed by the Executive Resource and Compensation Committee before they are submitted to the Board for discussion and determination of any areas for further improvements. Following the review, the Board is of the view that the Board and its Board committees are operating effectively.

In terms of Board performance criteria, the Board feels that Board performance should be measured based on its long-term value creation for shareholders and other stakeholders and is ultimately reflected in the long-term performance of the Group. The financial indicators, as set out in the Code as guides for the evaluation of the performance of the Board, are more of a measurement of management's performance and less applicable to the directors. Although the Board uses some indicators such as average return on equity of comparable companies in the industry as a guide, a more important consideration is that the Board, through the Executive Resource and Compensation Committee, has ensured from the outset that it comprises directors with the requisite blend of background, experience and knowledge for the Group's businesses and that the directors bring to the Board their respective perspectives and views to enable balanced and well-considered decisions to be made.

Corporate Governance Report

ACCESS TO INFORMATION
Principle 6

Management provides all the members of the Board with a progress report on the performance of the Group (including group consolidated accounts) on a monthly basis.

Prior to each Board meeting, the Board members are provided with board papers in advance of meetings so that sufficient time is given to the Board members to prepare. The board papers will set out information which includes background or explanatory information relating to the matters to be brought before the Board. In respect of budgets, any material variances between projections and actual results are explained.

The Chairman, with the assistance of the Company Secretary, exercises control over the quality and timeliness of information flow between the Board and management.

The directors have direct access to the Company's senior management and the Company Secretary. The Company Secretary attends and prepares minutes of all the Board meetings. The appointment and removal of the Company Secretary are subject to the approval of the Board.

The directors, whether as a group or individually, are also entitled to seek independent professional advice with costs to be borne by the Company on any issue(s) which may arise in the course of performing their duties.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
Principle 7

The Executive Resource and Compensation Committee also performs the role of a remuneration committee. The Committee comprises entirely of Non-Executive Directors, the majority of whom, including the Chairman, are independent.

Pursuant to the terms of reference, the Executive Resource and Compensation Committee reviews and approves the remuneration packages for each director and the key management personnel, and also decides on policies relating to remuneration and incentive programs (including staff benefits and bonuses) for the staff of the Group. In reviewing the remuneration framework, the Executive Resource and Compensation Committee takes into consideration industry practices and benchmarks to ensure that its remuneration and compensation package are competitive. The Committee, if it requires, may seek expert advice on executive compensation matters from professional firms. During the financial year ended 31 December 2018, the Committee did not require the service of an expert adviser on executive compensation matters.

The Executive Resource and Compensation Committee also reviews the terms of compensation and employment for executive directors and key management personnel at the time of their employment including considering the Company's obligations in the event of termination of services. The service contracts of the Group Chief Executive Officer/Executive Director and key management personnel do not contain onerous removal clauses.

LEVEL AND MIX OF REMUNERATION
Principle 8

Remuneration Policy

The Group's remuneration policy is directed towards the attraction, retention and motivation of talent to achieve the Group's business objectives. The remuneration framework aims to foster a strong performance-oriented culture within an appropriate overall risk management framework. The Group subscribes to linking executive remuneration to corporate and individual performance, hence the remuneration framework ensures that rewards and incentives relate directly to the performance of individuals, the operations and functions in which they work for which they are responsible, and the overall performance of the Group.

Remuneration of Executive Director and Key Management Personnel

The remuneration package of the Group Chief Executive Officer/Executive Director and key management personnel comprises of a fixed component which is benchmarked against the financial services industry and a variable component which is linked to the performance of the Group as well as the individual performance.

The variable component of the remuneration package is mainly in the form of cash-based variable bonuses which reward employees that commensurate with the performance of the Company. The performance-related variable cash bonus pool is computed based on guidelines approved by the Executive Resource and Compensation Committee. There is currently no commission-based scheme for staff nor share-based awards under long-term incentive scheme.

Based on the current mix of fixed and variable compensation components and design of the variable cash bonus pool formula, the remuneration of executives is aligned with the interests of shareholders and took into account risk policies of the Group.

Having reviewed and considered the variable components of the Executive Director and key management personnel and the principles behind the formulation of the variable cash bonus pool, the Executive Resource and Compensation Committee is of the view that there is currently no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration paid in prior years.

Remuneration of Non-Executive Director

For the Non-Executive Directors, they are remunerated based on a framework of basic director fees and committee fees which is formulated taking into account factors such as responsibilities, level of contribution and time spent. The framework is reviewed by the Executive Resource and Compensation Committee and endorsed by the Board.

Corporate Governance Report

The directors' fees payable to the Non-Executive Directors are subject to shareholders' approval at the Annual General Meeting. The Group Chief Executive Officer/Executive Director does not receive director's fees.

The Company does not have any share-based compensation schemes or any long-term scheme involving the offer of shares in place to encourage independent directors to hold shares in the Company.

DISCLOSURE ON REMUNERATION

Principle 9

Disclosure of Remuneration of the Directors

A breakdown showing the level and mix of each individual director's remuneration payable for the financial year ended 31 December 2018 is as follows:

Remuneration Band	Number of Directors	
	FYE 31 Dec 2018	FYE 31 Dec 2017
$500,000 to below $750,000	0	0
$250,000 to below $500,000	1	1
Below $250,000	5	5
Total	**6**	**6**

Remuneration Band/ Directors of Company		Directors' Fees[(1)] %	Fixed Pay %	Annual Wage Supplement and Variable Bonus %	Allowances & Others %	Total %
(i)	**$500,000 to below $750,000**					
	–	–	–	–	–	–
(ii)	**$250,000 to below $500,000**					
	Mr Tan Hai Leng Eugene	–	66	33	1	100
(iii)	**Below $250,000**					
	Mr Lim Hua Min	100	–	–	–	100
	Mr Gabriel Teo Chen Thye	100	–	–	–	100
	Mr Law Song Keng	100	–	–	–	100
	Mr Manu Bhaskaran	100	–	–	–	100
	Mr Kwah Thiam Hock	100	–	–	–	100

(1) Directors' Fees refer to fees for the financial year ended 31 December 2018, subject to approval by shareholders at the forthcoming AGM.

Key Management Personnel's Remuneration

A breakdown of the compensation for the Group's key management personnel (who are not directors or the Group Chief Executive Officer of the Company) into remuneration bands of $250,000 is as follows:

Remuneration Band	FYE 31 Dec 2018	FYE 31 Dec 2017
$500,000 to below $750,000	1	1
$250,000 to below $500,000	2	1
Below $250,000	4	8
Total	7	10

In aggregate, the total remuneration paid to the above key management personnel of the Group (who are not directors or the Group Chief Executive Officer of the Company) is $1.7 million in the financial year ended 31 December 2018.

The Code recommends that the report should set out the names of at least the top five key management personnel (who are not directors or the Group Chief Executive Officer of the Company) as well as full disclosure of the remuneration figures for each director, the Group Chief Executive Officer and the top five key management personnel. Given the competitive industry conditions, the Board, after weighing the advantages and disadvantages, feels that it is in the interests of the Company that the names of the key management personnel are not disclosed and the remuneration of the Group Chief Executive Officer/ Executive Director, the Non-Executive Directors and the key management personnel be disclosed in bands of $250,000.

During the financial year ended 31 December 2018, there was no employee who was immediate family members of a director or the Group Chief Executive Officer and whose remuneration exceeds $50,000.

Currently, the Company does not have any employee share schemes.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY
Principle 10

The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to the shareholders within 45 days of the reporting period while the full-year results are released to the shareholders within 60 days of the financial year-end. In presenting the financial reports, the Board aims to provide a balanced and understandable assessment of the Group's financial performance and prospects.

Management provides all the members of the Board with management accounts on the performance of the Group on a monthly basis.

The Board takes adequate steps through the establishment of appropriate internal policies to ensure compliance with legislative and regulatory requirements, including requirements under the SGX Listing Manual.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS
Principle 11

The Audit Committee assists the Board in its oversight responsibility for internal controls and risk management of the Group. The Audit Committee reviews the adequacy and effectiveness of the risk management and internal control system that includes financial, operational, compliance and information technology controls established by management, with the assistance of the internal and external auditors. Any significant internal control weaknesses noted during their audits are highlighted to the Audit Committee and the internal auditors assist in monitoring that necessary actions are taken by management.

Management is responsible for maintaining a sound system of risk management and internal controls. Risk assessment and evaluation is an ongoing process which forms an integral part of the Group's business cycle. The Group has in general adopted a standard procedure in managing risks. This includes the identification and evaluation of priority risks and a monitoring mechanism to respond to changes within both the enterprise and the business environment. In order to ensure smooth running of the risk management process, key business objectives have been communicated by management to the heads of the various departments in the Group. The Group's operating units are aware of their responsibilities for the internal control systems and the role they play in ensuring that the financial results are properly stated in accordance with statutory requirements and the Group's policies. Control self-assessments are conducted as part of the risk management and evaluation process to review the key risks of the Group and the internal controls in place to manage or mitigate those risks.

The Board has received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer that, for the year under review:

(i) the Group's financial records have been properly maintained, and the financial statements give a true and fair view of the Group's operations and finances; and
(ii) the Group's risk management and internal control systems are effective and adequate in all material respects.

Based on the risk management framework and the system of internal controls established and maintained by the Group, information furnished to the Board, the internal and external audits conducted and the reviews performed by management, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's system of risk management and internal controls addressing financial, operational, compliance and information technology risks currently maintained by management is adequate and effective to meet the Group's current business objectives as at 31 December 2018.

The Board notes that all internal control systems contain its inherent limitations and no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities. Hence, the system of internal controls can only provide reasonable, but not absolute, assurance against material financial misstatement or loss.

Corporate Governance Report

AUDIT COMMITTEE
Principle 12

Composition of the Audit Committee

As at 31 December 2018, the Audit Committee comprises 3 members, all of whom are independent Non-Executive Directors:

Gabriel Teo Chen Thye	Chairman, Independent
Law Song Keng	Member, Independent
Manu Bhaskaran	Member, Independent

The Board is of the view that the members of the Audit Committee have the requisite experience and expertise to discharge the functions of the Audit Committee.

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the Audit Committee.

Authority and Duties of the Audit Committee

The Audit Committee functions under the terms of reference approved by the Board which sets out its duties and responsibilities. The role of the Audit Committee is mainly to oversee the adequacy and effectiveness of the overall internal control functions, the internal audit functions within the Group, the relationship of those functions to external audit, the scope of audit by the external auditor as well as their independence. The Audit Committee reviews the quarterly and annual announcements of the Group's financial results as well as the financial statements of the Group and the Company before they are submitted to the Board for approval. The Audit Committee also reviews interested person transactions (as defined in Chapter 9 of SGX-ST Listing Manual).

The Audit Committee is authorised to investigate any matters within its terms of reference, with full access to and co-operation by the management. The Audit Committee also has full discretion to invite any director or executive officer to attend its meetings and reasonable resources to carry out its functions.

In the course of the year, at Audit Committee meetings, the external auditor, KPMG LLP briefed the Audit Committee members on developments in accounting and governance standards as well as issues which have a direct impact on financial statements.

In performing its functions, the Audit Committee met with the internal and external auditors, without the presence of management, and reviewed the overall scope of both the internal and external audits, and the assistance given by management to the auditors.

Corporate Governance Report

Review of Financial Statements

In the review of the financial statements for the financial year ended 31 December 2018, the Audit Committee discussed with management and the external auditors on significant issues and assumptions that impact the financial statements. The most significant matters have also been included in the Independent Auditors' Report to the members of the Company under "Key Audit Matters", namely (i) valuation of loan and factoring receivables; (ii) valuation of unquoted investments; (iii) valuation of insurance contract provisions; and (iv) valuation of deferred tax assets. Based on its review as well as discussion with management and the external auditors, the Audit Committee is satisfied that those matters, including the four Key Audit Matters, have been properly dealt with and recommended the Board to approve the financial statements for the financial year ended 31 December 2018 and the Board has approved them.

Review of Independence of External Auditor

The Audit Committee also undertook the annual review of the independence of external auditors through discussions with the external auditors as well as reviewing all the non-audit services provided by the external auditors and the fees payable to them. The Audit Committee is satisfied that the non-audit services performed by them would not affect the independence of the external auditors and has recommended the re-appointment of the external auditors at the Company's forthcoming Annual General Meeting.

A breakdown of the fees of audit and non-audit services paid to the external auditors for the financial year ended 31 December 2018 is found in Note 35 of the financial statement on page 111 of this Annual Report.

Whistleblowing Policy

The Company has in place a whistle-blowing framework whereby staff of the Group can have access to the Audit Committee Chairman, Group Chief Executive Officer, Head of Internal Audit, Head of Human Resource and Head of Compliance to raise concerns of any improprieties in confidence. The Audit Committee reviews this framework with an objective to ensure that arrangements are in place for independent investigation of such concerns raised and for appropriate follow-up action.

INTERNAL AUDIT
Principle 13

The Group has an in-house internal audit function that is independent of the activities it audits. The Internal Audit department was set up to ensure internal controls are adequate and to monitor the performance and effective application of the internal audit procedures with regards to these controls. In the course of their work, the internal auditors' activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors have full access to the Group's documents, records and personnel necessary for their purpose of their duties.

The internal auditors report functionally to the Chairman of the Audit Committee on audit matters and to the Group Chief Executive Officer on administrative matters.

Corporate Governance Report

Adequacy of the Internal Audit Function

The Audit Committee ensures that the internal audit function has adequate resources, is staffed with persons with relevant qualification and expertise and has appropriate standing within the Group. The Audit Committee, on an annual basis, assesses the effectiveness of the internal auditors by examining:

(i) the scope of the internal auditors' work;

(ii) the quality of their reports;

(iii) the reporting lines of the internal auditors within the Group;

(iv) their relationship with the external auditors; and

(v) their independence of the areas reviewed.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS
Principle 14

To facilitate shareholders' ownership rights, the Board ensures that all material information is disclosed on a comprehensive, accurate and timely basis.

All shareholders are entitled to attend the Annual General Meeting and are afforded the opportunity to raise relevant questions and to communicate their views in the Annual General Meeting. The Company's Constitution allows shareholders who are not "Relevant Intermediaries" (as defined in the Companies Act) to appoint not more than two proxies to attend, speak and vote in his place at general meetings of shareholders. Under the multiple proxies regime, "Relevant Intermediaries" such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund Board, are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors to be appointed as proxies to participate at general meetings.

All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, were clearly explained by the scrutineers at such general meetings.

COMMUNICATION WITH SHAREHOLDERS
Principle 15

The Board strives for timeliness in its disclosures to shareholders and the public and it is the Board's policy to keep shareholders informed of material developments that would have an impact on the Company or the Group through announcements via SGXNET. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, an announcement will be released to the public via SGXNet.

Corporate Governance Report

In addition, the Group also uses other channels where appropriate for communication with the shareholders, such as press releases, regularly updated corporate website, annual reports, analyst briefings and shareholders' meetings. The Company also notifies shareholders in advance of the date of release of its financial results through announcements via SGXNET and posting them on the corporate website.

The latest Annual Reports, financial results and company announcements are posted on the corporate website following the release to the market. The corporate website has a clearly dedicated "Investor Relations" link, which enables shareholders to raise their queries or concerns.

CONDUCT OF SHAREHOLDER MEETINGS
Principle 16

Shareholders are informed of shareholdings' meetings through published notices and reports or circulars made available to all shareholders. The Annual General Meeting procedures provide shareholders the opportunity to raise relevant questions relating to each resolution tabled for approval. Opportunities are given to shareholders to participate, engage and openly communicate their views on matters relating to the Group to the directors and the external auditors.

Other methods of voting in absentia as recommended by the Code are not made available at the moment. Voting in absentia may only be possible after careful study to ensure that the integrity of the information and authentication of identity of shareholders through the web are not compromised.

All directors, in particular the Chairpersons of the Audit Committee and the Executive Resource and Compensation Committee and the external auditors attend Annual General Meetings to address any questions which may be raised by the shareholders at such meetings.

Minutes of shareholder meetings which include substantive comments or queries from shareholders and responses from the Chairman, board members and Management, are available upon request in writing by shareholders. The Company ensures that there are separate resolutions at general meetings on each substantial separate issue and avoids "bundling" separate resolutions.

The Company conducts electronic poll voting for all the resolutions passed at the shareholders' meetings for greater transparency in the voting process. Before commencement of the proceedings at the shareholders' meetings, the independent scrutineer appointed by the Company will disclose the voting and vote tabulation procedures. Votes cast for, or against, each resolution will be tallied and displayed live-on-screen to shareholders at the meeting. The total numbers and percentage of votes cast for or against the resolutions are also announced after the meetings via SGXNet.

CODE ON DEALINGS IN SECURITIES

The Company has issued a Code on Dealings in IFS Securities (the "Internal Code") to directors and key employees (including employees with access to price-sensitive information in relation to the Company's shares) of the Company, setting out a code of conduct on dealings in the Company's shares by these persons in line with the best practices set out in Rule 1207(19) of the SGX-ST Listing Manual. The guidelines under the Internal Code, inter alia, provide that officers (i) should not deal in the Company's shares on short-term considerations; and (ii) should not deal in the Company's shares during the period commencing two week before the release of the Company's results for the first three quarters and one month before the announcement of the Company's full-year financial results, and ending on the date of announcement.

Corporate Governance Report

Details of the directors' academic and professional qualifications, appointment dates on the Board and other appointments:

Name of Director	Academic & Professional Qualifications	IFS Board (a) Date First Appointed (b) Date Last Re-elected	Other Key Information
Lim Hua Min	- Bachelor of Science (Honours), University of Surrey, England (1968) - Master of Science, Imperial College, London University (1969)	(a) 20.05.2003 (b) 27.04.2016	**Present Directorships in Other Listed Companies:** ● Director, Walker Crips Group plc. (UK) **Other Principal Commitments:** *Directorships in other companies* ● Executive Chairman, Phillip Group of Companies ● Director, Phillip Bank Plc (Cambodia) ● Director, ECICS Limited *Other major appointments (other than directorships)* Nil **Past Directorships in other listed companies held over the preceding 3 years:** Nil
Gabriel Teo Chen Thye	- Bachelor of Business Administration, University of Singapore (1975) - Masters in Business Administration, Cranfield School of Management (UK) (1980)	(a) 02.11.1999 (b) 21.04.2017	**Present Directorships in Other Listed Companies:** ● Director, Sunningdale Tech Ltd **Other Principal Commitments:** *Directorships in other companies* ● Director, Tenet Sompo Insurance Pte Ltd *Other major appointments (other than directorships)* ● Member, Board of Governors, St Gabriel's Foundation ● Chairman, School Management Committee, Assumption Pathway School **Past Directorships in other listed companies held over the preceding 3 years:** Nil

Corporate Governance Report

Name of Director	Academic & Professional Qualifications	IFS Board (a) Date First Appointed (b) Date Last Re-elected	Other Key Information
Law Song Keng	- Bachelor of Science, (Maths, First Class Honours), University of Singapore (1968) - Master of Science (Actuarial Science), Northeastern University, USA (1970) - Fellowship of Society of Actuaries, USA (1978)	(a) 31.01.2011 (b) 20.04.2018	**Present Directorships in Other Listed Companies:** ● Director, Great Eastern Holdings Ltd **Other Principal Commitments:** *Directorships in other companies* ● Director, Asia Capital Reinsurance Group Pte Ltd ● Chairman, Frasers Hospitality Asset Management Pte Ltd ● Chairman, Frasers Hospitality Trust Management Pte Ltd ● Chairman, Concord Insurance Company Limited ● Director, ACR Capital Holdings Pte Ltd ● Director, Asia Capital Reinsurance Malaysia Sdn Bhd *Other major appointments (other than directorships)* Nil **Past Directorships in other listed companies held over the preceding 3 years:** Nil

Corporate Governance Report

Name of Director	Academic & Professional Qualifications	IFS Board (a) Date First Appointed (b) Date Last Re-elected	Other Key Information
Manu Bhaskaran	- Bachelor of Arts (Honours), Magdalene College, Cambridge University (1980) - Masters in Public Administration, John F Kennedy School of Government, Harvard University (1987) - Chartered Financial Analyst (1992)	a) 26.02.2004 (previously director of IFS from 26.06.2002 to 20.05.2003) (b) 21.04.2017	**Present Directorships in Other Listed Companies:** Nil **Other Principal Commitments:** *Directorships in other companies* ● Director, Aspen Networks Inc ● Director and Chief Executive Officer, Centennial Asia Advisors Pte Ltd ● Director, Centennial Group Holdings ● Director, Luminor Capital Pte Ltd ● Director, MinorCap Pte Ltd ● Director Shining Star Solutions and Services Private Limited, India ● Director, Jebsen & Jessen (SEA) Pte Ltd ● Director, CIMB Investment Bank Berhad *Other major appointments (other than directorships)* ● Partner and Head of Economic Research, Centennial Group Inc ● Council Member, Singapore Institute of International Affairs ● Vice President, Economic Society of Singapore ● Senior Adjunct Fellow, Institute of Policies Studies **Past Directorships in other listed companies held over the preceding 3 years:** Nil

Corporate Governance Report

Name of Director	Academic & Professional Qualifications	IFS Board (a) Date First Appointed (b) Date Last Re-elected	Other Key Information
Kwah Thiam Hock	- Bachelor of Accountancy, University of Singapore (1973) - Fellow, Certified Public Accountant, Institute of Singapore Chartered Accountants - Fellow, Certified Public Accountant, Australian Society of Accountants - Fellow, Association of Chartered Certified Accountants (UK)	(a) 04.05.1987 (b) 27.04.2016	**Present Directorships in Other Listed Companies:** ● Director, Wilmar International Limited ● Director, Excelpoint Technology Limited ● Director, Teho International Inc Ltd **Other Principal Commitments:** *Directorships in other companies* ● Co-owner & Director, Pivot Medical Service (Western Medicine & Surgical Services) *Other major appointments (other than directorships)* Nil **Past Directorships in other listed companies held over the preceding 3 years:** ● Director, Select Group Limited
Tan Hai Leng Eugene	- Bachelor of Arts and Social Sciences (Majored in Political Science and History), University of Singapore (1982)	(a) 12.10.2015 (b) 20.04.2018	**Present Directorships in Other Listed Companies:** ● Chairman, IFS Capital (Thailand) Public Company Limited **Other Principal Commitments:** *Directorships in other companies* Nil *Other major appointments (other than directorships)* Nil **Past Directorships in other listed companies held over the preceding 3 years:** Nil

Financial Report

Directors' Statement

YEAR ENDED 31 DECEMBER 2018

DIRECTORS' STATEMENT

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

In our opinion:

(a) the financial statements set out on pages 45 to 162 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

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

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

DIRECTORS

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

Lim Hua Min
Gabriel Teo Chen Thye
Manu Bhaskaran
Kwah Thiam Hock
Law Song Keng
Tan Hai Leng Eugene

DIRECTORS' INTERESTS

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

Name of director and corporation in which interests are held	**Holdings at beginning of the year**	**Holdings at end of the year**
Ultimate holding company		
Phillip Assets Pte. Ltd.		
Lim Hua Min		
- ordinary shares	39,100,000	39,100,000
IFS Capital Limited - Company		
Lim Hua Min		
- ordinary shares		
- deemed interests	226,063,029	226,063,029
Kwah Thiam Hock		
- ordinary shares	680,000	680,000
Tan Hai Leng Eugene		
- ordinary shares	200,000	200,000
IFS Factors (Malaysia) Sdn. Bhd. - Subsidiary		
Tan Hai Leng Eugene		
- ordinary shares	1	1

Directors' Statement

YEAR ENDED 31 DECEMBER 2018

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2019.

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

Except for the salaries, bonuses and fees and those benefits that are disclosed in this statement and in Notes 35 and 39 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit 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.

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this statement comprise the following Non-Executive Directors:

Gabriel Teo Chen Thye (Chairman)	Independent
Manu Bhaskaran	Independent
Law Song Keng	Independent

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

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

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

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

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

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712, 715 and 716 of the SGX Listing Manual.

Directors' Statement

YEAR ENDED 31 DECEMBER 2018

AUDITORS

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

On behalf of the Board of Directors

Lim Hua Min
Director

Tan Hai Leng Eugene
Director

Singapore
28 March 2019

Independent Auditors' Report

YEAR ENDED 31 DECEMBER 2018

Members of the Company
IFS Capital Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of IFS Capital Limited ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 162.

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

Basis for opinion

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

Key audit matters

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

Valuation of loans and factoring receivables and adoption of SFRS(I) 9 ($380.3 million) (Refer to Notes 10, 15 and 40 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
Provision of loans and factoring financing is the principal activity of the Group. Loans and factoring receivables are the most significant financial statement captions in the Group's consolidated statement of financial position. The Group's loans and factoring receivables have exposures in Singapore, Thailand, Malaysia and Indonesia. While the portfolio in Indonesia exhibits higher credit risk, the size of this portfolio is relatively small, as compared to the portfolios in Singapore and Thailand. The transition to the new expected credit loss ("ECL") model under SFRS(I) 9 *Financial Instruments* and the determination of ECL for the loans and factoring receivables under the requirements of SFRS(I) 9 involve significant management judgement. The Group applies the general approach to provide ECL for loans and factoring receivables. There is a risk that the measurement of ECL allowances for the Group's loans and factoring receivables is inappropriate.	We have involved our accounting specialists in the assessment of the Group's adoption of the ECL model under SFRS(I) 9 and overall reasonableness of the impairment valuation. Our audit procedures included, among others: • Evaluated the reasonableness of the methodology, assumptions and estimates used in the ECL model for consistency with SFRS (I) 9 requirements; • Independently re-performed the impairmentcomputations on selected accounts and compared with management's computation, including testing of the inputs to the ECL model such as the probability of default, agreed payment plans, payment track records and the value of the collaterals held by the Group; • Tested operating effectiveness of controls for credit review and assessed the appropriateness of management's internal credit quality grading model for loans and factoring receivables;

Independent Auditors' Report

YEAR ENDED 31 DECEMBER 2018

Valuation of loans and factoring receivables and adoption of SFRS(I) 9 ($380.3 million) (cont'd) (Refer to Notes 10, 15 and 40 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
	• Performed enquires and reviewed the latest recoverability status of selected borrowers and evaluate whether loans and receivables are appropriately categorised into the staging under the SFRS(I) 9 requirements; • Reviewed the impact of the transition adjustments to the retained earnings as at 1 January 2018; and • Assessed the adequacy and completeness of the Group's disclosures in relation to the changes arising from the adoption of SFRS(I) 9. Findings: • Based on the work performed. We considered that the impairment provided and valuation of the loans and receivables to be reasonable.

Valuation of unquoted investments ($20.1 million) (Refer to Notes 9 and 40 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group's investments are a significant financial statement caption in the Group's consolidated statement of financial position, and comprise debt securities, unquoted convertible loans and quoted and unquoted equity securities. There is a risk that the assessment of the carrying value does not accurately reflect its fair value as at the reporting date. The risk is not uniform for all investment types and is greatest for the unquoted convertible loans. These are hard-to-value structured financial instruments with embedded derivatives, and are subjected to complex management estimates and judgements. The valuation of these involves unobservable inputs such as units sold, sales projections on unsold units, development costs projections obtained from the investment manager of these underlying developments and risk-adjusted discount rates as determined by management.	We have assessed the valuation methodology applied and the assumptions used in the valuation models to determine the fair value of unquoted investments. Our audit procedures included, among others: • Involved our valuation specialists to evaluate the appropriateness of the valuation model and the reasonableness of inputs used; • Challenged the Group's key judgements and assumptions used in the determination of the fair value of unquoted investments by corroborating these with external sources and industry information where possible; and • Assessed the adequacy of the disclosures made by the Group in relation to their description of the assumptions and estimates made and the sensitivity of the valuation of investments to changes in those assumptions and estimates. Findings: • For the unquoted convertible loans, we found that the Group's cash flow forecasts were reasonably supported and the discount rates used were balanced in comparison with market data. • Overall, we found the Group's disclosures to be appropriate in their description of the assumptions and estimates made for valuing level 3 financial instruments and the sensivity analysis to changes in those assumptions and estimates.

Independent Auditors' Report

Valuation of deferred tax assets ($4.7 million) (Refer to Note 12 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group has significant deferred tax assets amounting to $4.7 million arising mainly from unutilised tax losses as at 31 December 2018. There is inherent uncertainty involved in forecasting future taxable profits, which determines the extent to which deferred tax assets are or are not recognised.	We have assessed the forecasts of future taxable profits prepared by management and the basis used to determine the realisation of deferred tax assets. Our audit procedures included, among others: • Obtained an understanding of the Group's budgeting process upon which the forecasts are based; • Challenged management's key assumptions used in the forecasts, including the projected revenue growth rate, projected gross profit margin and discount rates, against the Group's historical performance and planned activities; • Considered the management's assessment of the Group's taxable position, and applied our knowledge and experience of the relevant tax legislation; and • Assessed the adequacy of the disclosures made by the Group in relation to the deferred tax assets recognised. Findings: • There were assumptions applied by management which trend towards projecting an optimistic forecast of the taxable profits of specific Group entities. However, given the continual availability of such tax losses and the planned activities, there is reasonable basis for the recognition of deferred taxes on current unutilised tax losses. • We found that Note 12 gives appropriate disclosure in respect of the deferred tax assets recognised.

Independent Auditors' Report

<table>
<tr><td colspan="2">Valuation of insurance contract provisions ($17.5 million, net of reinsurance)
(Refer to Notes 13 and 41 to the financial statements)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group's general insurance operations are conducted through its subsidiary, ECICS Limited (ECICS).

Valuation of insurance contract provisions is inherently judgemental and subjective.

There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately be required to pay as claims.

The valuation of insurance contract liabilities is dependent on estimates including the ultimate settlement cost of claims reported, and claims incurred but not yet reported (IBNR) which is incorporated in ECICS's appointed actuary's valuation model. The estimates are determined based on historical claim experience, existing knowledge of events, the term and conditions of relevant policies and interpretation of circumstances.

Using an inappropriate valuation method could result in material errors to the carrying value of insurance contract liabilities. In addition, changes in the assumptions used in calculation of the valuation could result in a material impact to the valuation of insurance contract liabilities and the related movements in profit or loss.</td><td>We have involved our internal actuarial specialists to assess the methodology applied and the assumptions used in the ECICS's appointed actuary's model to determine the adequacy of insurance contract provisions made for premium and claim liabilities. Our audit procedures included, among others:

• Evaluated the underwriting and claims processes;

• Assessed the design and operating effectiveness of controls over approval and recording of premiums and claims;

• Tested the completeness and accuracy of data used in the valuation of insurance contract liabilities;

• Assessed the appointed actuary's competence, capability and objectivity by reviewing their resume and making enquiries;

• Involved our actuarial specialists to evaluate the methodology, assumptions and estimates used in the ECICS's appointed actuary's model; and

• Assessed the adequacy of the disclosure made by the Group in relation to the assumptions and estimates used and the sensitivity of the insurance contract provisions to changes in the assumptions and estimates.

• We independently verified and agreed with management's assessment of the adequacy of provision for insurance claims.

• We have assessed the methodology, assumptions and estimates used by ECICS's appointed actuary and we identified no concerns over the actuary's competence, capability and objectivity.

• We found that the assumptions and estimates used by ECICS's appointed actuary were balanced.

• We found that Note 41 gives appropriate disclosure of the assumptions and estimates made by the Group and the sensitivity of the valuation of insurance contract provisions to changes in those assumptions and estimates.</td></tr>
</table>

Independent Auditors' Report

Other information

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

We have obtained the Directors' statement, Chairman's message, Group financial highlights, Performance at a glance, Board of Directors, Group Management team, Our Journey, Corporate structure, Corporate social responsibility, Sustainability report, Corporate governance report, Additional information, Statistics of shareholdings, Notice of Annual General Meeting, Proxy form and Corporate information ("the Reports") prior to the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

Independent Auditors' Report

YEAR ENDED 31 DECEMBER 2018

Other information (Cont'd)

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Goh Kim Chuah.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 March 2019

Statements of Financial Position

YEAR ENDED 31 DECEMBER 2018

		Group			Company		
	Note	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Non-current assets							
Property, plant and equipment	4	**3,319**	14,893	15,697	**202**	13,342	13,898
Intangible assets	5	**1,081**	465	588	**787**	119	100
Investment properties	6	**2,094**	3,756	3,914	**–**	–	–
Subsidiaries	7	**–**	–	–	**83,063**	86,897	85,747
Other investments	9	**39,235**	54,377	49,194	**6,424**	5,262	8,134
Loans, advances, hire purchase and leasing receivables	10	**79,523**	54,841	43,004	**53,423**	44,513	35,957
Deferred tax assets	12	**4,716**	5,308	5,434	**11**	391	660
		129,968	133,640	117,831	**143,910**	150,524	144,496
Current assets							
Reinsurers' share of insurance contract provisions	13	**5,326**	3,649	7,047	**–**	–	–
Insurance receivables	14	**2,585**	1,225	1,933	**–**	–	–
Trade and other receivables	15	**302,045**	221,816	215,366	**166,880**	92,385	103,921
Other investments	9	**17,807**	15,622	29,542	**394**	659	553
Cash and cash equivalents	18	**48,724**	35,064	33,724	**18,773**	12,163	12,029
		376,487	277,376	287,612	**186,047**	105,207	116,503
Total assets		**506,455**	411,016	405,443	**329,957**	255,731	260,999
Equity							
Share capital	20	**137,302**	137,302	137,302	**137,302**	137,302	137,302
Other reserves	21	**1,184**	3,982	4,701	**–**	379	978
Accumulated profits		**30,720**	11,007	9,004	**36,923**	24,696	21,140
Equity attributable to owners of the Company		**169,205**	152,291	151,007	**174,225**	162,377	159,420
Non-controlling interests	22	**15,355**	14,024	12,618	**–**	–	–
Total equity		**184,560**	166,315	163,625	**174,225**	162,377	159,420

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

Statements of Financial Position

YEAR ENDED 31 DECEMBER 2018

		Group			Company		
				1 Jan			1 Jan
	Note	2018	2017	2017	2018	2017	2017
		$'000	$'000	$'000	$'000	$'000	$'000
Non-current liabilities							
Interest-bearing borrowings	23	**13,864**	9,412	13,033	**10,000**	4,000	10,938
Employee benefits	24	**1,560**	1,145	1,118	**–**	–	–
Deferred tax liabilities	12	**515**	375	339	**–**	–	–
		15,939	10,932	14,490	**10,000**	4,000	10,938
Current liabilities							
Trade and other payables	25	**13,609**	10,894	11,540	**6,973**	5,444	6,778
Insurance payables	27	**3,078**	1,967	2,273	**–**	–	–
Interest-bearing borrowings	23	**265,478**	198,377	187,390	**138,743**	83,894	83,863
Insurance contract provisions for:							
- gross unexpired risks	13	**9,425**	10,029	15,756	**–**	–	–
- gross insurance claims	13	**13,446**	11,710	9,824	**–**	–	–
Current tax payable		**920**	792	545	**16**	16	–
		305,956	233,769	227,328	**145,732**	89,354	90,641
Total liabilities		**321,895**	244,701	241,818	**155,732**	93,354	101,579
Total equity and liabilities		**506,455**	411,016	405,443	**329,957**	255,731	260,999

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

Consolidated Statement of Profit or Loss

YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Interest income	28	**28,136**	24,612
Interest expense	29	**(7,615)**	(5,583)
Net interest income		**20,521**	19,029
Gross written premiums		**7,268**	10,990
Change in gross provision for unexpired risks	13	**605**	5,727
Gross earned premium revenue		**7,873**	16,717
Written premiums ceded to reinsurers		**(1,672)**	(3,127)
Reinsurers' share of change in provision for unexpired risks	13	**652**	(2,519)
Reinsurance premium expense		**(1,020)**	(5,646)
Net earned premium revenue (i)	30	**6,853**	11,071
Fee and commission income	31	**8,000**	6,687
Net investment income	32	**1,797**	5,803
Other income	33	**16,793**	475
Sub-total (ii)		**26,590**	12,965
Non-interest income (i) + (ii)		**33,443**	24,036
Income before operating expenses		**53,964**	43,065
Business development expenses		**(549)**	(495)
Commission expenses		**(1,636)**	(2,153)
Staff costs		**(14,438)**	(13,458)
General and administrative expenses		**(6,346)**	(6,890)
Operating expenses		**(22,969)**	(22,996)
Change in gross provision for insurance claims	13	**(1,736)**	(1,886)
Reinsurers' share of change in provision for insurance claims	13	**1,023**	(879)
Gross claims paid	13	**(8,654)**	(11,331)
Reinsurers' share of claims paid	13	**1,714**	3,278
Net claims incurred	30	**(7,653)**	(10,818)
Operating profit before allowances		**23,342**	9,251
Allowances for loan losses and impairment of other assets	34	**(753)**	(3,473)
Profit before tax	35	**22,589**	5,778
Tax expense	36	**(2,726)**	(2,164)
Profit for the year		**19,863**	3,614
Profit attributable to:			
Owners of the Company		**17,987**	1,956
Non-controlling interests		**1,876**	1,658
Profit for the year		**19,863**	3,614
Earnings per share			
Basic earnings per share (cents)	37	**4.78**	0.52
Diluted earnings per share (cents)	37	**4.78**	0.52

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

Consolidated Statement of Comprehensive Income

YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Profit for the year		**19,863**	3,614
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Defined benefit plan remeasurements		**4**	193
Tax on items that will not be reclassified to profit or loss		**(1)**	(40)
		3	153
Items that are or may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets		**–**	893
Net change in fair value of available-for-sale financial assets reclassified to profit or loss due to:			
- disposal of available-for-sale financial assets	32	–	(2,361)
Foreign currency translation differences of foreign operations		**1,013**	639
Tax on other comprehensive income	36	**–**	263
		1,013	(566)
Other comprehensive income for the year, net of tax		**1,016**	(413)
Total comprehensive income for the year		**20,879**	3,201
Total comprehensive income attributable to:			
Owners of the Company		**18,650**	1,284
Non-controlling interests		**2,229**	1,917
Total comprehensive income for the year		**20,879**	3,201

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

Consolidated Statement of Changes In Equity

YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Company							
	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2017, as previously reported		137,302	38	4,663	(7,352)	16,356	151,007	12,618	163,625
Adjustment on transition to SFRS(I)s		–	–	–	7,352	(7,352)	–	–	–
At 1 January 2017, as restated		137,302	38	4,663	–	9,004	151,007	12,618	163,625
Total comprehensive income for the year									
Profit for the year		–	–	–	–	1,956	1,956	1,658	3,614
Other comprehensive income									
Foreign currency translation differences		–	–	–	416	–	416	223	639
Net change in fair value of available-for-sale financial assets		–	–	893	–	–	893	–	893
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	–	(2,361)	–	–	(2,361)	–	(2,361)
Defined benefit plan remeasurements		–	–	–	–	148	148	45	193
Tax on other comprehensive income	36	–	–	263	–	(31)	232	(9)	223
Total other comprehensive income		–	–	(1,205)	416	117	(672)	259	(413)
Total comprehensive income for the year		–	–	(1,205)	416	2,073	1,284	1,917	3,201
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Capitalisation of statutory legal reserves of a subsidiary		–	70	–	–	(70)	–	–	–
Total contributions by and distributions to owners		–	70	–	–	(70)	–	–	–
Changes in ownership interests in subsidiaries									
Dividends paid by a subsidiary company to non-controlling interests	21	–	–	–	–	–	–	(511)	(511)
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	(511)	(511)
Total transactions with owners		–	70	–	–	(70)	–	(511)	(511)
At 31 December 2017, as restated		137,302	108	3,458	416	11,007	152,291	14,024	166,315

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

Consolidated Statement of Changes In Equity

YEAR ENDED 31 DECEMBER 2018

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of the Company							
At 1 January 2018		137,302	108	3,458	416	11,007	152,291	14,024	166,315
Adjustment on initial application of SFRS(I) 9 (net of of tax)		–	–	(3,458)	–	2,850	(608)	(49)	(657)
Adjusted balance at 1 January 2018		137,302	–	–	416	13,857	151,683	13,975	165,658
Total comprehensive income for the year									
Profit for the year		–	–	–	–	17,987	17,987	1,876	19,863
Other comprehensive income									
Foreign currency translation differences		–	–	–	660	–	660	353	1,013
Defined benefit plan remeasurements		–	–	–	–	4	4	–	4
Tax on other comprehensive income	36	–	–	–	–	(1)	(1)	–	(1)
Total other comprehensive income		–	–	–	660	3	663	353	1,016
Total comprehensive income for the year		–	–	–	660	17,990	18,650	2,229	20,879
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Dividends paid to owners of the Company	21	–	–	–	–	(1,128)	(1,128)	–	(1,128)
Total contributions by and distributions to owners		–	–	–	–	(1,128)	(1,128)	–	(1,128)
Changes in ownership interests in subsidiaries									
Dividends paid by a subsidiary company to non-controlling interests	21	–	–	–	–	–	–	(849)	(849)
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	(849)	(849)
Total transactions with owners		–	–	–	–	(1,128)	(1,128)	(849)	(1,977)
At 31 December 2018		137,302	108	–	1,076	30,719	169,205	15,355	184,560

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

Consolidated Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit for the year		**19,863**	3,614
Adjustments for:			
Amortisation of			
- intangible assets	5	**311**	410
- debt securities	32	**56**	52
Net foreign exchange loss		**179**	399
Depreciation of property, plant and equipment	4	**893**	944
Depreciation of investment properties	6	**184**	224
Property, plant and equipment written off	4	**15**	–
Intangible assets written off	5	**11**	–
Loss/ (gain) on disposal of equity securities	32	**368**	(1,104)
Gain on partial redemption of convertible loans	32	**(1,070)**	(2,171)
Gain on disposal of property, plant and equipment	33	**(16,375)**	(8)
Net change in fair value of financial assets through profit or loss	32	**1,061**	(761)
(Reversal of)/provision for, net of reinsurers' share			
- unexpired risks	13	**(1,257)**	(3,208)
- insurance claims	13	**712**	2,765
Interest income	28	**(28,136)**	(24,612)
Interest income from investments and fixed deposits	32	**(1,115)**	(1,281)
Dividend income from investments	32	**(1,159)**	(1,085)
Interest expense	29	**7,615**	5,583
Tax expense	36	**2,726**	2,164
Operating cash flows before changes in working capital		**(15,118)**	(18,075)
Changes in working capital:			
Factoring receivables		**(1,956)**	(11,317)
Factoring amounts owing to clients		**4,501**	(3,717)
Loans, advances, hire purchase and leasing receivables		**(108,870)**	(2,452)
Insurance and other receivables		**(173)**	295
Trade, other and insurance payables		**3,994**	(834)
Cash used in operations		**(117,622)**	(36,100)
Interest received		**29,288**	25,967
Interest paid		**(7,357)**	(5,514)
Taxes paid, net		**(1,768)**	(1,457)
Net cash used in operating activities		**(97,459)**	(17,104)

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

Consolidated Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**29,119**	9
Purchase of property, plant and equipment	4	**(496)**	(91)
Purchase of intangible assets	5	**(937)**	(285)
Purchase of investments		**(17,764)**	(48,508)
Proceeds from disposal of investments		**30,218**	59,216
Dividends received from investments		**1,159**	1,085
Net cash from investing activities		**41,299**	11,426
Cash flows from financing activities			
Dividends paid to owners of the Company		**(1,128)**	–
Dividends paid to non-controlling interests		**(849)**	(511)
Proceeds from interest-bearing borrowings	23	**71,553**	7,366
Net cash from financing activities		**69,576**	6,855
Net increase in cash and cash equivalents		**13,416**	1,177
Cash and cash equivalents at 1 January		**35,064**	33,724
Effect of exchange rate fluctuations on cash held		**244**	163
Cash and cash equivalents at 31 December	18	**48,724**	35,064

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

Notes To The Financial Statements

YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 March 2019.

1 DOMICILE AND ACTIVITIES

IFS Capital Limited (the "Company") is a company incorporated in Singapore and has its registered office at 10 Eunos Road 8, #09-04 Singapore Post Centre, Singapore 408600.

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

The immediate and ultimate holding company is Phillip Assets Pte. Ltd., a company incorporated in Singapore.

The principal activities of the Company are those relating to the provision of commercial, alternative and structured finance businesses such as factoring services, working capital, asset based financing and the provision of alternative and structured financial solutions offered to clients to address either equity or debt capital requirements. The principal activities of the subsidiaries are detailed in Note 7.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I)9 have affected the reported financial position, financial performance and cash flows is provided in Note 43.

The assets and liabilities of the Group which relate to the insurance business carried on in Singapore are subject to the requirements of the Insurance Act, Chapter 142 ("Insurance Act"). Such assets and liabilities are accounted for in the books of the insurance funds established under the Insurance Act. The net assets of the Group held in the insurance funds must be sufficient to meet the solvency requirements stipulated in Section 18 of the Insurance Act at all times. Assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 and the Group continues to be able to meet the solvency requirements of Section 18 of the Insurance Act.

2.2 BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies or the explanatory notes set out below.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 USE OF ESTIMATES AND JUDGEMENTS

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

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

Information about significant judgements, assumptions and estimation in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and may have a significant risk of resulting in a material adjustment within the next financial year are included in Note 41.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has an overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Group Chief Executive Officer. The valuation team reviews significant unobservable inputs and valuation adjustments on a quarterly basis.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 40.

3 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies have been applied consistently by Group entities.

3.1 BASIS OF CONSOLIDATION

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with SFRS(I) 3 Business Combination as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Where share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 BASIS OF CONSOLIDATION (CONT'D)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Loss of control

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

(iv) Transactions eliminated on consolidation

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

(v) Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any accumulated impairment losses.

3.2 FOREIGN CURRENCY

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Singapore dollars at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Singapore dollars at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income ("OCI"):

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and

- qualifying cash flow hedges to the extent that the hedge is effective.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 FOREIGN CURRENCY (CONT'D)

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions

Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

3.3 FINANCIAL INSTRUMENTS

Financial instruments were accounted for under the previous FRS 39 up to 31 December 2017. On 1 January 2018, SFRS(I) 9 was adopted as described in Note 43.

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 FINANCIAL INSTRUMENTS (CONT'D)

Financial assets at amortised cost

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

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

Equity investments at FVOCI

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

Financial assets at FVTPL

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

Financial assets: Business model assessment – Policy applicable from 1 January 2018

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

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 FINANCIAL INSTRUMENTS (CONT'D)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

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

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

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

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at FVTPL

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

Financial assets at amortised cost

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

Equity investments at FVOCI

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

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

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 FINANCIAL INSTRUMENTS (CONT'D)

Non-derivative financial assets: Subsequent measurement and gains and losses - Policy applicable before 1 January 2018

Financial assets at fair value through profit or loss

A financial asset is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at FVTPL are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at FVTPL comprise equity securities that otherwise would have been classified as available-for-sale.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise debt securities.

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, insurance and trade and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities, debt securities and convertible loans.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 FINANCIAL INSTRUMENTS (CONT'D)

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings, bank overdrafts, and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 FINANCIAL INSTRUMENTS (CONT'D)

(vi) Share capital

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

(vii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially measured at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

3.4 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

Subsequent costs

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

Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

• Leasehold land	99 years
• Leasehold building	30 years
• Freehold residential properties	50 years
• Freehold building	19 and 40 years
• Renovations	5 years
• Office equipment, furniture and fittings	2 to 6 years
• Computer equipment	3 to 5 years
• Motor vehicles	5 years

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

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified accordingly.

3.5 INTANGIBLE ASSETS AND GOODWILL

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1(i).

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses.

Membership rights

Corporate club membership is stated at cost less any accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 INTANGIBLE ASSETS AND GOODWILL (CONT'D)

Amortisation is recognised in profit or loss on a straight-line and reducing balance basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- Computer software 3 to 5 years
- Customer lists 5 years
- Copyrights 5 years

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

3.6 INVESTMENT PROPERTY

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods and services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other costs directly attributable to bringing the investment property to a working condition for its intended use.

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

3.7 LEASED ASSETS

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.8 IMPAIRMENT

(i) Non-derivative financial assets and contract assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses ('ECL') on financial assets measured at amortised cost.

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

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months), financial instrument for which 12-month ECL is recognised are referred to as 'Stage 1 financial instrument'; or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset. Financial instrument for which a lifetime ECL is recognised but which are not credit impaired are referred to as 'Stage 2 financial instrument'.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 IMPAIRMENT (CONT'D)

General approach

The Group applies the general approach to provide for ECL on all financial instruments, except for purchased or originated financial assets that are credit-impaired on initial recognition. Under the general approach, loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

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

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

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;

- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 IMPAIRMENT (CONT'D)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 150 days or more is considered credit-impaired even when the regulatory definition of default is different.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy before 1 January 2018

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 IMPAIRMENT (CONT'D)

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

Loans and receivables and held-to-maturity investment securities

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

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

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

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 IMPAIRMENT (CONT'D)

(ii) Non-financial assets (cont'd)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

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

3.9 CLASSIFICATION OF INSURANCE CONTRACTS

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

Motor insurance

Motor insurance policies cover private cars and commercial vehicles. Risks covered under motor insurance are related to losses or damages to the insured vehicle, death or injuries to third parties, damages to third party property and personal accident.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 CLASSIFICATION OF INSURANCE CONTRACTS (CONT'D)

Credit insurance and political risk insurance

The Group provides credit insurance against non-payment risks arising from commercial and political events. Commercial events may be due to protracted default in payments or insolvency of the buyer. Political events are defined as external factors beyond the control of both the policyholder and the buyer that lead to the buyer not being able to make payments to the policyholders. Political events are for example the occurrence of war or other disturbances in the buyer's country affecting the settlement of debt, transfer payment delays due to the imposition of foreign exchange controls, or the cancellation or imposition of import licence in the buyer's country.

The Group issues short-term comprehensive contracts where the period of coverage is usually a year or less. These policies are typically purchased by exporters who are based mainly in Singapore. The Group also issues specific policies for medium and long term credit period.

Bond and guarantee insurance contracts

Risks covered under the guarantee business are related to the client's performance capabilities to meet the requirements of projects or contracts, for which the Group issues bonds and guarantees on behalf of the clients.

The major classes of bonds and guarantees issued include Performance Bond, Advance Payment Bond, Contract Tender Bond/Bid Bond, Qualifying Certificate Bond, Customs Bond, Foreign Worker Bond, Tenancy/Rental Bond and Account Payment Bond.

The Group also provides financial guarantees guaranteeing the payment obligations of its clients under a loan agreement, bond or any debt instrument.

Maid insurance

The Group provides coverage for domestic maids against personal accidents, hospitalisation and surgical expenses and issuance of security bond to the Ministry of Manpower of Singapore.

Engineering insurance

Engineering insurance provides economic safeguard to the risks of accidental losses or damages to property faced by the ongoing construction project, installation project, and machines and equipment in project operation. The coverage also includes indemnity towards liability to third party whose property might be damaged or bodily injury sustained as a result of the construction works.

Work injury compensation insurance

The work injury compensation insurance policy is a compulsory insurance by virtue of the Work Injury Compensation Act Cap. 354 whereby it provides compensation to workers or their dependents for specified occupational diseases, personal injuries or deaths caused by accidents arising out of and in the course of employment. In addition, the policy also covers the employers' liability under the common law to his workers, due to negligence leading to accident and resulting in injury and death.

Property insurance

Property insurance is a policy that indemnifies the owner or user of property, its contents and loss of income in the event of damage or losses.

Notes To The Financial Statements

YEAR ENDED 31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 CLASSIFICATION OF INSURANCE CONTRACTS (CONT'D)

Casualty insurance

Casualty insurance is a policy that covers losses caused by injuries to persons and legal liability imposed on the insured for such injury or for damage to property of others.

3.10 RECOGNITION AND MEASUREMENT OF INSURANCE CONTRACTS

Premiums and provision for unexpired risks

Gross written premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums written do not include an estimate for pipeline premiums.

For short-term comprehensive credit insurance contracts, premiums are recognised when minimum premium is invoiced. A minimum premium is received from the policyholder upfront at the commencement of the cover. This minimum premium is determined using premium rates which are adjusted according to the level of credit risk exposure to buyers. At expiry of the policy contract, the Group will assess the premium on total declared sales and invoice any excess premium and recognised it as revenue.

For bonds and guarantees, maid insurance, engineering insurance, work injury compensation insurance, motor insurance, property insurance and casualty insurance, premiums are recognised upon inception of risk.

The provision for unexpired risks includes unearned premiums calculated on a daily pro-rata basis on the net written premiums over the policy period for all insurance policies. An additional provision for unexpired risks is made where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums in relation to such policies. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together.

Fees and other charges to policyholders

Administration fees are charged to policyholders for the cost of processing and issuing bonds and guarantees. These are recognised in profit or loss immediately.

Claims incurred and provision for insurance claims

Claims incurred comprise claims paid during the financial year, net of subrogation recoveries, and changes in the provision for outstanding claims.

Provision for insurance claims comprises provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and a provision for adverse deviation ("PAD"). Provision for insurance claims is assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provision for insurance claims is discounted where there is a particularly long period from incident to claims settlement and where there exists a suitable claims pattern from which to calculate the discount.

Whilst the management considers that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed annually.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 RECOGNITION AND MEASUREMENT OF INSURANCE CONTRACTS (CONT'D)

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net losses. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Reinsurance premium expense, reinsurers' share of claims incurred and reinsurance commission income are presented in profit or loss and statement of financial position on a gross basis.

Reinsurance assets comprise reinsurers' share of insurance contract provisions and balances due from reinsurance companies. The amounts recognised as reinsurers' share of insurance contract provisions are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Balances due from reinsurance companies in respect of claims paid are included within insurance receivables on the statement of financial position.

Reinsurance assets are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Commission expense

Commission expenses are fees paid to intermediaries upon acquiring new and renewal of insurance business.

For all insurance policies, commission expenses are not amortised on a pro-rata basis over the period of the contracts.

Commission income

Commission income comprises reinsurance and profit commissions received or receivable which do not require the Group to render further service. Commission income is not deferred and amortised on a pro-rata basis over the period of the contracts but is recognised in full on the effective commencement or renewal dates of the policies.

Claim recoveries

Claim recoveries represent actual subrogation recoveries received from policyholders during the year.

Insurance receivables and payables

Insurance receivables and insurance payables are recognised when due. These include amounts due to and from insurance and reinsurance contract holders. They are measured on initial recognition at the fair value of the consideration receivables or payable. Subsequent to initial recognition, receivables and payables are measured at amortised cost, using the effective interest rate method. Insurance receivables and insurance payables are derecognised based on the same derecognition criteria as financial assets and liabilities respectively, as described in Note 3.3.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable and recognises that impairment loss in the profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets, as described in Note 3.8.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 RECOGNITION AND MEASUREMENT OF INSURANCE CONTRACTS (CONT'D)

The Company does not measure insurance receivables in accordance with SFRS(I) 9 Financial Instruments as rights and obligations arising under an insurance contract are accounted in accordance with SFRS(I) 4 Insurance Contracts.

Liability adequacy test

The liability of the Group under insurance contracts is tested for adequacy by comparing the expected future contractual cash flows with the carrying amount of the insurance contract provisions for gross unexpired risks and gross insurance claims. Where an expected shortfall is identified, additional provisions are made for unexpired risks or insurance claims and the deficiency is recognised in profit or loss.

3.11 EMPLOYEE BENEFITS

Defined contributions plans

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

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses. The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 EMPLOYEE BENEFITS (CONT'D)

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.12 PROVISIONS

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

3.13 FINANCE INCOME AND FINANCE COST

Finance income comprises interest income, dividend income, gains on disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income.

Interest income

Interest income on loans, advances, hire purchase, leasing receivables and factoring receivables is recognised in profit or loss on an accrual basis, taking into account the effective yield of the assets.

Interest income from debt securities and bank deposits

Interest income from debt securities and bank deposits are recognised as it accrues in profit or loss using the effective interest method.

Dividend income

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

Finance costs

Finance costs comprise interest expense on borrowings and are recognised in profit or loss at amortised cost using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 FINANCE INCOME AND FINANCE COST (CONT'D)

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.14 REVENUE RECOGNITION

Revenue from provision of services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised services.

The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO.

Fees and commission income

Fee and commission income related to the loan and factoring financing services of the Group are recognised when the services are rendered.

Rental income

Rental income from from investment property is recognised in profit and loss on a straight-line basis over the term of the lease. Lease incentives are recognised as an integrated part of the total rental income, over the term of the lease.

Management fees

Management fees are recognised on an accrual basis.

Insurance contracts

Revenue recognition from insurance contracts is explained in Note 3.10.

3.15 GOVERNMENT GRANTS

Cash grants received from the government in relation to the SME Cash Grant are recognised in profit or loss upon receipt.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 LEASE PAYMENTS

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specified asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.17 TAX

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 TAX (CONT'D)

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3.18 DEPOSITS RELATING TO COLLATERAL OF CLIENTS

Deposits relating to collateral of the Group's insurance subsidiary's clients are held in a fiduciary capacity on behalf of the Group's clients and are excluded from the financial statements.

3.19 EARNINGS PER SHARE

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

3.20 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.21 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 44.

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land $'000	Leasehold building $'000	Freehold residential properties $'000	Freehold building $'000	Renovations $'000	Office equipment, furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Group									
Cost									
At 1 January 2018	12,822	10,510	183	2,477	923	2,302	1,196	576	30,989
Additions	–	–	–	–	220	35	55	179	489
Reclassification from investment properties	–	–	–	1,746	–	–	–	–	1,746
Disposals*	(12,822)	(10,510)	–	–	–	(48)	(13)	(170)	(23,563)
Write-offs	–	–	–	–	(713)	(889)	(113)	–	(1,715)
Effect of movements in exchange rates	–	–	–	50	–	20	4	6	80
At 31 December 2018	–	–	183	4,273	430	1,420	1,129	591	8,026
Accumulated depreciation and impairment									
At 1 January 2018	3,007	7,135	118	1,281	910	2,155	1,055	435	16,096
Depreciation for the year	117	331	4	190	31	57	74	89	893
Reclassification from investment properties	–	–	–	185	–	–	–	–	185
Disposals	(3,124)	(7,466)	–	–	–	(47)	(12)	(170)	(10,819)
Write-offs	–	–	–	–	(713)	(879)	(108)	–	(1,700)
Effect of movements in exchange rates	–	–	–	26	–	19	4	3	52
At 31 December 2018	–	–	122	1,682	228	1,305	1,013	357	4,707
Carrying amounts									
At 1 January 2018	9,815	3,375	65	1,196	13	147	141	141	14,893
At 31 December 2018	–	–	61	2,591	202	115	116	234	3,319

* In November 2018, the Group and Company disposed of the leasehold land and building located at 7 Temasek Boulevard #10-01 Suntec Tower One Singapore 038987. The gain on disposal was included in other income (Note 33)

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land $'000	Leasehold building $'000	Freehold residential properties $'000	Freehold building $'000	Renovations $'000	Office equipment, furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Group									
Cost									
At 1 January 2017	12,822	10,510	183	2,448	917	2,343	1,301	582	31,106
Additions	–	–	–	–	–	36	24	64	124
Disposals	–	–	–	–	–	–	(37)	(70)	(107)
Write-offs	–	–	–	–	–	(88)	(96)	–	(184)
Effect of movements in exchange rates	–	–	–	29	6	11	4	–	50
At 31 December 2017	12,822	10,510	183	2,477	923	2,302	1,196	576	30,989
Accumulated depreciation and impairment									
At 1 January 2017	2,868	6,738	114	1,125	857	2,181	1,089	437	15,409
Depreciation for the year	140	397	4	140	48	52	94	69	944
Disposals	–	–	–	–	–	–	(37)	(69)	(106)
Write-offs	–	–	–	–	–	(89)	(95)	–	(184)
Effect of movements in exchange rates	(1)	–	–	16	5	11	4	(2)	33
At 31 December 2017	3,007	7,135	118	1,281	910	2,155	1,055	435	16,096
Carrying amounts									
At 1 January 2017	9,954	3,772	69	1,323	60	162	212	145	15,697
At 31 December 2017	9,815	3,375	65	1,196	13	147	141	141	14,893

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land $'000	Leasehold building $'000	Freehold residential properties $'000	Renovations $'000	Office equipment, furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Company								
Cost								
At 1 January 2018	12,822	10,510	183	619	1,027	353	17	25,531
Additions	–	–	–	83	3	25	–	111
Disposals	(12,822)	(10,510)	–	–	(33)	–	–	(23,365)
Write-offs	–	–	–	(611)	(830)	(42)	–	(1,483)
At 31 December 2018	–	–	183	91	167	336	17	794
Accumulated depreciation								
At 1 January 2018	3,007	7,135	117	619	981	313	17	12,189
Depreciation for the year	117	331	4	6	11	24	–	493
Disposals	(3,124)	(7,466)	–	–	(33)	–	–	(10,623)
Write-offs	–	–	–	(610)	(820)	(37)	–	(1,467)
At 31 December 2018	–	–	121	15	139	300	17	592
Carrying amounts								
At 1 January 2018	9,815	3,375	66	–	46	40	–	13,342
At 31 December 2018	–	–	62	76	28	36	–	202

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land $'000	Leasehold building $'000	Freehold residential properties $'000	Renovations $'000	Office equipment, furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Company								
Cost								
At 1 January 2017	12,822	10,510	183	619	1,082	443	17	25,676
Additions	–	–	–	–	34	3	–	37
Disposals	–	–	–	–	–	(1)	–	(1)
Write-offs	–	–	–	–	(89)	(92)	–	(181)
At 31 December 2017	12,822	10,510	183	619	1,027	353	17	25,531
Accumulated depreciation								
At 1 January 2017	2,868	6,738	114	619	1,062	363	14	11,778
Depreciation for the year	139	397	3	–	7	43	3	592
Disposals	–	–	–	–	–	(1)	–	(1)
Write-offs	–	–	–	–	(88)	(92)	–	(180)
At 31 December 2017	3,007	7,135	117	619	981	313	17	12,189
Carrying amounts								
At 1 January 2017	9,954	3,772	69	–	20	80	3	13,898
At 31 December 2017	9,815	3,375	66	–	46	40	–	13,342

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

As at 31 December 2018, the Group's properties consist of the following:

Location	Title	Description of properties
#14-06 Seaview Tower, Ocean Palms Klebang Besar, Malacca, Malaysia	Freehold	Residential apartment
1168/55 Lumpini Tower #20-00, Rama IV Road, Tungmahamek, Sathorn, Bangkok, Thailand	Freehold	4 units - Offices Floor area : 11,492 sq ft
*1168/53-54 Lumpini Tower #20-00 Units A & B Rama IV Road, Tungmahamek, Sathorn, Bangkok, Thailand	Freehold	2 units - Office Floor area: 7,454 sq ft

* In September 2018, the Group reclassified its office at 1168/53 54 Lumpini Tower #20-00 Units A and B, Bangkok, Thailand from investment properties to property, plant and equipment because of a change of usage from holding to earn rentalincome and capital appreciation to owner-occupation.

5 INTANGIBLE ASSETS

	Computer software $'000	Customer lists $'000	Membership rights $'000	Copyrights $'000	Total $'000
Group					
Cost					
At 1 January 2018	4,319	1,131	23	1,180	6,653
Additions	937	–	–	–	937
Write-offs	(14)	–	–	–	(14)
Effect of movements in exchange rates	5	–	–	–	5
At 31 December 2018	5,247	1,131	23	1,180	7,581
Accumulated amortisation					
At 1 January 2018	3,860	1,131	17	1,180	6,188
Amortisation charge for the year	311	–	–	–	311
Write-offs	(3)	–	–	–	(3)
Effect of movements in exchange rates	4	–	–	–	4
At 31 December 2018	4,172	1,131	17	1,180	6,500
Carrying amounts					
At 1 January 2018	459	–	6	–	465
At 31 December 2018	1,075	–	6	–	1,081

5 INTANGIBLE ASSETS (CONT'D)

	Computer software $'000	Customer lists $'000	Membership rights $'000	Copyrights $'000	Total $'000
Group					
Cost					
At 1 January 2017	3,954	1,131	23	1,180	6,288
Additions	285	–	–	–	285
Write-offs	(58)	–	–	–	(58)
Effect of movements in exchange rates	138	–	–	–	138
At 31 December 2017	4,319	1,131	23	1,180	6,653
Accumulated amortisation					
At 1 January 2017	3,372	1,131	17	1,180	5,700
Amortisation charge for the year	410	–	–	–	410
Write-offs	(58)	–	–	–	(58)
Effect of movements in exchange rates	136	–	–	–	136
At 31 December 2017	3,860	1,131	17	1,180	6,188
Carrying amounts					
At 1 January 2017	582	–	6	–	588
At 31 December 2017	459	–	6	–	465

	Computer software 2018 $'000	Computer software 2017 $'000
Company		
Cost		
At 1 January	**1,507**	1,472
Additions	**768**	93
Write-offs	–	(58)
At 31 December	**2,275**	1,507
Accumulated amortisation		
At 1 January	**1,388**	1,372
Amortisation charge for the year	**100**	74
Write-offs	–	(58)
At 31 December	**1,488**	1,388
Carrying amounts		
At 1 January	**119**	100
At 31 December	**787**	119

The amortisation charge for the year is included in "General and administrative expenses" in the consolidated statement of profit or loss.

6 INVESTMENT PROPERTIES

	Group	
	2018	2017
	$'000	$'000
Cost		
At 1 January	**4,291**	4,218
Additions	**–**	–
Reclassification to property, plant and equipment*	**(1,746)**	–
Effects of movements in exchange rates	**96**	73
At 31 December	**2,641**	4,291
Accumulated depreciation		
At 1 January	**535**	304
Reclassification to property, plant and equipment	**(185)**	–
Depreciation for the year	**184**	224
Effects of movements in exchange rates	**13**	7
At 31 December	**547**	535
Carrying amounts		
At 1 January	**3,756**	3,914
At 31 December	**2,094**	3,756
Fair value		
At 1 January	**5,421**	4,965
At 31 December	**3,363**	5,421

* The reclassification relates to a change of usage from investment properties held by a subsidiary. See Note 4 for details.

As at 31 December 2018, the Group's investment properties consist of the following:

Location	**Title**	**Description of properties**
1168/73 Lumpini Tower #25-00 Units C, D, E & F Rama IV Road, Tungmahamek, Sathorn, Bangkok, Thailand	Freehold	4 units - Office Floor area: 11,492 sq ft

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

The table below analyses non-financial assets not carried at fair value for which fair values are disclosed.

		Level 3	
			1 Jan
	2018	2017	2017
	$'000	$'000	$'000
Investment properties	**3,363**	5,412	4,965

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7 SUBSIDIARIES

	Company		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Quoted ordinary shares, at cost	**9,048**	9,048	7,898
Unquoted ordinary shares, at cost	**84,607**	82,941	82,941
	93,655	91,989	90,839
Allowance for impairment	**(10,592)**	(5,092)	(5,092)
	83,063	86,897	85,747

The movements in allowance for impairment loss on subsidiaries are as follows:

	Company	
	2018	**2017**
	$'000	**$'000**
At 1 January	**5,092**	5,092
Impairment loss recognised	**5,500***	–
At 31 December	**10,592**	5,092

* *Impairment loss recognised in 2018 was in respect of investment in ECICS Limited as its cost of investment was higher than the recoverable amount. The recoverable amount of the investment was based on management's projection of the expected future cash inflow.*

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the investee and in the insurance industry in Singapore.

	2018	**2017**	**1 Jan 2017**
Forecast years	5	5	5
Discount rate	7.6%	9%	9%
Terminal value growth rate	3.7%	2.5%	2.5%

7 SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Company name		Proportion of ownership interest						
		2018			2017			1 Jan 2017
Direct and indirect subsidiaries	Principal place of business/ Country of incorporation	Group's effective interest	Held by Company	Held by Subsidiary	Group's effective interest	Held by Company	Held by Subsidiary	Group's effective interest
	%	%	%	%	%	%	%	%
(a) IFS Capital Assets Private Limited	Singapore	100	100	–	100	100	–	100
IFS Ventures Private Limited	Singapore	100	–	100	100	–	100	100
IFS Ventures 2 Limited	Singapore	100	25	75	100	25	75	100
IFS Capital Intellectual Property Private Limited	Singapore	100	–	100	100	–	100	100
(b) IFS Consumer Services Private Limited	Singapore	100	100	–	–	–	–	–
(c) ECICS Limited	Singapore	100	100	–	100	100	–	100
(d) IFS Capital (Malaysia) Sdn. Bhd.	Malaysia	70+	70+	–	70+	70+	–	70+
IFS Factors (Malaysia) Sdn. Bhd.	Malaysia	30+	–	30+ *	30+	–	30+ *	30+
(e) PT. IFS Capital Indonesia	Indonesia	85+	85+	–	85+	85+	–	85+
(f) IFS Capital Holdings (Thailand) Limited	Thailand	100	100	–	100	100	–	100
(g) IFS Capital (Thailand) Public Company Limited	Thailand	73.1	36.5	36.6	73.1	36.5	36.6	73.1

+ Consolidation is prepared based on 100% beneficial interest.

* Although the Group owns less than half of the voting power of IFS Factors (Malaysia) Sdn. Bhd. ("IFS Factors"), the Group has power over IFS Factors' exposure or rights to variable returns from its involvement with IFS Factors and ability to use its power to affect those returns. Consequently, the Group consolidates the results of IFS Factors.

7 SUBSIDIARIES (CONT'D)

The principal activities of the subsidiaries are as follows:

	Name of subsidiaries	Principal activities
1	IFS Capital Assets Private Limited	Working capital, asset-based financing, venture capital investments and private equity investments
1	IFS Ventures Private Limited	Venture capital investments
1	IFS Ventures 2 Limited	Venture capital investments
1	IFS Capital Intellectual Property Private Limited	Investment holding
	IFS Consumer Services Private Limited	Money lending
1	ECICS Limited	Direct general insurer, guarantee, bond, political risks, contractors' all risks, and work injury compensation insurance and underwriting business
2	IFS Capital (Malaysia) Sdn. Bhd.	Hire purchase financing, business debt factoring and provision of other related services
2	IFS Factors (Malaysia) Sdn. Bhd.	Hire purchase financing, business debt factoring, provision of other related services, focusing on government related projects
4	PT. IFS Capital Indonesia	Factoring of onshore and offshore short-term trade receivables, direct financing, operating leases and consumer financing
3	IFS Capital Holdings (Thailand) Limited	Investment holding
3	IFS Capital (Thailand) Public Company Limited	Factoring, hire purchase and leasing business

[1] Audited by KPMG LLP Singapore
[2] Audited by other member firms of KPMG International
[3] Audited by Deloitte Touche Tohmatsu Jaiyos Co., Ltd., Thailand
[4] Audited by KAP Tanubrata Sutanto Fahmi Bambang & Rekan (an Indonesian Partnership, a member of BDO International Limited)

KPMG LLP Singapore is the auditor of all Singapore-incorporated subsidiaries of the Group. The only significant foreign-incorporated subsidiary IFS Capital (Thailand) Public Company Limited, is audited by Deloitte Touche Tohmatsu Jaiyos Co., Ltd., Thailand. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

The Company complies with SGX Listing Manual Rule 716 as the Board and Audit Committee are satisfied that the appointment of different auditors for its listed significant Thailand-incorporated subsidiary would not compromise the standard and effectiveness of the Company's audit.

7 SUBSIDIARIES (CONT'D)

On 6 August 2018, PT. IFS Capital Indonesia increased its paid up share capital by 200,000 ordinary shares and the Company subscribed to it proportionate of share of 170,000 new ordinary shares for a cash consideration of $1,666,000. The Company's percentage shareholdings remain unchanged.

On 17 December 2018, IFS Capital Limited incorporated a 100% owned subsidiary, IFS Consumer Services Private Limited.

On 19 April 2017, shareholders of IFS Capital (Thailand) Public Company Limited approved dividend payment of THB 0.15 per share, consisting of cash dividend (THB 0.10 per share) and stock dividend (THB 0.05 per share) to shareholders of record as of 6 March 2017. The stock dividend received increased the Company's cost of investment in subsidiary by $1,150,000. The Company's percentage shareholdings remain unchanged.

8 LOANS TO SUBSIDIARIES

	Note	Company 2018 $'000	 2017 $'000	 1 Jan 2017 $'000
Trade		**31,267**	25,962	28.359
Non-trade		**132**	263	227
		31,399	26,225	28,586
Allowance for impairment		**(1,805)**	(1,745)	(1,692)
		29,594	24,480	26,894
Due within 12 months	15	**29,594**	24,480	26,894

The movements in allowance for impairment loss on loan to a subsidiary (trade) during the year are as follows:

	Company 2018 $'000	 2017 $'000
At 1 January	**1,745**	1,692
Allowance made during the year	**60**	53
At 31 December	**1,805**	1,745

The loans to subsidiaries (trade) are unsecured and interest-bearing. The loans to subsidiaries (non-trade) are unsecured and non-interest bearing.

Effective interest rates and repricing analysis:

	Weighted average effective interest rate %	Total 2018 $'000	Weighted average effective interest rate %	Total 2017 $'000	Weighted average effective interest rate	Total 1 Jan 2017
Company						
Loans to subsidiaries						
- variable rate	**3.5**	**29,462**	2.5	24,217	3.1	26,667
- non-interest bearing	–	**132**	–	263	–	227
		29,594		24,480		26,894

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9 OTHER INVESTMENTS

		Group			Company		
	Note	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Non-current							
Held-to-maturity financial assets							
- Unquoted debt securities	(a)	**–**	8,576	12,614	**–**	–	–
Amortised cost							
- Quoted debt securities	(a)	**19,367**	–	–	**–**	–	–
Available-for-sale financial assets							
- Unquoted equity securities		–	12,636	14,270	–	5,261	5,295
- Quoted debt securities		–	22,295	6,938	–	–	–
- Unquoted convertible loans	(b)	**–**	15,101	20,813	–	1	3,442
		19,367	58,608	54,635	–	5,262	8,737
Allowance for impairment loss		**(269)**	(4,231)	(5,441)	**–**	–	(603)
		19,098	54,377	49,194	**–**	5,262	8,134
Mandatorily at FVTPL							
- Unquoted equity securities		**10,927**	–	–	**6,424**	–	–
- Unquoted convertible loans	(b)	**9,210**	–	–	–	–	–
		39,235	54,377	49,194	**6,424**	5,262	8,134
Current							
Held-to-maturity financial assets							
- Unquoted debt securities	(a)	**–**	4,000	15,014	**–**	–	–
Amortised cost							
- Quoted debt securities	(a)	**7,947**	–	–	**–**	–	–
Financial assets designated at fair value through profit or loss:							
- Quoted equity securities		**–**	11,622	14,528	**–**	659	553
Mandatory at FVTPL							
- Quoted equity securities		**5,942**	–	–	**394**	–	–
- Quoted perpetual securities	(c)	**3,918**	–	–	**–**	–	–
		17,807	15,622	29,542	**394**	659	553
Total		**57,042**	69,999	78,736	**6,818**	5,921	8,687

9 OTHER INVESTMENTS (CONT'D)

(a) Debt securities classified as at amortised cost (2017 and 1 Jan 2017: held-to-maturity investments) of the Group and the Company have stated interest rates at 0.25% to 4.8% (2017: 1.7% to 4.9%; 1 Jan 2017: 1.7% to 4.9%) and mature in years from 2019 to 2027.

(b) Unquoted convertible loans contain embedded equity conversion options. They are non-interest bearing and expected to mature between 2019 and 2021 (2017: 2018 and 2020; 1 Jan 2017: 2017 and 2020).

(c) Perpetual securities at FVTPL have stated interest rates of 3.65% to 5.9% .

The maximum credit exposure to credit risk of the investments at the reporting date is the carrying amount.

Information about the Group's and Company's exposures to credit and market risk and fair value measurement is included in Note 40.

The movements in allowance for impairment loss on investments in 2017 under FRS39 are as follows:

	Group 2017 $'000	Company 2017 $'000
At 1 January, per FRS39	5,441	603
Disposal during the year	(607)	–
Reversed during the year	(603)	(603)
At 31 December, per FRS39	4,231	–

The weighted average effective interest rates per annum of debt securities at the reporting date and the periods in which they mature are as follows:

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Fixed interest rate maturing		
		within 1 year	in 1 to 5 years	Total
	%	$'000	$'000	$'000
Group				
31 December 2018				
Amortised cost debt securities	**3.2**	**7,947**	**19,098**	**27,045**
FVTPL debt securities	**4.4**	**3,918**	**–**	**3,918**
		11,865	**19,098**	**30,963**
31 December 2017				
Held-to-maturity debt securities	3.0	4,000	8,576	12,576
Available-for-sale debt securities	3.0	–	22,295	22,295
		4,000	30,871	34,871
1 January 2017				
Held-to-maturity debt securities	3.2	15,014	12,614	27,628
Available-for-sale debt securities	2.7	–	6,938	6,938
		15,014	19,552	34,566

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10 LOANS, ADVANCES, HIRE PURCHASE AND LEASING RECEIVABLES

	Note	Group 2018 $'000	Group 2017 $'000	Group 1 Jan 2017 $'000	Company 2018 $'000	Company 2017 $'000	Company 1 Jan 2017 $'000
Hire purchase and leasing receivables	11	**21,732**	24,539	23,049	**1,008**	1,809	3,074
Less: Deposits on leasing receivables		**(4,714)**	(5,038)	(5,232)	**–**	–	–
		17,018	19,501	17,817	**1,008**	1,809	3,074
Loans and advances		**208,915**	100,499	97,501	**171,824**	88,829	87,373
		225,933	120,000	115,318	**172,832**	90,638	90,447
Allowance for impairment of doubtful receivables							
- hire purchase receivables		**(96)**	(55)	(60)	**(95)**	(53)	(60)
- leasing receivables		**(404)**	(2,540)	(2,762)	**–**	–	–
- loans and advances		**(10,074)**	(10,082)	(7,807)	**(4,075)**	(6,352)	(4,979)
		(10,574)	(12,677)	(10,629)	**(4,170)**	(6,405)	(5,039)
	40	**215,359**	107,323	104,689	**168,662**	84,233	85,408
Due within 12 months	15	**135,836**	52,482	61,685	**115,239**	39,720	49,451
Due after 12 months		**79,523**	54,841	43,004	**53,423**	44,513	35,957
		215,359	107,323	104,689	**168,662**	84,233	85,408

The movements in allowance for impairment loss on loans, advances, hire purchase and leasing receivables during the year are as follows:

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
At 1 January		**12,677**	10,629	**6,405**	5,039
Impact on adoption of SFRS(I) 9		**891**	–	**200**	–
Translation adjustment		**(56)**	(182)	**43**	(55)
Allowance (reversal) / made during the year	34	**(547)**	2,241	**(87)**	1,421
Allowance utilised during the year		**(2,391)**	(11)	**(2,391)**	–
At 31 December		**10,574**	12,677	**4,170**	6,405

10 LOANS, ADVANCES, HIRE PURCHASE AND LEASING RECEIVABLES (CONT'D)

Effective interest rates and repricing analysis:

	Weighted average effective interest rate %	Floating rate $'000	Fixed interest rate maturing within 1 year $'000	Fixed interest rate maturing in 1 to 5 years $'000	Total $'000
Group					
31 December 2018					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	**12.8**	**–**	**13,413**	**24,480**	**37,893**
- variable rate	**7.2**	**177,466**	**–**	**–**	**177,466**
		177,466	**13,413**	**24,480**	**215,359**
31 December 2017					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	10.9	–	6,166	9,749	15,915
- variable rate	7.2	91,408	–	–	91,408
		91,408	6,166	9,749	107,323
1 January 2017					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	8.8	–	3,555	7,208	10,763
- variable rate	7.1	93,926	–	–	93,926
		93,926	3,555	7,208	104,689
Company					
31 December 2018					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	**6.8**	**–**	**3,090**	**2,375**	**5,465**
- variable rate	**7.0**	**163,197**	**–**	**–**	**163,197**
		163,197	**3,090**	**2,375**	**168,662**
31 December 2017					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	5.9	–	3,498	4,061	7,559
- variable rate	6.9	76,674	–	–	76,674
		76,674	3,498	4,061	84,233
1 January 2017					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	4.9	–	1,976	4,938	6,914
- variable rate	6.7	78,494	–	–	78,494
		78,494	1,976	4,938	85,408

Variable rate loans and advances are repriced at intervals of three or six months (2017: three or six months; 1 Jan 2017: three or six months).

The above loans, advances, hire purchase and leasing receivables are reflected net of allowance for impairment of doubtful receivables.

11 HIRE PURCHASE AND LEASING RECEIVABLES

	Note	Group			Company		
		2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Gross receivables		**23,514**	26,830	24,861	**1,008**	1,809	3,074
Unearned income		**(1,782)**	(2,291)	(1,812)	**–**	–	–
	10	**21,732**	24,539	23,049	**1,008**	1,809	3,074
Due within 12 months		**9,153**	16,303	8,106	**789**	93	1,404
Due after 12 months		**12,579**	8,236	14,943	**219**	1,716	1,670
		21,732	24,539	23,049	**1,008**	1,809	3,074

Allowance for impairment on hire purchase and leasing receivables are disclosed in Note 10.

12 DEFERRED TAX ASSETS AND LIABILITIES

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislation.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Group						
Loans, advances, hire purchase and leasing receivables	**(746)**	(881)	(817)	**–**	–	–
Factoring receivables	**(1,062)**	(1,007)	(931)	**–**	–	–
Employee benefits	**(304)**	(218)	(205)	**–**	–	–
Unutilised tax losses and capital allowances	**(2,993)**	(3,670)	(4,241)	**–**	–	–
Property, plant and equipment	**–**	–	–	**222**	96	102
Trade and other payables	**–**	–	–		–	(1)
Defined benefit plan	**–**	–	–	**48**	49	37
Other investments	**–**	–	–	**634**	698	961
Deferred tax (assets)/liabilities	**(5,105)**	(5,776)	(6,194)	**904**	843	1,099
Set off of tax	**389**	468	760	**(389)**	(468)	(760)
Net deferred tax (assets)/liabilities	**(4,716)**	(5,308)	(5,434)	**515**	375	339
Company						
Other investments	**–**	–	–	**78**	78	200
Unutilised tax losses and capital allowances	**(231)**	(499)	(893)	**–**	–	–
Property, plant and equipment	**–**	–	–	**142**	30	33
Deferred tax (assets)/liabilities	**(231)**	(499)	(893)	**220**	108	233
Set off of tax	**220**	108	233	**(220)**	(108)	(233)
Net deferred tax (assets)	**(11)**	(391)	(660)	**–**	–	–

12 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

The movements in temporary differences during the year are as follows:

	Balance as at 01/01/2018 $'000	Recognised in profit or loss (Note 36) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	Balance as at 31/12/2018 $'000
Group					
Deferred tax assets					
Loans, advances, hire purchase and leasing receivables	**(881)**	**156**	**–**	**(21)**	**(746)**
Factoring receivables	**(1,007)**	**(31)**	**–**	**(24)**	**(1,062)**
Employee benefits	**(218)**	**(80)**	**–**	**(6)**	**(304)**
Unutilised tax losses and capital allowances	**(3,670)**	**680**	**–**	**(3)**	**(2,993)**
	(5,776)	**725**	**–**	**(54)**	**(5,105)**
Deferred tax liabilities					
Property, plant and equipment	**96**	**126**	**–**	**–**	**222**
Trade and other payables	**–**	**–**	**–**	**–**	**–**
Defined benefit plan	**49**	**1**	**1**	**(3)**	**48**
Other investments	**698**	**(65)**	**–**	**1**	**634**
	843	**62**	**1**	**(1)**	**904**

	Balance as at 01/01/2017 $'000	Recognised in profit or loss (Note 36) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	Balance as at 31/12/2017 $'000
Group					
Deferred tax assets					
Loans, advances, hire purchase and leasing receivables	(817)	(50)	–	(14)	(881)
Factoring receivables	(931)	(58)	–	(18)	(1,007)
Employee benefits	(205)	(44)	33	(2)	(218)
Unutilised tax losses and capital allowances	(4,241)	621	–	(50)	(3,670)
	(6,194)	469	33	(84)	(5,776)
Deferred tax liabilities					
Property, plant and equipment	102	(6)	–	–	96
Trade and other payables	(1)	–	–	1	–
Defined benefit plan	37	9	7	(4)	49
Other investments	961	–	(263)	–	698
	1,099	3	(256)	(3)	843

12 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

The movements in temporary differences during the year are as follows:

	Balance as at 01/01/2018 $'000	Recognised in profit or loss (Note 36) $'000	Recognised in other comprehensive income $'000	Balance as at 31/12/2018 $'000
Company				
Deferred tax assets				
Unabsorbed losses and capital allowances	**(499)**	**268**	**–**	**(231)**
Deferred tax liabilities				
Property, plant and equipment	**30**	**112**	**–**	**142**
Other investments	**78**	**–**	**–**	**78**
	108	**112**	**–**	**220**
Net deferred tax (assets)	**(391)**	**380**	**–**	**(11)**

	Balance as at 01/01/2017 $'000	Recognised in profit or loss (Note 36) $'000	Recognised in other comprehensive income $'000	Balance as at 31/12/2017 $'000
Company				
Deferred tax assets				
Unabsorbed losses and capital allowances	(893)	394	–	(499)
Deferred tax liabilities				
Property, plant and equipment	33	(3)	–	30
Other investments	200	–	(122)	78
	233	(3)	(122)	108
Net deferred tax (assets)	(660)	391	(122)	(391)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

		Group	
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Unutilised tax losses	**17,855**	10,853	5,830

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the specific Group entities can utilise the benefits.

13 INSURANCE CONTRACT PROVISIONS

	2018			2017			1 Jan 2017		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Group									
Provision for unexpired risks	**9,425**	**(3,101)**	**6,324**	10,030	(2,448)	7,582	15,756	(4,966)	10,790
Provision for claims	**13,446**	**(2,225)**	**11,221**	11,710	(1,202)	10,508	9,824	(2,081)	7,743
	22,871	**(5,326)**	**17,545**	21,740	(3,650)	18,090	25,580	(7,047)	18,533

Analysis of movements in provision for unexpired risks

	2018			2017		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Group						
At 1 January	**10,030**	**(2,448)**	**7,582**	15,756	(4,966)	10,790
Premium written	**7,355**	**1,672**	**9,027**	11,031	(3,127)	7,904
Premium earned	**(7,960)**	**(2,325)**	**(10,285)**	(16,757)	5,645	(11,112)
At 31 December	**9,425**	**(3,101)**	**6,324**	10,030	(2,448)	7,582

Analysis of movements in provision for insurance claims

	2018			2017		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Group						
At 1 January	**11,710**	**(1,202)**	**10,508**	9,824	(2,081)	7,743
Claims (paid)/recovered	**(8,654)**	**1,714**	**(6,940)**	(11,331)	3,276	(8,055)
Claims incurred/(reversed)	**10,390**	**(2,737)**	**7,653**	13,217	(2,397)	10,820
At 31 December	**13,446**	**(2,225)**	**11,221**	11,710	(1,202)	10,508

Analysis of the estimated timing of cash outflows (undiscounted) relating to provision for insurance claims

	Group		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Less than 1 year	**8,200**	8,854	6,676
Between 1-5 years	**3,021**	1,426	930
Over 5 years	-	228	137
	11,221	10,508	7,743

14 INSURANCE RECEIVABLES

	Group		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
Receivables arising from insurance contracts	**2,017**	1,205	1,629
Reinsurance contract receivables	**683**	48	312
	2,700	1,253	1,941
Allowance for doubtful receivables	**(115)**	(28)	(8)
	2,585	1,225	1,933

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14 INSURANCE RECEIVABLES (CONT'D)

Insurance receivables are non-interest bearing.

The maximum credit exposure to credit risk of insurance receivables at the reporting date is the carrying amount.

The movements in allowance for impairment of doubtful receivables during the year are as follows:

	Note	Group 2018 $'000	Group 2017 $'000
At 1 January		**28**	8
Allowance provided during the year	34	**87**	20
At 31 December		**115**	28

15 TRADE AND OTHER RECEIVABLES

	Note	Group 2018 $'000	Group 2017 $'000	Group 1 Jan 2017 $'000	Company 2018 $'000	Company 2017 $'000	Company 1 Jan 2017 $'000
Loans, advances, hire purchase and leasing receivables	10	**135,836**	52,482	61,685	**115,239**	39,720	49,451
Factoring receivables	16	**164,937**	166,927	151,620	**17,965**	24,668	24,018
Amount owing by non-controlling shareholders		**96**	96	96	**3,681**	3,387	3,387
Loans to subsidiaries	8	**–**	–	–	**29,594**	24,480	26,894
Derivative financial asset		**–**	7	–	**–**	–	–
Deposits and other receivables	17	**582**	1,852	1,508	**77**	19	63
Loans and receivables		**301,452**	221,364	214,909	**166,556**	92,274	103,813
Prepayment		**594**	452	457	**324**	111	108
		302,045	221,816	215,366	**166,880**	92,385	103,921

The amount owing by non-controlling shareholders is unsecured and interest-free. The loans to subsidiaries (trade) are unsecured and interest-bearing. The loans to subsidiaries (non-trade) are unsecured and non-interest bearing.

Effective interest rates and repricing analysis for loans, advances, hire purchase and leasing receivables and factoring receivables are as set out in Notes 10 and 16 respectively.

16 FACTORING RECEIVABLES

		Group			Company		
	Note	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Factoring receivables	40	**227,097**	223,242	210,845	**27,075**	34,490	40,485
Less:							
Factoring amounts owing to clients		**(48,543)**	(42,786)	(46,503)	**(8,834)**	(9,638)	(16,248)
		178,554	180,456	164,342	**18,241**	24,852	24,237
Allowance for doubtful receivables		**(13,617)**	(13,529)	(12,722)	**(276)**	(184)	(219)
	15	**164,937**	166,927	151,620	**17,965**	24,668	24,018

The movements in allowance for impairment loss on factoring receivables during the year are as follows:

		Group		Company	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At 1 January		**13,529**	12,722	**184**	219
Impact on the adoption of SFRS(I) 9		**(552)**	–	**(97)**	–
Allowance made/ (reversed) during the year	34	**836**	1,132	**189**	(25)
Allowance utilised during the year		**(51)**	(57)	**–**	(10)
Translation adjustment		**(145)**	(268)	**–**	–
At 31 December		**13,617**	13,529	**276**	184

The weighted average interest rates of factoring receivables net of factoring amounts owing to clients included in trade and other payables of $1,366,000 for the Group and Company (2017: Group and Company: $2,303,000 (refer to Note 25) and allowance for doubtful receivables at the reporting date and the periods in which they reprice are as follows:

	Weighted average effective interest rate %	Total 2018 $'000	Weighted average effective interest rate %	Total 2017 $'000	Weighted average effective interest rate %	Total 1 Jan 2017 $'000
Group						
Factoring receivables, net						
- fixed rate	–	–	–	–	5.0	40
- variable rate	**8.8**	**163,572**	8.8	164,624	9.2	146,855
		163,572		164,624		146,895
Company						
Factoring receivables, net						
- fixed rate	–	–	–	–	5.0	40
- variable rate	**8.4**	**16,599**	8.2	22,365	7.8	19,253
		16,599		22,365		19,293

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17 DEPOSITS AND OTHER RECEIVABLES

		Group			Company		
	Note	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Deposits		**51**	23	27	**25**	4	3
Tax recoverable		**253**	558	698	**–**	–	–
Accrued interest receivables		**236**	275	349	**–**	–	–
Other receivables:							
Gross receivables		**859**	3,497	2,881	**615**	425	429
Allowance for doubtful receivables		**(817)**	(2,501)	(2,447)	**(563)**	(410)	(369)
Other receivables, net		**42**	996	434	**52**	15	60
	15	**582**	1,852	1,508	**77**	19	63

The movements in allowance for doubtful receivables during the year are as follows:

		Group		Company	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At 1 January		**2,501**	2,447	**410**	369
Allowance made during the year	34	**373**	80	**244**	52
Allowance utilised during the year		**(2,049)**	(16)	**(91)**	(11)
Translation adjustments		**(8)**	(10)	**–**	–
At 31 December		**817**	2,501	**563**	410

18 CASH AND CASH EQUIVALENTS

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Cash at banks and in hand	**35,330**	22,895	13,483	**11,898**	1,216	1,016
Fixed deposits	**13,394**	12,169	20,241	**6,875**	10,947	11,013
Cash and cash equivalents in the consolidated statement of cash flows	**48,724**	35,064	33,724	**18,773**	12,163	12,029

18 CASH AND CASH EQUIVALENTS (CONT'D)

Effective interest rates and repricing analysis:

	Weighted average effective interest rate %	Floating rate 2018 $'000	Fixed interest rate maturing within 1 year $'000	Non-interest bearing $'000	Total $'000
Group					
31 December 2018					
Cash at banks and in hand	**0.3**	**15,303**	**–**	**20,027**	**35,330**
Fixed deposits	**1.7**	**2,241**	**11,153**	**–**	**13,394**
		17,544	**11,153**	**20,027**	**48,724**
31 December 2017					
Cash at banks and in hand	0.2	12,507	–	10,388	22,895
Fixed deposits	1.4	396	11,773	–	12,169
		12,903	11,773	10,388	35,064
Group					
1 January 2017					
Cash at banks and in hand	0.4	9,484	–	3,999	13,483
Fixed deposits	0.9	–	20,241	–	20,241
		9,484	20,241	3,999	33,724
Company					
31 December 2018					
Cash at banks and in hand	**–**	**–**	**–**	**11,898**	**11,898**
Fixed deposits	**1.6**	**–**	**6,875**	**–**	**6,875**
		–	**6,875**	**11,898**	**18,773**
31 December 2017					
Cash at banks and in hand	–	–	–	1,216	1,216
Fixed deposits	1.3	–	10,947	–	10,947
		–	10,947	1,216	12,163
1 January 2017					
Cash at banks and in hand	–	–	–	1,016	1,016
Fixed deposits	1.0	–	11,013	–	11,013
		–	11,013	1,016	12,029

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19 DEPOSITS RELATING TO COLLATERAL OF CLIENTS

The Group has clients' monies placed as fixed deposits of $ 10,156,187 (2017: $10,356,268; 1 Jan 2017: $9,679,096) held as collaterals for guarantees issued on behalf of policyholders. The fair value of the cash collateral as at reporting dates approximate their carrying amounts. These amounts have been excluded from both cash at bank and other payables in the statement of financial position.

20 SHARE CAPITAL

	Group and Company No. of shares	
	2018	**2017**
Fully paid ordinary shares, with no par value		
At 1 January and 31 December	**375,969,665**	375,969,665

Issue of ordinary shares

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

Capital management

Except for one of its subsidiaries, the Group is not regulated by externally imposed capital requirements. However, the capital of this regulated insurance subsidiary is separately managed to comply with the insurance capital requirements required by the local regulator.

The minimum paid up share capital required for the insurance business imposed on the regulated subsidiary as stipulated by the local regulator is $25 million. The regulated subsidiary has to comply with the Risk Based Capital Adequacy Requirement ("CAR") as prescribed by the Monetary Authority of Singapore ("MAS") (subject to the financial resource of the subsidiary not being less than $5 million). Although the MAS prescribed financial warning event for the CAR, the regulated subsidiary has set two higher internal trigger limits for monitoring the CAR. In the event of any breaches of the internal trigger limits, the Board has prescribed certain courses of action for the management to undertake to bring the CAR level above the prescribed minimum levels. The regulated subsidiary is in compliance with all externally imposed capital requirements during the year.

The regulated subsidiary manages and ensures adequacy of its capital resources requirement in accordance with the computation of risk charge on insurance risk, investment risks and interest rate sensitivity and foreign currency mismatch between assets and liabilities and concentration risks as stipulated under the Insurance (Valuation and Capital) Regulations of the Insurance Acts (Chapter 142). In addition, stress tests are conducted to understand the sensitivity of the key assumptions in the regulated subsidiary's capital to the effects of plausible stress scenarios and evaluate how the regulated subsidiary can continue to maintain adequate capital under such scenarios.

The Group's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business as well as to ensure that the minimum required capital of its regulated subsidiary is maintained at all times. Capital consists of total equity.

The Board of Directors monitors the return on equity, which the Group defines as profit after tax divided by total average shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the leverage ratio as well as the level of dividends to ordinary shareholders. The leverage ratio is defined as total consolidated liabilities divided by the total consolidated tangible net assets.

As part of the annual corporate planning process, the Group projects the capital and funding requirements for the Board's approval.

The Group's strategy is to maintain a leverage ratio of less than 5.5 times and endeavour to distribute dividend of at least 30% of the earnings each year.

There were no changes to the Group's approach to capital management during the year.

21 OTHER RESERVES

The other reserves of the Group and the Company comprise the following balances:

	Group			Company		
			1 Jan			1 Jan
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Capital reserve	**1,604**	1,604	1,534	–	–	–
Other equity	**(1,496)**	(1,496)	(1,496)	–	–	–
	108	108	38	–	–	–
Fair value reserve	**–**	3,458	4,663	–	379	978
Translation reserve	**1,076**	416	–	–	–	–
	1,184	3,982	4,701	–	379	978

Capital reserve

The capital reserve relates to the statutory legal reserve transferred from accumulated profits in accordance with the foreign jurisdiction in which one of the Group's subsidiaries operates.

Other equity

As in prior years, the other equity represents the effect of 25.07% dilution from 98.2% to 73.13% of the Group's shareholding interest in IFS Capital (Thailand) Public Company Limited following its initial public offer of 120 million new shares at an offer price of THB1.35 per share on 5 August 2010. As the change in the Group's percentage does not result in a loss of control, the effect of the dilution as computed was recognised directly in equity.

Fair value reserve

Before 1 January 2018, the fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the functional currency of the Company.

Dividends

The following dividends were declared and paid by the Company:

	2018	2017
Dividends paid	**$'000**	**$'000**
A first and final one-tier tax exempt dividend of 0.3 cents per ordinary share (2017: $nil per ordinary share) paid in respect of previous financial year ended 31 December	**1,128**	–

Dividends proposed

A first and final one-tier tax exempt dividend of 0.55 (2017: 0.3) cents per ordinary share in respect of the financial year ended 31 December 2018 was proposed, subject to the approval of the Shareholders at the Annual General Meeting. The dividend has not been provided for and there is no income tax consequence.

22 NON-CONTROLLING INTERESTS

The following subsidiary has material non-controlling interests:

Company name	Principal Place of business/Country of incorporation	Operating segment	Ownership interests held by non-controlling interests		
			1 Jan 2018 %	2017 %	2017 %
IFS Capital (Thailand) Public Company Limited	Thailand	Factoring, hire purchase and leasing	**26.9**	26.9	26.9

The following summarises the financial information for IFS Capital (Thailand) Public Company Limited, prepared in accordance with SFRS(I)s, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The information is before inter-company eliminations.

IFS Capital (Thailand) Public Company Limited

	2018 $'000	2017 $'000
Revenue	**15,792**	16,736
Profit	**6,982**	6,168
Other comprehensive income	**1,317**	962
Total comprehensive income	**8,298**	7,130
Attributable to NCI:		
- Profit	**1,876**	1,658
- Other comprehensive income	**353**	259
- Total comprehensive income	**2,229**	1,917

	2018 $'000	2017 $'000	1 Jan 2017 $'000
Non-current assets	**10,557**	11,795	11,924
Current assets	**169,237**	157,577	137,517
Non-current liabilities	**(5,383)**	(6,503)	(3,118)
Current liabilities	**(117,269)**	(110,678)	(99,364)
Net assets	**57,142**	52,191	46,959
Net assets attributable to NCI	**15,355**	14,024	12,618
Cash flows from/(used) in operating activities	**4,830**	(8,363)	
Cash used in investing activities	**(121)**	(50)	
Cash from financing activities	**(2,299)**	10,529	
Net increase in cash and cash equivalents	**2,410**	2,116	
Dividends paid to non-controlling interests during the year*	**849**	511	

* Included in cash flows from financing activities.

23 INTEREST-BEARING BORROWINGS

	Group			Company		
			1 Jan			1 Jan
	2018	**2017**	**2017**	**2018**	**2017**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Payable:						
Within 12 months	**265,478**	198,377	187,390	**138,743**	83,894	83,863
Between one and five years	**13,864**	9,412	13,033	**10,000**	4,000	10,938
	279,342	207,789	200,423	**148,743**	87,894	94,801

The interest-bearing borrowings comprise:

	Note	2018		2017		1 Jan 2017	
		Face value	**Carrying amount**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Group							
Unsecured short-term bank loans	(a)	**255,120**	**255,120**	186,561	186,561	176,001	176,001
Unsecured long-term bank loans	(b)	**18,736**	**18,736**	13,348	13,348	17,556	17,556
Unsecured SPRING and IES loans	(c)	**5,486**	**5,486**	7,880	7,880	6,866	6,866
		279,342	**279,342**	207,789	207,789	200,423	200,423
Company							
Unsecured short-term bank loans	(a)	**133,257**	**133,257**	76,014	76,014	77,935	77,935
Unsecured long-term bank loans	(b)	**10,000**	**10,000**	4,000	4,000	10,000	10,000
Unsecured SPRING and IES loans	(c)	**5,486**	**5,486**	7,880	7,880	6,866	6,866
		148,743	**148,743**	87,894	87,894	94,801	94,801

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23 INTEREST-BEARING BORROWINGS (CONT'D)

(a) The unsecured short-term bank loans bear nominal interest rates ranging from 2.6% and 11.5% (2017: 1.6% to 9.7%; 1 Jan 2017: 1.7% to 10.0%) per annum and are repayable in 2018. For the Group, these include subsidiaries' bank loans denominated in Malaysian Ringgit, Indonesian Rupiah and Thai Baht.

(b) The unsecured long-term bank loans bear nominal interest rates ranging from 2.7% and 4% (2017: 3.0% to 4.0%; 1 Jan 2017: 2.7% to 4.3%) per annum and are repayable by quarterly/semi-annual/bullet repayments in 2019 to 2020 (2017: 2018 to 2020; 1 Jan 2017: 2017 to 2020). For the Group, these include subsidiaries' bank loans denominated in Thai Baht.

(c) These represent unsecured advances from SPRING Singapore and International Enterprise Singapore ("IES") to fund loans and advances extended by the Company to borrowers under the Local Enterprise Finance Scheme ("LEFS") and Internationalisation Finance Scheme ("IF Scheme") respectively. Credit risk for loans and advances made under these schemes are shared by the providers of these borrowings and the Company.

The interest rates and repayment periods vary in accordance with the type, purpose and security for the facilities granted under the above schemes. Nominal interest rates on the above loans and advances ranged from 2.0% and 9.5% (2017: 2.0% to 9.5%; 1 Jan 2017: 2.0% to 4.4%) per annum and are repayable between 2019 and 2023 (2017: between 2018 and 2023; 1 Jan 2017: between 2017 and 2020).

(d) In 2003, the Company established a $250 million Multi-currency Medium Term Note Programme (the "MTN Programme"). Pursuant to this, the Company may from time to time issue debt under the Programme subject to availability of funds from the market. There were no notes issued under this programme in 2018 and 2017. The MTN programme was terminated in August 2018

Intra-group financial guarantees

Intra-group financial guarantees comprises guarantees granted by the Company to banks in respect of banking facilities granted by the banks to subsidiaries. Such utilised banking facilities amounted to $14,852,000 as at 31 December 2018 (2017: $8,643,000; 1 Jan 2017: $10,180,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee.

Effective interest rates and repricing analysis:

	Weighted average effective interest rate		Fixed interest rate maturing		
		Floating rate	within 1 year	in 1 to 5 years	Total
	%	$'000	$'000	$'000	$'000
Group					
31 December 2018					
Unsecured short-term bank loans	**3.0**	**255,120**	**–**	**–**	**255,120**
Unsecured long-term bank loans	**3.3**	**8,736**	**–**	**10,000**	**18,736**
Unsecured SPRING and IES loans	**3.3**	**–**	**5,486**	**–**	**5,486**
		263,856	**5,486**	**10,000**	**279,342**

23 INTEREST-BEARING BORROWINGS (CONT'D)

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	Fixed interest rate maturing in 1 to 5 years	Total
	%	$'000	$'000	$'000	$'000
Group					
31 December 2017					
Unsecured short-term bank loans	2.8	181,397	5,164	–	186,561
Unsecured long-term bank loans	3.7	13,348	–	–	13,348
Unsecured SPRING and IES loans	3.7	–	3,818	4,062	7,880
		194,745	8,982	4,062	207,789
1 January 2017					
Unsecured short-term bank loans	2.9	176,001	–	–	176,001
Unsecured long-term bank loans	3.2	17,556	–	–	17,556
Unsecured SPRING and IES loans	2.5	–	1,928	4,938	6,866
		193,557	1,928	4,938	200,423
Company					
31 December 2018					
Unsecured short-term bank loans	**2.8**	**133,257**	**–**	**–**	**133,257**
Unsecured long-term bank loans	**2.7**	**–**	**–**	**10,000**	**10,000**
Unsecured SPRING and IES loans	**3.3**	**–**	**5,486**	**–**	**5,486**
		133,257	**5,486**	**10,000**	**148,743**
31 December 2017					
Unsecured short-term bank loans	2.6	76,014	–	–	76,014
Unsecured long-term bank loans	3.0	4,000	–	–	4,000
Unsecured SPRING and IES loans	3.7	–	3,818	4,062	7,880
		80,014	3,818	4,062	87,894
1 January 2017					
Unsecured short-term bank loans	2.7	77,935	–	–	77,935
Unsecured long-term bank loans	2.7	10,000	–	–	10,000
Unsecured SPRING and IES loans	2.5	–	1,928	4,938	6,866
		87,935	1,928	4,938	94,801

23 INTEREST-BEARING BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Interest-bearing borrowings $'000
Balance at 1 January 2017	200,423
Proceeds from borrowings	787,620
Repayment of borrowings	(780,478)
Translation adjustments	224
	7,366
Balance at 31 December 2017	207,789
Balance at 1 January 2018	207,789
Proceeds from borrowings	72,487
Repayment of borrowings	(3,342)
Translation adjustments	2,408
	71,553
Balance at 31 December 2018	279,342

24 EMPLOYEE BENEFITS

Two foreign subsidiaries of the Group provide for employee benefits under each respective country. In Thailand, severance pay under the Thai Labour Protection Act and long service awards are payable to employees. In Indonesia, post-employment benefits are provided for its employees when their services are terminated due to retirement. The foreign subsidiaries of the Group calculated the provision for employee benefits by using the actuarial technique.

In respect of the actuarial assumptions of Thailand, the principal actuarial assumptions at the reporting date are as follows:

		Group	
	2018	**2017**	**1 Jan 2017**
Discount rate at 31 December	**2.67%**	2.67%	2.65%
Resignation rate based on age group of employees	**3%, 4% & 18%**	3%, 4% & 18%	4%, 5% & 24%
Future salary increases	**5.0%**	5.0%	7.5%

In respect of the actuarial assumptions of Indonesia, the principal actuarial assumptions at the reporting date are as follows:

		Group	
	2018	**2017**	**1 Jan 2017**
Discount rate at 31 December	**8.2%**	6.88%	8.16%
Future salary increases	**5.0%**	5.0%	5.0%

24 EMPLOYEE BENEFITS (CONT'D)

Provision for employee benefits for the year ended 31 December consists of the following:

	Note	Group 2018 $'000	Group 2017 $'000
At 1 January		**1,145**	1,118
Provision for severance pay and long service awards	35	**418**	247
Remeasurements:			
- Experience assumptions		**(4)**	18
- Actuarial loss from changes in demographic assumptions		**–**	64
- Actuarial gains from changes in financial assumptions		–	(275)
Benefits paid during the year		**(26)**	(39)
Translation adjustments		**27**	12
At 31 December		**1,560**	1,145

An amount of $418,000 (2017: $247,000; 1 Jan 2017: $156,000) in respect of the defined benefit provisions was recognised in "General and administrative expenses" in the consolidated statement of profit or loss for the year ended 31 December 2018, see Note 35.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percent.

	Defined benefit obligation			
	2018		2017	
Group	**1 percent increase $'000**	**1 percent decrease $'000**	**1 percent increase $'000**	**1 percent decrease $'000**
Discount rate	**(125)**	**146**	(91)	107
Future salary increases	**138**	**(119)**	90	(78)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

Notes To The Financial Statements

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25 TRADE AND OTHER PAYABLES

		Group			Company		
	Note	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Factoring amounts owing to clients	16	**1,366**	2,303	4,725	**1,366**	2,303	4,725
Trade payables		**219**	295	149	**212**	279	149
Non-interest bearing loans due to a subsidiary		–	–	–	–	73	82
Other payables and accruals	26	**12,024**	8,296	6,666	**5,395**	2,789	1,822
		13,609	10,894	11,540	**6,973**	5,444	6,778

Group and Company

Trade payables, other payables and accruals are non-interest bearing financial liabilities.

26 OTHER PAYABLES AND ACCRUALS

		Group			Company		
	Note	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Accrued operating expenses		**8,912**	5,164	4,213	**4,163**	1,738	857
Deferred income		–	–	4	–	–	–
Clients' deposits		**2,548**	2,827	2,213	**846**	879	831
Accrued interest payable		**564**	305	236	**387**	172	134
	25	**12,024**	8,296	6,666	**5,396**	2,789	1,822

27 INSURANCE PAYABLES

	Group		
	2018	2017	1 Jan 2017
Payables arising from insurance contracts	**1,058**	986	1,114
Payables arising from reinsurance contracts	**2,020**	981	1,159
	3,078	1,967	2,273

28 INTEREST INCOME

	Group	
	2018 $'000	2017 $'000
Loans, advances, hire purchase, leasing receivables and factoring receivables		
- unimpaired	**28,136**	21,772
- impaired	**–**	2,840
	28,136	24,612

Notes To The Financial Statements

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29 INTEREST EXPENSE

	Group	
	2018	**2017**
	$'000	**$'000**
Banks and SPRING Singapore	**7,565**	5,583
Unwinding of discount for loan	**50**	–
	7,615	5,583

30 STATEMENT OF PROFIT OR LOSS OF INSURANCE SUBSIDIARY - ECICS LIMITED (after intercompany elimination)

		Group	
	Note	**2018**	**2017**
		$'000	**$'000**
Gross written premiums		**7,268**	10,990
Change in gross provision for unexpired risks	13	**605**	5,727
Gross earned premium revenue		**7,873**	16,717
Written premiums ceded to reinsurers		**(1,673)**	(3,127)
Reinsurers' share of change in provision for unexpired risks	13	**652**	(2,519)
Reinsurance premium expenses		**(1,021)**	(5,646)
Net earned premium revenue		**6,852**	11,071
Other revenue			
Commission income		**327**	132
Investment income		**69**	2,180
Other income		**13**	69
		409	2,381
Net income before claims and expenses		**7,261**	13,452
Claims and expenses			
Change in gross provision for insurance claims	13	**(1,736)**	(1,886)
Reinsurers' share of change in provision for insurance claims	13	**1,023**	(879)
Gross claims paid	13	**(8,654)**	(11,331)
Reinsurers' share of claims paid	13	**1,714**	3,278
Net claims incurred	13	**(7,653)**	(10,818)
Commission expenses		**(1,636)**	(2,153)
Distribution expenses		**(71)**	(101)
Administration expenses		**(493)**	(1,340)
Staff costs		**(2,041)**	(2,600)
Allowance for impairment of insurance and investment		**(87)**	(20)
Total claims and expenses		**(11,981)**	(17,032)
Net loss before tax for the year		**(4,720)**	(3,580)

The statement of profit or loss reflects the credit, political risk, maid insurance, engineering and work injury compensation, bonds and guarantee, property, casualty and motor insurance businesses of the insurance subsidiary, ECICS Limited, that are consolidated in the Group's profit or loss. All intra-group transactions relating to credit premium income and expenses are eliminated on consolidation.

31 FEE AND COMMISSION INCOME

	Group 2018 $'000	Group 2017 $'000
Fee income	**7,674**	6,555
Underwriting commission income	**326**	132
	8,000	6,687

The fee income are service fees from provision of loans to the customers, received / payable on the disbursement of the loans, subject to the loan agreements.

32 NET INVESTMENT INCOME

	Group 2018 $'000	Group 2017 $'000
Exchange loss, net	**(62)**	(547)
Dividend income	**1,159**	1,085
Gain on disposal of equity securities	**(368)**	1,104
Gain on partial redemption of convertible loan	**1,070**	2,171
Net change in fair value of financial assets through profit or loss	**(1,061)**	761
Interest income from bonds, fixed deposits and others	**1,115**	1,281
Amortisation of held-to-maturity debt securities	**(56)**	(52)
	1,797	5,803

33 OTHER INCOME

	Group 2018 $'000	Group 2017 $'000
Recoveries - loans, advances and receivables	**144**	110
Gain on disposal of property, plant and equipment*	**16,375**	8
Others	**274**	357
	16,793	475

* include mainly gain on disposal of the company's office building in Suntec Tower One, Singapore.

34 ALLOWANCES FOR LOAN LOSSES AND IMPAIRMENT OF OTHER ASSETS

	Note	Group 2018 $'000	Group 2017 $'000
In respect of:			
Trade and other receivables			
- loans, advances, hire purchase, leasing and factoring receivables	10,16	**289**	3,373
- insurance and other receivables	14,17	**460**	100
- debts written off		**4**	–
		753	3,473

35 PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

		Group	
	Note	2018 $'000	2017 $'000
Amortisation of intangible assets	5	**311**	410
Depreciation of property, plant and equipment	4	**893**	944
Depreciation of investment property	6	**184**	224
Property, plant and equipment written off	4	**15**	–
Exchange loss, net		**130**	204
Audit fees			
- auditors of the Company		**353**	319
- other member firms of KPMG International		**23**	81
- other auditors		**156**	98
Non-audit fees			
- auditors of the Company		**3**	113
Directors' fees		**362**	373
Fees paid to corporations in which the directors have interests	39	**221**	199
Contributions to defined contribution plans included in staff costs		**1,238**	1,059
Provision for severance pay and long service awards	24	**419**	247
Operating lease expense		**452**	304

36 TAX EXPENSE

		Group	
	Note	2018 $'000	2017 $'000
Current tax expense			
Current year		**(1,877)**	(1,692)
Under-provided in prior years		**(60)**	–
		(1,937)	(1,692)
Deferred tax expense			
Movements in temporary differences	12	**(789)**	(472)
		(2,726)	(2,164)

Reconciliation of effective tax rate

	2018 $'000	2017 $'000
Profit before tax	**22,589**	5,778
Tax using Singapore tax rate of 17% (2017:17%)	**(3,840)**	(982)
Effect of tax rates in foreign jurisdictions	**(370)**	(226)
Non-deductible expenses	**(1,402)**	(201)
Tax exempt income	**257**	94
Income not subject to tax	**2,761**	66
Under-provided in prior years	**(60)**	–
Reversal of temporary differences	**–**	(9)
Deferred tax asset not recognised	**(123)**	(854)
Others	**51**	(52)
	(2,726)	(2,164)

36 TAX EXPENSE (CONT'D)

Tax recognised in other comprehensive income

	2018 Before tax $'000	2018 Tax expense $'000	2018 Net of tax $'000	2017 Before tax $'000	2017 Tax expense $'000	2017 Net of tax $'000
Group						
Defined benefit plan remeasurement	**4**	**(1)**	**3**	193	(40)	153
Foreign currency translation differences for foreign operations	**1,013**	–	**1,013**	639	–	639
Net change in fair value of available-for-sale financial assets	–	–	–	893	(138)	755
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	–	–	–	(2,361)	401	(1,960)
	1,017	**(1)**	**1,016**	(636)	223	(413)

37 EARNINGS PER SHARE

	Group 2018 $'000	Group 2017 $'000
Basic and diluted earnings per share		
Basic earnings per share is based on:		
Net profit attributable to ordinary shareholders	**17,987**	1,956

	Number of shares	
Issued ordinary shares at beginning and end of the year	**375,969,665**	375,969,665

38 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

As at 31 December, the Group and the Company have outstanding standby letters of credit and bankers guarantees issued on behalf of customers as follows:

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Letters of credit	**377**	671	–	503
Bankers guarantees	**1,469**	2,033	–	58
	1,846	2,704	–	561

38 CONTINGENT LIABILITIES AND COMMITMENTS (CONT'D)

Commitments

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Within 1 year	**560**	205	**435**	–
After 1 year but within 5 years	**1,806**	128	**1,682**	–
After 5 years	**262**	292	**–**	–
	2,628	625	**2,117**	–

The Company and Group's subsidiaries lease office premises under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease after that date. Lease payments are increased annually to reflect market rentals.

39 SIGNIFICANT RELATED PARTIES TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Key management personnel compensation

	Group	
	2018	**2017**
	$'000	**$'000**
Short-term benefits	**2,147**	1,951
Post-employment benefits	**134**	102
	2,281	2,053

Key management personnel refers to the Group Chief Executive Officer, Chief Executive Officers and Country Head equivalent of the subsidiaries, General Managers and Senior Management of the Company, who have the authority and responsibility for planning, directing and controlling the activities of the Group and the Company.

Remuneration comprise salary, allowances, bonuses (comprises annual wage supplement and performance bonus), employers' contributions to defined contribution plans and other benefits including severance and retirement benefits provided for a key management personnel of an overseas subsidiary as required under the country's labour regulations.

Other related parties transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Related parties		
Interest charges on borrowings	**557**	756
Professional and brokerage fees incurred	**60**	48
Custodian fee	**–**	1
Fund management fees incurred	**161**	150

40 FINANCIAL AND INSURANCE RISK MANAGEMENT

Accepting and managing risk is central to the business of being a financial services provider and is an important part of the Group's overall business strategy. The Group has adopted formal risk management policies and procedures which are approved by the Board. These risk management guidelines set out both procedures as well as quantitative limits to minimise risks arising from the Group's exposures to such factors. The main financial and insurance risks that the Group is exposed to and how they are being managed are set out below.

Credit risk

The principal risk to which the Group is exposed is credit risk in connection with its loans, factoring, credit insurance, bond, guarantee and insurance activities. Credit risk is the potential financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its financial and contractual obligations, as and when they fall due. Management has established credit and insurance processes and limits to manage these risks including performing credit reviews of its customers and counterparties, risk-sharing and obtaining collaterals as security where considered necessary.

Other credit risks represent the loss that would be recognised if counterparties in connection with insurance, reinsurance, investment and banking transactions failed to perform as contracted. Credit evaluations are performed on all new brokers, reinsurers, financial institutions and other counterparties.

Credit risk in respect of the Group's lending activities is managed and monitored in accordance with defined credit policies and procedures. Significant credit risk strategies and policies are approved, and reviewed periodically by the Board of Directors. These include setting authority limits for approving credit facilities and establishing limits on single client, related entities, and industry exposures to ensure the broad diversification of credit risk and to avoid undue concentration. These policies are delegated to and disseminated under the guidance and control of the Group Credit Risk Officer and the Management Committee. A delegated credit approval authority limit structure, approved by the Board of Directors, is as follows:

- The Independent Credit Department and senior management staff assess, review and make decisions on credit risks of the Group within the authority limits imposed by the Board;
- The Credit Risk Management Department independently assesses the creditworthiness and risk profile of the obligors and formulates credit policies and procedures for the Group;
- The Client Audit Unit conducts audits on new factoring clients and sometimes, loan clients before account activation and for existing ones, on a periodic basis;
- Daily monitoring of accounts is handled by Client Relationship and Business Development Teams together with Operations Department and Credit Risk Management Department;
- The Internal Audit function provides independent assurance to senior management and the Audit Committee concerning compliance with credit processes, policies and the adequacy of internal controls; and
- Established limits and actual levels of exposure are regularly reviewed and reported to the Board of Directors on a periodic basis.

Credit risk arising on loans to customers under the LEFS and IF Scheme are under risk-sharing arrangements with SPRING Singapore and IES respectively, with the risk-sharing ranging from 50% to 80% of the funds disbursed.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(l) Credit quality analysis

The following table sets out information about the credit quality of loans, advances, hire purchase, leasing and factoring receivables measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms 'Stage 1', 'Stage 2', and 'Stage 3' is included in Note 3.8.

	2018			
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans advances, hire purchase, and leasing receivables at amortised cost	**$'000**	**$'000**	**$'000**	**$'000**
Grade 1-10	196,815	–	–	196,815
Grade 11: Special mention	–	6,041	–	6,041
Grade 12: Substandard	–	–	3,080	3,080
Grade 13: Doubtful	–	–	18,022	18,022
Grade 14: Loss	–	–	1,975	1,975
	196,815	6,041	23,077	225,933
Loss allowance	(1,024)	(165)	(9,385)	(10,574)
Carrying amount	195,791	5,876	13,692	215,359
Factoring receivables at amortised cost				
Grade 1-10	199,653	–	–	199,653
Grade 11: Special mention	–	12,653	–	12,653
Grade 12: Substandard	–	–	35	35
Grade 13: Doubtful	–	–	5,464	5,464
Grade 14: Loss	–	–	9,292	9,292
	199,653	12,653	14,791	227,097
Loss allowance	(6)	(28)	(13,583)	(13,617)
Carrying amount	199,647	12,625	1,208	213,480

	2018			
Company	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans advances, hire purchase, and leasing receivables at amortised cost	**$'000**	**$'000**	**$'000**	**$'000**
Grade 1-10	154,618	–	–	154,618
Grade 11: Special mention	–	2,183	–	2,183
Grade 12: Substandard	–	–	3,080	3,080
Grade 13: Doubtful	–	–	12,498	12,498
Grade 14: Loss	–	–	453	453
	154,618	2,183	16,031	172,832
Loss allowance	(564)	(100)	(3,506)	(4,170)
Carrying amount	154,054	2,083	12,525	168,662
Factoring receivables at amortised cost				
Grade 1-10	25,469	–	–	25,469
Grade 11: Special mention	–	416	–	416
Grade 12: Substandard	–	–	–	–
Grade 13: Doubtful	–	–	769	769
Grade 14: Loss	–	–	421	421
	25,469	416	1,190	27,075
Loss allowance	(1)	(2)	(273)	(276)
Carrying amount	25,468	414	917	26,799

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd))

(a) Loans, advances, hire purchase and leasing receivables ("LAHL")

Refer to the tables in page 115 for the credit quality profile pf LAHL as at 31 Dember 2018.

Loans, advances, hire purchase and leasing receivables before adoption of SFRS(I) 9 are summarised as follows:

		Group		Company	
	Note	2017 $'000	1 Jan 2017 $'000	2017 $'000	1 Jan 2017 $'000
Collectively assessed					
Neither past due nor impaired (i)		104,171	92,364	83,058	74,148
Past due but not impaired (ii)		500	10,971	382	10,908
Gross amount		104,671	103,335	83,440	85,056
Collective impairment		(927)	(1,309)	(847)	(1,281)
Carrying amount		103,744	102,026	82,593	83,775
Individually impaired (iii)		15,329	11,983	7,198	5,391
Allowance for impairment		(11,750)	(9,320)	(5,558)	(3,758)
Carrying amount		3,579	2,663	1,640	1,633
Total carrying amount	10	107,323	104,689	84,233	85,408

(i) Loans, advances, hire purchase and lea: neither past due nor impaired:

	Group		Company	
	2017 $'000	1 Jan 2017 $'000	2017 $'000	1 Jan 2017 $'000
Gross amount	104,171	92,364	83,058	74,148
- includes accounts with renegotiated terms	942	12,537	942	12,537
- includes accounts that are unsecured	9,074	10,681	9,074	10,304

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

(ii) Loans, advances, hire purchase and leasing receivables past due but not impaired, analysed by past due period:

	Group		Company	
		1 Jan		1 Jan
	2017	2017	2017	2017
	$'000	$'000	$'000	$'000
Gross amount	500	10,971	382	10,908
Past due comprises:				
1 - 30 days	353	1,237	294	1,189
31 - 60 days	48	7,459	19	7,453
61 - 90 days	27	52	8	51
91 - 180 days	–	1,767	–	1,767
More than 180 days	72	456	61	448
Gross amount	500	10,971	382	10,908

(iii) Loans, advances, hire purchase and leasing receivables individually impaired, analysed by loan grading:

	Group		Company	
		1 Jan		1 Jan
	2017	2017	2017	2017
	$'000	$'000	$'000	$'000
Pass	–	–	–	–
Special mention	53	–	–	–
Substandard	2,997	4,820	1,444	4,614
Doubtful	9,277	5,916	3,212	11
Loss	3,002	1,247	2,542	766
Gross amount	15,329	11,983	7,198	5,391
Allowance for impairment	(11,750)	(9,320)	(5,558)	(3,758)
Carrying amount	3,579	2,663	1,640	1,633

(b) Factoring receivables

Refer to the tables in page 115 for credit quality profile of factoring receivables as at 31 December 2018.

The Group's credit risk exposures on factoring receivables comprise the following types of risks: recourse and non-recourse factoring. The receivables represent the debts that were factored to the Group by its clients of which the Group may provide funding up to 90% of the eligible debts.

The "recourse" factoring relates to debts for which the Group and the Company do not bear the risk of non-payment from the customers. Conversely, in the "non-recourse" factoring, the Group and the Company bear any bad debt risk that may arise. The Group reinsures part of the debts under non-recourse factoring with external reinsurers.

The breakdown by type of factoring risk is as follows:

		Factoring receivables					
		Group			Company		
				1 Jan			1 Jan
	Note	2018	2017	2017	2018	2017	2017
		$'000	$'000	$'000	$'000	$'000	$'000
Recourse		**220,548**	197,465	206,120	**21,781**	9,638	35,761
Non-recourse		**5,293**	25,777	4,725	**5,293**	24,852	4,724
	16	**225,841**	223,242	210,845	**27,075**	34,490	40,485

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

The credit quality of the factoring receivables that were neither past due nor impaired of the Group and the Company is assessed based on the credit policy established by the Management Committee. An analysis of the credit quality of the factoring receivables that were neither past due nor impaired before the adoption of SFRS(I) 9 is as follows:

	Group		Company	
	2017 $'000	1 Jan 2017 $'000	2017 $'000	1 Jan 2017 $'000
Acceptable risk	138,155	136,550	15,230	19,289

The ageing of past due but not impaired factoring receivables for more than 180 days and above at the reporting date is as follows:

	Group		Company	
	2017 $'000	1 Jan 2017 $'000	2017 $'000	1 Jan 2017 $'000
Past due but not impaired receivables				
More than 180 days	–	3,011	–	3,011

For non-recourse factoring, the Group will assume the credit risks for debts commencing from the day the credit sales is approved. The settlement date in relation to claims arising from such debts is 180 days after the due date of the invoices.

(c) Insurance receivables

The ageing of past due but not impaired insurance receivables at the reporting date are as follows:

	Group		
	2018 $'000	2017 $'000	1 Jan 2017 $'000
91 - 180 days	**234**	148	404
More than 181 days	**768**	221	33
	1,002	369	437

Analysis of receivables that were not past due nor impaired at the reporting date is as follows:

	Note	Group		
		2018 $'000	2017 $'000	1 Jan 2017 $'000
Acceptable risks		**1,583**	856	1,496
Total insurance receivables	14	**2,585**	1,225	1,933

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

(d) Guarantees

The maximum exposure of the Company in respect of the intra-group financial guarantee is disclosed in Note 23. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

(e) Debt securities and perpetual securities whose coupon payments cannot be deferred

The Group invests in debt securities and perpetual securities whose coupon payments cannot be deferred and limits its exposure by only investing in such securities issued by corporates and financial institutions that are deemed to be of reasonable credit quality. As at 31 December 2018, substantially all of these corporates and financial institutions or their respective holding companies are listed on stock exchanges in Singapore or elsewhere. The Group monitors credit risk on an on-going basis.

Investments in debt securities and perpetual securities are subject to adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, which may impair the ability of the issuer to make payments of interest and principal. Such issuer's ability to meet its debt obligations may also be adversely affected by specific projected business forecast, or the unavailability of additional financing.

The Group does not expect any counterparty to fail to meet their obligations as and when they fall due within the next 12 months. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Group limits its exposure to credit risk on investments held by investing only in liquid debt securities that provide attractive long-term yield and at acceptable credit quality. The aim is to provide a stable stream of positive income on the respective investments.

The Group uses general approach for assessment of ECL for debt securities and perpetual securities. 12-month and lifetime probabilities of default are based on historical data supplied by Standard & Poor for each credit rating.

Notes To The Financial Statements

YEAR ENDED 31 DECEMBER 2018

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

(e) Debt securities and perpetual securities whose coupon payments cannot be deferred (cont'd)

The following table presents an analysis of the credit quality of debt investments at amortised cost and FVTPL (2017: held-to-maturity and available-for-sale). It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and, in latter case, whether they were credit-impaired.

	Group							
Credit rating	2018				2017		1 Jan2017	
	FVTPL	At amortised cost						
	$'000	12-month ECL $'000	Lifetime ECL-not credit-impaired $'000	Lifetime ECL-credit impaired $'000	Available-for-sale $'000	Held-to-maturity $'000	Available-for-sale $'000	Held-to-maturity $'000
BBB- to AAA	**3,918**	**25,477**	**–**	–	22,295	10,682	6,938	25,740
BB- to BB+	**–**	**–**	**–**	–	–	–	–	–
B- to B+	**–**	**–**	**–**	–	–	–	–	–
C to CCC+	**–**	**–**	**–**	–	–	–	–	–
D	**–**	**–**	**–**	–	–	–	–	–
Not rated	**–**	**–**	**2,000**	–	–	2,028	–	2,028
Gross carrying amounts (2017: amortised cost before impairment)	**3,918**	**25,477**	**2,000**	–	22,295	12,710	6,938	27,766
Loss allowance	**–**	**(164)**	**(105)**	–	–	–	–	–
Amortisation	**–**	**(163)**	**–**	–	–	(134)	–	(137)
Carrying amount	**3,918**	**25,150**	**1,895**	–	22,295	12,576	6,938	27,629

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

(f) Derivatives

The derivative asset, a foreign exchange forward contract, was entered into with a reputed bank.

(g) Deposit and other receivables

The Group uses a similar approach for assessment of ECLs for these receivables to those used for cash and cash equivalents. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the credit risk of the exposures. The amount of the allowance is disclosed in Note 17.

(h) Cash and cash equivalents

The cash and cash equivalents are placed with bank and financial institution counterparties which are regulated.

The Group and the Company held cash and cash equivalents of $48,724,000 and $18,723,000 respectively at 31 December 2018 (2017: $35,064,000 and $12,162,000; 1 January 2017: $33,723,000 and $12,029,000 respectively). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on reputable agency ratings.

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

(i) Loans to subsidiaries

The Company held loans to its subsidiaries of $31,399,000 (2017: $26,225,000; 1 January 2017: $28,586,000). These balances are amounts lent to subsidiaries for their working capital requirements. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the credit risk of the exposures. The amount of the allowance is disclosed in Note 8.

(II) Amount arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3.8

Significant increase in credit risk

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default ("PD") as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 60 days past due.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

- Information obtained during periodic review of customer files- e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes

- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

- Payment record – this includes overdue status as well as a range of variables about payment ratios

- Requests for and granting of forbearance

- Existing and forecast changes in business, financial and economic conditions

- The table below provides an indicative mapping of how the Group's internal credit risk grades relate to PD.

The portfolio of the Group comprised loans and advances to small and medium enterprises.

Grading	Range of PD
Grades 1-10	0.15% to 34.97%
Grades 11: Special mention	34.97% to 100%
Grades 12-14: Substandard, doubtful, loss	100%

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Group analyses the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. Such qualitative factors are based on its expert judgment and relevant historical experiences.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

As a backstop, the Group considers that a significant increase credit risk occurs no later than when an asset is more than 60 days past due or, for a factoring account, if more than 50% of factored receivables are more than 60 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period (normally 6 months) during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when a financial instrument becomes 60 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Group formulates economic scenarios: external information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the International Monetary Fund. The key driver for credit risk indentified and used in the Group's ECL model for loans and factoring receivables is GDP growth.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5-9 years.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio;
- date of initial recognition;
- remaining term to maturity; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

	2018			
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loans advances, hire purchase, and leasing receivables at amortised cost				
Balance at 1 January	1,046	387	12,135	13,568
Net remeasurement of loss allowance	(23)	(226)	(580)	(829)
New financial assets originated or purchased	–	–	282	282
Financial assets that have been derecognised	–	–	(2,391)	(2,391)
Foreign exchange and other movements	1	4	(61)	(56)
Balance at 31 December	1,024	165	9,385	10,574
Factoring receivables at amortised cost				
Balance at 1 January	6	27	12,944	12,977
Net remeasurement of loss allowance	–	1	541	542
New financial assets originated or purchased	–	–	294	294
Financial assets that have been derecognised	–	–	(51)	(51)
Foreign exchange and other movements	–	–	(145)	(145)
Balance at 31 December	6	28	13,583	13,617
Debt securities, at amortised cost				
Balance at 1 January	164	105	–	269
Balance at 31 December	164	105	–	269

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

	2018			
Company	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loans advances, hire purchase, and leasing receivables at amortised cost				
Balance at 1 January	657	236	5,712	6,605
Net remeasurement of loss allowance	(93)	(136)	(88)	(317)
New financial assets originated or purchased	–	–	230	230
Financial assets that have been derecognised	–	–	(2,391)	(2,391)
Foreign exchange and other movements	–	–	43	43
Balance at 31 December	564	100	3,506	4,170
Factoring receivables at amortised cost				
Balance at 1 January	1	4	82	87
Net remeasurement of loss allowance	–	(2)	(104)	(106)
New financial assets originated or purchased	–	–	295	295
Balance at 31 December	1	2	273	276

Loans with renegotiated terms

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

(III) Concentration of credit risk

The Group monitors concentration of credit risk by sectors.

For held to maturity investments in debt securities, the Group invests primarily in securities issued by the Singapore Government, Statutory Boards and high grade corporate bonds. Such investments require approval from two delegated authorities. The Group has put in place investment, counterparty and foreign currency limits in relation to its investment activities to ensure that there is no over-concentration to any one class of investment.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

An analysis of concentration of credit risk of loans, investments and factoring receivables at the reporting date is shown below:

	Loans, advances, hire purchase and leasing receivables – net (Note 10)			Investments (Note 9)		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Group						
Concentration by sector						
Manufacturing	**46,529**	34,751	52,209	**470**	912	3,852
Services	**7,241**	37,682	40,893	**11,332**	11,489	31,677
Holding and investment companies	**37,636**	17,755	6,699	–	–	–
Property	**15,438**	5,522	4,657	**21,879**	28,815	35,504
Financial services	**12,797**	–	–	**10,121**	13,505	–
Transport	**–**	–	–	**3,723**	–	6,958
Others	**95,718**	11,613	231	**9,518**	15,278	745
	215,359	107,323	104,689	**57,043**	69,999	78,736
Company						
Concentration by sector						
Manufacturing	**32,063**	22,816	37,533	**–**	–	–
Services	**5,837**	37,442	36,288	**6,404**	5,261	4,693
Holding and investment companies	**37,636**	17,755	6,699	**–**	–	–
Property	**1,816**	5,522	4,657	**414**	660	3,994
Others	**91,310**	698	231	**–**	–	–
	168,662	84,233	85,408	**6,818**	5,921	8,687

	Factoring receivables – gross (Note 16)					
	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Concentration by sector						
Manufacturing	**105,469**	112,652	125,337	**4,213**	13,192	14,423
Services	**66,675**	69,799	82,277	**7,330**	17,022	22,831
Others	**54,954**	40,791	3,231	**15,532**	4,276	3,231
	227,097	223,242	210,845	**27,075**	34,490	40,485

The maximum exposure to credit risk for loans, factoring receivables and investments at the reporting date by geographical region is shown below:

	Loans, advances, hire purchase and leasing receivables – net (Note 10)					
	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Singapore	**168,662**	84,233	85,408	**168,662**	84,233	85,408
Southeast Asia	**46,697**	23,090	19,281	**–**	**–**	–
	215,359	107,323	104,689	**168,662**	84,233	85,408

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

	Factoring receivables – net (Note 16) / (Note 25)					
	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	**16,599**	22,365	19,293	**16,599**	22,365	19,293
Southeast Asia	**146,973**	142,259	127,602		–	–
	163,572	164,624	146,895	**16,599**	22,365	19,293

	Investments (Note 9)					
	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	**39,819**	51,564	68,783	**415**	661	4,030
Southeast Asia	**7,187**	6,531	4,927	**6,403**	5,260	4,657
Rest of Asia	**5,809**	3,713	1,226	**–**	–	–
Others	**4,228**	8,191	3,800	**–**	–	–
	57,043	69,999	78,736	**6,818**	5,921	8,687

(IV) Collateral

The Group holds collateral against loans and advances to clients in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of the fair value are based on the value of collateral at the time of lending and generally are not updated except when the loan is individually assessed as impaired. Generally, collateral is not held against the Group's investment securities, and no such collateral was held as at 31 December 2018, 31 December 2017 and 1 January 2017.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

An estimate fair value of collateral and other security enhancements held against financial assets is shown below:

	Loans, advances, hire purchase and leasing receivables					
	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Against individually impaired						
Stage 3						
Properties	**33,022**	81	–	**32,350**	–	–
Equipment	**429**	105	629	**–**	–	–
Subtotal	**33,451**	186	629	**32,350**	–	–
Against past due but not impaired						
Stage 2						
Properties	**9,193**	35,500	18,580	**–**	35,500	18,580
Vessels/motor vehicles	**22,408**	5,714	15,900	**22,250**	5,250	15,900
Equipment	**1,849**	1,239	1,687	**–**	78	1,075
Subtotal	**33,450**	42,453	36,167	**22,250**	40,828	35,555
Against neither past due nor impaired						
Stage 1						
Accounts receivable	**–**	538	473	–	–	–
Fixed/cash deposits	**721**	944	683	**721**	892	361
Properties	**235,883**	75,100	75,876	**193,299**	75,100	75,876
Equipment	**18,463**	13,189	18,003	**–**	–	5,601
Vessels/motor vehicles	**8,351**	11,606	15,813	**6,600**	9,676	14,750
Subtotal	**263,418**	101,377	110,848	**200,620**	85,668	96,588
Total	**330,319**	144,016	147,644	**255,220**	126,496	132,143

Interest rate risk

In carrying out its lending activities, the Group strives to meet client demands for products with various interest rate structures and maturities. Sensitivity to interest rate movements arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. As interest rates and yield curves change over time, the size and nature of these mismatches may result in a loss or gain in earnings.

The Group attempts to minimise the interest rate risks wherever possible over the tenor of the financing. Floating rate lending is matched by floating rate borrowings. For fixed rate loans, these are matched by shareholders' funds and fixed rate borrowings and, if economically feasible, of the same tenor and amount. However, gaps may arise due to prepayments or delays in drawdown by clients.

On a minimum quarterly basis, the Group calculates its interest rate sensitivity gaps by time bands based on the earlier of contractual repricing date and maturity date. Where there is a gap arising out of a mismatch, the Group will use interest rate derivative instruments such as interest rate swaps, caps and floors to hedge its position.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect the Group's profit or loss.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Sensitivity analysis for variable rate instruments

As at 31 December 2018, it is estimated that a general increase of 100 basis points (bp) in interest rates would have increased the Group's profit after tax by approximately $786,000 and increased the Company's profit after tax by approximately $141,000 (2017: Group's profit after tax by approximately $616,000 and decreased the Company's profit after tax by approximately $45,000). A decrease in 100 bp in interest rates would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the interest-bearing financial instruments, as reported to the management, was as follows:

	Group Nominal amount			Company Nominal amount		
	2018	**2017**	**1 Jan 2017**	**2018**	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Fixed rate instruments						
Financial assets	**49,046**	27,688	31,005	**12,340**	18,506	17,967
Financial liabilities	**(15,486)**	(13,044)	(7,697)	**(15,486)**	(7,880)	(7,697)
	33,560	14,644	23,308	**(3,146)**	10,626	10,270
Variable rate instruments						
Financial assets	**358,582**	268,936	250,264	**179,796**	99,038	124,414
Financial liabilities	**(263,856)**	(194,745)	(193,557)	**(162,851)**	(104,494)	(87,934)
	94,726	74,191	56,707	**16,945**	(5,456)	36,480

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages and projects its cash flow commitments on a regular basis and this involves monitoring the concentration of funding maturity at any point in time and ensuring that there are committed credit lines from banks for its funding requirements.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

The following are the expected contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
Group						
31 December 2018						
Non-derivative financial liabilities						
Trade and other payables	**13,609**	**13,609**	**13,609**	**–**	**–**	**–**
Insurance payables	**3,078**	**3,078**	**3,078**	**–**	**–**	**–**
Interest-bearing borrowings	**279,342**	**281,689**	**260,383**	**3,053**	**15,060**	**3,193**
Letters of credit	**–**	**377**	**377**	**–**	**–**	**–**
Bankers guarantees	**–**	**1,469**	**1,469**	**–**	**–**	**–**
	296,029	**300,222**	**278,916**	**3,053**	**15,060**	**3,193**
31 December 2017						
Non-derivative financial liabilities						
Trade and other payables	10,894	10,894	10,894	–	–	–
Insurance payables	1,967	1,967	1,967	–	–	–
Interest-bearing borrowings	207,789	209,422	168,594	31,072	7,762	1,994
Letters of credit	–	671	671	–	–	–
Bankers guarantees	–	2,033	2,033	–	–	–
	220,650	224,987	184,159	31,072	7,762	1,994
1 January 2017						
Non-derivative financial liabilities						
Trade and other payables	11,540	11,540	11,540	–	–	–
Insurance payables	2,273	2,273	2,273	–	–	–
Interest-bearing borrowings	200,423	203,458	150,109	40,822	9,669	2,858
Letters of credit	–	865	865	–	–	–
Bankers guarantees	–	1,829	1,829	–	–	–
	214,236	219,965	166,616	40,822	9,669	2,858

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YEAR ENDED 31 DECEMBER 2018

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
Company						
31 December 2018						
Non-derivative financial liabilities						
Trade and other payables	**6,973**	**6,973**	**6,973**	**–**	**–**	**–**
Interest-bearing borrowings	**148,743**	**149,779**	**134,894**	**930**	**11,607**	**2,348**
Letters of credit	**–**	**–**	**–**	**–**	**–**	**–**
Bankers guarantees	**–**	**–**	**–**	**–**	**–**	**–**
	155,716	**156,752**	**141,867**	**930**	**11,607**	**2,348**
31 December 2017						
Non-derivative financial liabilities						
Trade and other payables	5,444	5,444	5,444	–	–	–
Interest-bearing borrowings	87,894	88,593	55,449	28,973	4,171	–
Letters of credit	–	503	503	–	–	–
Bankers guarantees	–	58	58	–	–	–
	93,338	94,598	61,454	28,973	4,171	–
1 January 2017						
Non-derivative financial liabilities						
Trade and other payables	6,778	6,778	6,778	–	–	–
Interest-bearing borrowings	94,801	97,138	48,355	38,430	8,314	2,039
Letters of credit	–	270	270	–	–	–
	101,579	104,186	55,403	38,430	8,314	2,039

Currency risk

The Group operates in Southeast Asia with dominant operations in Singapore, Indonesia, Malaysia and Thailand. Entities in the Group also transact in currencies other than their respective functional currencies ("foreign currencies") such as United States Dollar ("USD"), Australian Dollar ("AUD"), Sterling Pound ("GBP"), Hong Kong Dollar ("HKD"), Malaysian Ringgit ("RM"), and Thai Baht ("THB").

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk on investments, loans, advances and factoring receivables and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily USD, THB, HKD, GBP, AUD and RM. If necessary, the Group may use derivative financial instruments to hedge its foreign currency risk.

Interest-bearing borrowings are denominated in currencies that match cashflows generated by the underlying operations of the Group, primarily USD, AUD, THB, HKD and RM. This provides an economic hedge and no derivatives are entered into.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when necessary to address short term imbalances.

The Group's investments in foreign subsidiaries are not hedged as these currency positions are considered to be non-monetary and long-term in nature.

The Group and Company's exposures to major foreign currency risks are as follows:

	USD $'000	THB $'000	HKD $'000	GBP $'000	AUD $'000	IDR $'000	CNY $'000	JPY $'000
Group								
31 December 2018								
Loans and advances, trade and other receivables	**14,386**	**–**	**–**	**9**	**(6)**	**–**	**–**	**–**
Other investments	**3,927**	**6,403**	**529**	**452**	**683**	**–**	**401**	**352**
Cash and cash equivalents	**1,292**	**11**	**–**	**7**	**40**	**–**	**–**	**–**
Insurance receivables	**182**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**(799)**	**–**	**–**	**(35)**	**–**	**–**	**–**	**–**
Interest-bearing borrowings	**(7,537)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Insurance payables	**(3)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net currency exposure	**11,448**	**6,414**	**529**	**433**	**717**	**–**	**401**	**352**
31 December 2017								
Loans and advances, trade and other receivables	13,460	–	–	(36)	(16)	96	–	–
Other investments	5,416	5,260	471	951	–	–	203	–
Cash and cash equivalents	1,608	7	–	7	59	–	–	–
Insurance receivables	85	–	–	–	–	–	–	–
Trade and other payables	(856)	(1)	–	–	–	–	–	–
Interest-bearing borrowings	(12,114)	–	–	–	–	–	–	–
Insurance payables	–	–	–	–	–	–	–	–
Net currency exposure	7,599	5,266	471	922	43	96	203	–

	USD $'000	THB $'000	HKD $'000	GBP $'000	AUD $'000	IDR $'000	CNY $'000	JPY $'000
Group								
1 January 2017								
Loans and advances, trade and other receivables	26,828	–	–	45	21	–	–	–
Other investments	4,004	4,657	141	426	2,210	–	–	–
Cash and cash equivalents	1,461	3	49	5	20	–	–	–
Insurance receivables	57	–	–	–	–	–	–	–
Trade and other payables	(17)	(9,773)	–	–	–	–	–	–
Interest-bearing borrowings	(26,723)	–	–	–	–	–	–	–
Insurance payables	(39)	–	–	–	–	–	–	–
Net currency exposure	5,571	(5,113)	190	476	2,251	–	–	–

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

	USD $'000	THB $'000	HKD $'000	RM $'000	GBP $'000	AUD $'000	IDR $'000
Company							
31 December 2018							
Loans and advances, trade and other receivables	**14,355**	**17**	**–**	**(38)**	**–**	**(6)**	**12**
Other investments	**–**	**6,403**	**–**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**785**	**11**	**–**	**–**	**7**	**40**	**–**
Trade and other payables	**(789)**	**–**	**–**	**–**	**(35)**	**–**	**–**
Interest-bearing borrowings	**(7,357)**	**–**	**–**	**–**	**–**	**–**	**–**
Net currency exposure	**6,994**	**6,431**	**–**	**(38)**	**(28)**	**34**	**12**
31 December 2017							
Loans and advances, trade and other receivables	11,739	–	–	32	(36)	(16)	3,355
Other investments	–	5,260	–	–	–	–	–
Cash and cash equivalents	950	7	–	–	7	59	–
Trade and other payables	(795)	(1)	–	–	–	–	–
Interest-bearing borrowings	(10,833)	–	–	–	–	–	–
Net currency exposure	1,061	5,266	–	32	(29)	43	3,355
1 January 2017							
Loans and advances, trade and other receivables	23,803	17	–	16	36	21	–
Other investments	–	4,657	–	–	–	–	–
Cash and cash equivalents	1,094	3	49	–	5	20	–
Trade and other payables	(12)	(2)	–	–	–	–	–
Interest-bearing borrowings	(23,989)	–	–	–	–	–	–
Net currency exposure	896	4,675	49	16	41	41	–

Sensitivity analysis

A 10 percent strengthening of the Singapore dollar, as indicated below, against the following currencies at the reporting date would have decreased equity and profit or loss after tax by the amounts shown below.

	Group		Company	
	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
2018				
USD	–	**(950)**	–	**(580)**
THB	–	**(53)**	–	**(534)**
HKD	–	**(44)**	–	**–**
RM	–	**–**	–	**3**
GBP	–	**(36)**	–	**(2)**
AUD	–	**(60)**	–	**(3)**
IDR	–	**–**	–	**(1)**
CNY	–	**(33)**	–	**–**
JPY	–	**(29)**	–	**–**

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

	Group		Company	
	Equity	Profit or loss	Equity	Profit or loss
	$'000	$'000	$'000	$'000
2017				
USD	(410)	(290)	–	(88)
THB	(526)	–	(526)	–
HKD	–	(39)	–	–
RM	–	–	–	(3)
GBP	–	(77)	–	2
AUD	–	(4)	–	(4)
IDR	–	(8)	–	(278)
CNY	(20)	–	–	–

A 10 percent weakening of the Singapore dollar would have an equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

Other market price risk

The Group has equity interests in private companies as well as quoted equity shares which are subject to market risks such as fluctuations in market prices, economic risks, credit default risks and investment risks inherently arising from the nature of the venture capital business activities.

The Group's venture capital investments are both internally and externally managed. The internally managed venture capital investments are predominantly investments that the Group is looking to divest. For externally managed venture capital investments, the Group has representatives in the Investment Committee of the Fund Manager that makes investment and divestment decisions. The Fund Manager has established policies and procedures to monitor and control its investments and divestments.

Investments in equity securities arise mainly from structured finance activities and they relate to those financial instruments in which embedded derivatives either in the form of the options or warrants are attached. Upon the maturity of the derivatives, the options or warrants are exercised and converted into equity with the moratorium period attached. As such, the Group has to hold these equities until the expiry of the moratorium before divesting. The Group has established policies and procedures to monitor and control its divestments.

For investments under the Insurance Fund, the Group has asset allocation guidelines which are reviewed periodically by the management and the Board. Under the asset allocation guidelines, limits are set in place for various asset classes such as equities, bonds and fixed/cash deposits.

Sensitivity analysis - market price risk

For other investments carried at fair value, a 5 percent increase in the underlying equity prices at the reporting date would have increased equity and profit or loss after tax by the amounts shown below:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Equity	**1**	925	**1**	–
Profit or loss	**409**	482	**16**	27

A 5 percent decrease in the underlying equity prices at the reporting date would have had the equal but opposite effect to the amounts shown above.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost of effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

Compliance with Group standards is supported by a risk based plan approved by the Audit Committee on an annual basis and carried out by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, and reported to the Audit Committee on a periodic basis.

The Compliance Unit of the Group updates management and the Board of Directors on the changes and development in the laws and regulations and assists management to check on the Group's compliance of the limits set by the Risk Management guidelines.

Insurance contract risk

Underwriting risk

Underwriting risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover.

The principal underwriting risk to which the Group is exposed is credit risk in connection with its credit insurance and bond and guarantee underwriting activities. Management has established underwriting processes and limits to manage this risk including performing credit reviews of its customers and obtaining cash collateral as security where considered necessary.

Pricing risk

The underwriting function carries out qualitative and quantitative risk assessments on all buyers and clients before deciding on an approved credit limit. Policies in riskier markets may be rejected or charged at a higher premium rate accompanied by stricter terms and conditions to commensurate the risks.

Concentration risk

Concentration limits are set to avoid heavy concentration within a specific industry or country. Maximum limits are set for buyer credit limits and guarantee facility limits and higher limits require special approval. There is also monthly monitoring and reporting of any heavy concentration of risk exposure towards any industry, country, buyer and client limits. Buyer credit limits and client facility limits are reviewed on a regular basis to track any deterioration in their financial position that may result in a loss to the Group.

The main exposures of the Group's credit insurance contracts are to the wholesale and retail trade sectors. For bond and guarantee insurance contracts, the property and construction sectors contribute to a larger proportion of the Group's risk exposure. The Group's concentration of risk relates mainly to customers in Singapore.

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40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Reinsurance outwards

The Group participates in reinsurance treaties to cede risks to its reinsurers, which are internationally established firms with credit ratings and reviewed by the Board. Under the treaties, the Group undertakes to cede to its reinsurers between 65% to 80% of its total written premium as well as the same proportion of corresponding losses for 2016. Risks undertaken which do not fall within the treaty scope of cover are ceded to reinsurers on a facultative basis.

Asset-liability management ("ALM")

The ALM policy is designed to ensure financial assets are managed with maturity profile that matches the projected cash-flows for the Group's liabilities. In addition, the Group maintains at least 30% of claims liability in cash and cash equivalents to meet claims settlements as and when they arise.

Claims development table

Claims development tables are disclosed to allow comparison of the outstanding claim provisions with those of prior years. In effect, the tables highlight the Group's ability to provide an estimate of the total value of claims. The top part of the table provides a review of current estimates of cumulative claims and demonstrates how the estimated claims have changed at subsequent reporting or accident year-ends. The estimate is increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimated cumulative claims.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Group believes that the provisions for insurance claims outstanding as at the reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

The analysis of claims development has been performed on a gross basis before accounting for reinsurance and on a net basis after accounting for reinsurance.

The claims information for the accident years below is based on the following:

Accident year:

- 2012 -12 months ended 31 December 2012 and prior
- 2013 -12 months ended 31 December 2013
- 2014 -12 months ended 31 December 2014
- 2015 -12 months ended 31 December 2015
- 2016 -12 months ended 31 December 2016
- 2017 -12 months ended 31 December 2017
- 2018 -12 months ended 31 December 2018

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

(i) Analysis of claims development – gross of reinsurance basis

Group

Gross loss development tables as at 31 December 2018

$'000s

Estimate of cumulative claims **Accident year**	**2012 and Prior**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
At end of accident year	7,253	2,001	21,112	25,454	11,649	13,819	10,488	
One year later	6,840	1,648	4,905	6,376	11,798	14,105		
Two years later	5,699	471	4,746	5,514	11,627			
Three years later	4,130	463	4,678	5,055				
Four years later	3,798	459	3,667					
Five years later	3,798	1,450						
Six years later	3,798							
Current estimate of ultimate claims	3,798	1,450	3,667	5,055	11,627	14,105	10,488	50,190
Cumulative payments	(3,798)	(1,450)	(3,632)	(4,071)	(10,536)	(10,741)	(4,309)	(38,537)
Gross estimate of outstanding claim liability	–	–	35	984	1,091	3,364	6,179	11,653
Unallocated loss adjustment expenses	–	–	1	10	31	106	204	352
Effect of discounting	–	–	–	–	–	–	–	–
Best estimate of gross outstanding claim liability			36	994	1,122	3,470	6,383	12,005
Provision for adverse deviation								1,440
Gross provision for insurance claims (Note 13)								13,445

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Group
Gross loss development tables as at 31 December 2017
$'000s

Estimate of cumulative claims **Accident year**	**2011 and Prior**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
At end of accident year	6,560	693	2,001	21,112	25,454	11,649	13,819	
One year later	6,542	298	1,648	4,905	6,376	11,798		
Two years later	5,512	187	471	4,746	5,514			
Three years later	3,943	187	463	4,678				
Four years later	3,611	187	459					
Five years later	3,611	187						
Six years later	3,585							
Current estimate of ultimate claims	3,611	187	459	4,678	5,514	11,798	13,819	40,066
Cumulative payments	(3,611)	(187)	(459)	(4,639)	(4,448)	(9,502)	(7,410)	(30,256)
Gross estimate of outstanding claim liability	–	–	–	39	1,066	2,296	6,409	9,810
Unallocated loss adjustment expenses	–	–	–	1	28	60	167	256
Effect of discounting	–	–	–	–	–	–	–	–
Best estimate of gross outstanding claim liability	–	–	–	40	1,094	2,356	6,576	10,066
Provision for adverse deviation								1,644
Gross provision for insurance claims (Note 13)								11,710

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

(ii) Analysis of claims development – net of reinsurance basis
Group
Net loss development tables as at 31 December 2018
$'000s

Estimate of cumulative claims

Accident year	2012 and prior	2013	2014	2015	2016	2017	2018	Total
At end of accident year	9,624	1,658	5,625	8,227	7,882	10,701	7,516	
One year later	8,363	565	1,679	1,220	6,396	10,938		
Two years later	10,042	128	467	1,079	7,907			
Three years later	6,974	124	428	2,143				
Four years later	6,553	124	1,215					
Five years later	6,541	486						
Six years later	6,241							
Current estimate of ultimate claims	6,241	486	1,215	2,143	7,907	10,938	7,516	36,446
Cumulative payments	(6,241)	(486)	(1,180)	(1,801)	(6,876)	(7,621)	(2,598)	(26,803)
Net estimate of outstanding claim liability	–	–	35	342	1,031	3,317	4,918	9,643
Unallocated loss adjustment expenses	–	–	1	10	31	106	204	352
Effect of discounting	–	–	–	–	–	–	–	–
Best estimate of outstanding claim liability			36	352	1,062	3,423	5,122	9,995
Provision for adverse deviation								1,226
Net provision for insurance claims (Note 13)								11,221

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Group
Net loss development tables as at 31 December 2017
$'000s

Estimate of cumulative claims

Accident year	2011 and prior	2012	2013	2014	2015	2016	2017	Total
At end of accident year	9,349	275	1,658	5,625	8,227	7,882	10,701	
One year later	8,230	133	565	1,679	1,220	6,396		
Two years later	9,958	84	128	467	1,079			
Three years later	6,845	129	124	428				
Four years later	6,402	151	124					
Five years later	6,390	151						
Six years later	6,145							
Current estimate of ultimate claims	6,157	151	124	428	1,079	6,396	10,701	25,036
Cumulative payments	(6,157)	(151)	(124)	(393)	(960)	(4,214)	(4,338)	(16,337)
Net estimate of outstanding claim liability	–	–	–	35	119	2,182	6,363	8,699
Unallocated loss adjustment expenses	–	–	–	1	4	64	188	257
Effect of discounting	–	–	–	–	–	–	–	–
Best estimate of outstanding claim liability	–	–	–	36	123	2,246	6,551	8,956
Provision for adverse deviation								1,552
Net provision for insurance claims (Note 13)								10,508

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Estimation of fair value

Derivative financial assets

The fair value of foreign currency forward contract is based on broker's quote.

Investments in equity and debt securities

The fair value of quoted equity securities is their last bid price at the reporting date. The fair values of unquoted corporate bonds, unquoted unit trusts and money market funds are their indicative prices at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

The fair value of unquoted equity securities are determined using the realisable net asset value approach, which takes into consideration the fair value of the underlying assets and liabilities of the entities to which the equity securities relate. The assets and liabilities held by the relevant entities comprise mainly financial assets and financial liabilities whose carrying amounts are found to approximate their fair values. As such, management has determined that the share of the reported net asset value represents the fair value of the unquoted equity securities at the date of the statement of financial position.

Loans, advances, hire purchase, leasing and factoring receivables

The fair values of loans, advances, hire purchase, leasing and factoring receivables that reprice within six months of reporting date are assumed to equate the carrying values. The fair values of fixed rate loans, advances, hire purchase, leasing and factoring receivables were calculated using discounted cash flow models based on the maturity of the loans. The discount rates applied in this exercise were based on the current interest rates of similar types of loans, advances, hire purchase, leasing and factoring receivables if these assets were performing at the reporting date.

Other financial assets and liabilities

The Company and the Group granted convertible loans to finance residential projects in Singapore. The convertible loans contain embedded equity conversion options and are expected to convert or mature between 2019 and 2021 (2017: 2018 and 2021; 1 Jan 2017: 2017 and 2020). These have been classified as mandatory at FVTPL financial assets Level 3 (2017: Level 3; 1 Jan 2017: Level 3). Management has used discounted cash flow technique in which inputs were based on units sold and sales projections and development cost projections as at 31 December 2018. The discount rates of 5% to 6% (2017: 5% to 6%; 1 Jan 2017: 5% to 6%) were used to calculate the fair value.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity.

Notes To The Financial Statements

YEAR ENDED 31 DECEMBER 2018

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

The fair values of the financial assets including their levels in the fair value hierarchy are as follows:

		Fair value			
	Carrying amount $'000	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Group					
31 December 2018					
Financial assets measured at fair value					
FVTPL financial assets					
- Equity securities	**16,869**	**5,942**	**–**	**10,927**	**16,869**
- Debt securities	**3,918**	**3,918**	**–**	**–**	**3,918**
- Convertible loans	**9,210**	**–**	**–**	**9,210**	**9,210**
	29,997	**9,860**	**–**	**20,137**	**29,997**
Financial assets not measured at fair value					
Amortised cost debt securities	**27,045**	**25,425**	**–**	**–**	**25,425**
31 December 2017					
Financial assets measured at fair value					
Held-for-trading					
- Foreign currency forward contract	7	–	7	–	7
Available-for-sale financial assets					
- Equity securities	8,405	–	–	8,405	8,405
- Debt securities	22,295	22,295	–	–	22,295
- Convertible loans	15,101	–	–	15,101	15,101
Designated as fair value through profit or loss equity securities	11,622	11,622	–	–	11,622
	57,430	33,917	7	23,506	57,430
Financial assets not measured at fair value					
Held-to-maturity debt securities	12,576	10,971	–	–	10,971
1 January 2017					
Financial assets measured at fair value					
Available-for-sale financial assets					
- Equity securities	8,829	–	–	8,829	8,829
- Debt securities	6,938	6,938	–	–	6,938
- Convertible loans	20,813	–	–	20,813	20,813
Designated as fair value through profit or loss equity securities	14,528	14,528	–	–	14,528
	51,108	21,466	–	29,642	51,108

Notes To The Financial Statements

YEAR ENDED 31 DECEMBER 2018

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

The fair values of the financial assets including their levels in the fair value hierarchy are as follows:

		Fair value			
	Carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group					
1 January 2017					
Financial assets not measured at fair value					
Held-to-maturity debt securities	27,628	27,151	–	–	27,151
Company					
31 December 2018					
Financial assets measured at fair value					
FVTPL financial assets					
- Equity securities	**6,818**	**394**	**–**	**6,424**	**6,818**
- Convertible loan	**–**	**–**	**–**	**–**	**–**
	6,818	**394**	**–**	**6,424**	**6,818**
31 December 2017					
Financial assets measured at fair value					
Available-for-sale financial assets					
- Equity securities	5,261	–	–	5,261	5,261
- Convertible loan	1	–	–	1	1
Designated as fair value through profit or loss equity securities	659	659	–	–	659
	5,921	659	–	5,262	5,921
1 January 2017					
Financial assets measured at fair value					
Available-for-sale financial assets					
- Equity securities	4,692	–	–	4,692	4,692
- Convertible loan	3,442	–	–	3,442	3,442
Designated as fair value through profit or loss equity securities	553	553	–	–	553
	8,687	553	–	8,134	8,687

Level 3 fair values relate to unquoted equity securities, funds and convertible loans which have no observable market prices.

During the financial years presented, there have been no transfers between level 1, 2 and 3.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of fair value hierarchy:

	Group $'000	Company $'000
At 1 January 2017	29,642	8,134
Redemptions	(6,951)	(3,400)
Gain recognised in other comprehensive income	815	528
At 31 December 2017	23,506	5,262
Addition	**1,054**	**1,054**
Redemptions	**(4,415)**	**–**
Fair value change recognised in profit or loss	**(8)**	**108**
At 31 December 2018	**20,137**	**6,424**

The following table shows the valuation technique used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Convertible loans	Discounted cash flows The fair value is computed based on units sold, sales projections on unsold units and development costs projections, discounted to the present value using a risk-adjusted discount rate.	Risk-adjusted discount rate of 5% to 6%	The estimated fair value would increase (decrease) if the risk-adjusted rate was lower (higher).
Equity securities	Net asset value The valuation model inputs are based on net assets value of the equity securities invested.	Net asset value of the underlying entities	The estimated fair value would increase (decrease) if the net asset value was higher (lower).
Funds	Net asset value The valuation model inputs are based on net assets value of the funds invested.	Net asset value of the funds	The estimated fair value would increase (decrease) if the net asset value was higher (lower).

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (CONT'D)

Sensitivity analysis – Level 3 valuation

Valuation techniques for certain equity securities changed during the year, resulting in these equity securities being measured using the share of net asset value. For the fair values of convertible loans, reasonably possible changes at the reporting date to risk-adjusted discount rate by 1%, holding other inputs constant, would have the following effects.

	Income statement			
	Group		Company	
Risk-adjusted discount rate (1% movement)	**Increase $'000**	**Decrease $'000**	**Increase $'000**	**Decrease $'000**
2018				
Convertible loans	**(166)**	**172**	–	–
Equity securities	**–**	**–**	–	–
	(166)	**172**	–	–
2017				
Convertible loans	(234)	243	–	–
Equity securities	–	–	–	–
	(234)	243	–	–

Summary

The aggregate net fair values of recognised financial assets which are not carried at fair values in the statement of financial position as at 31 December are represented in the following table:

	2018		2017		1 Jan 2017	
	Carrying value $'000	**Fair value $'000**	**Carrying value $'000**	**Fair value $'000**	**Carrying value $'000**	**Fair value $'000**
Group						
Financial assets						
Amortised cost debt securities	**27,045**	**25,425**	12,576	10,970	27,628	27,151
Unrecognised loss		**1,620**		1,606		477

41 ACCOUNTING JUDGEMENTS AND ESTIMATES

Management has assessed the development, selection and disclosure of the significant accounting judgements and estimates, and the application of these policies and estimates.

The following are critical accounting judgements or estimates made by the management in applying accounting policies:

41 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Significant accounting estimates

Impairment losses on loans, advances, hire purchase, leasing and factoring receivables

The Group reviews its loan portfolio to assess impairment on a regular basis. To determine whether there is an impairment 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 the borrowers or local economic conditions that correlate with defaults in the loan portfolio. The methodology and assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between estimated and actual loss experience.

Provisions for unexpired risks and insurance claims

Provisions for unexpired risks and insurance claims as at 31 December 2018 have been assessed by the approved actuary (JPWALL Consulting Partners (Singapore) Pte. Ltd.) in accordance with local insurance regulatory requirements.

The description of the principal estimates and assumptions underlying the determination of provisions for unexpired risks and insurance claims and the impact of changes in these estimates and assumptions are discussed in the sensitivity analysis set out in sections I and II of this Note.

The process of establishing the provision for insurance claims is described in section II of this note.

The sensitivity analysis has been performed on a gross basis before accounting for reinsurance and on a net basis after accounting for reinsurance.

Users of these financial statements should take note of the following:

1) The sensitivity analysis in sections I and II is based upon the assumptions set out in the actuarial report issued to the Company by the approved actuary for the financial year ended 31 December 2018. The sensitivity analysis is subject to the reliance that the approved actuary has placed on management and limitations described in the report. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full;

2) The estimates and assumptions discussed are independent of each other. However, in practice, a combination of adverse and favourable changes can occur; and

3) The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

I. Provision for unexpired risks - sensitivity analysis

The provision for unexpired risks is the higher of:

(i) The aggregate of the total best estimates of unexpired risk and the provision for adverse deviation ("PAD"); and

(ii) Unearned premium reserves.

The provision for unexpired risks includes a PAD which is intended to provide a 75% probability of adequacy for the provision for unexpired risks. The PAD assumption relied on the approved actuary's inputs. An allowance for future management expenses and claim handling costs is made.

Notes To The Financial Statements

YEAR ENDED 31 DECEMBER 2018

41 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Based on the current assumptions, the gross and net provisions for unexpired risks are as follows:

At 31 December 2018	**Net ($'000)**	**Gross ($'000)**
Estimated provision for unexpired risks under the base scenario	**6,373**	**8,853**
At 31 December 2017		
Estimated provision for unexpired risks under the base scenario	7,582	10,030

Provision for adverse deviation

The actuary has assumed premium PAD of 15% to 29% (2017: 17% to 30%) under the base scenario. If the assumed PAD is increased or decreased by 2% (2017: 5%), the resulting provision will be as follows:

	Net ($'000)		**Gross ($'000)**	
	High	**Low**	**High**	**Low**
	+2%	**-2%**	**+2%**	**-2%**
At 31 December 2018				
Provision for unexpired risks	**6,451**	**6,295**	**8,979**	**8,727**
	+5%	**-5%**	**+5%**	**-5%**
At 31 December 2017				
Provision for unexpired risks	7,855	7,310	10,411	9,649

Ultimate loss ratio for motor

For Motor class of business, the actuary has presumed an Ultimate Loss Ratio ("ULR") of 156% (2017: 95%) under the base scenario. If the assumed ULR increased or decreased by 2% (2017: 5%), the resulting provision will be as follows:

	Net ($'000)		**Gross ($'000)**	
	High	**Low**	**High**	**Low**
	+2%	**-2%**	**+2%**	**-2%**
At 31 December 2018				
Provision for unexpired risks	**6,449**	**6,297**	**8,954**	**8,752**
	+5%	-5%	+5%	-5%
At 31 December 2017				
Provision for unexpired risks	7,706	7,460	10,153	9,907

41 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Claims Handling Expenses ("CHE")

Allowance for CHE relates to the costs of administering outstanding claims until all claims are fully settled. CHE is computed based on 6% (2017: 4.5%) of expected future losses and maintenance expenses computed at 6.8% (2017: 4.5%) of the Company's unearned premium reserves for all classes of business. The effects of increasing and reducing CHE by 2% (2017: 1%) are presented below:

	Net ($'000)		Gross ($'000)	
	High	**Low**	**High**	**Low**
	+2%	**-2%**	**+2%**	**-2%**
<u>At 31 December 2018</u>				
Provision for unexpired risks	**6,468**	**6,278**	**8,948**	**8,758**
	+1%	-1%	+1%	-1%
<u>At 31 December 2017</u>				
Provision for unexpired risks	7,676	7,490	10,123	9,937

II. Provision for insurance claims - sensitivity analysis

Process of establishing provision for insurance claims

For short term credit insurance contracts, the Company sets aside specific provisions based on actual claims notified by the policyholders. Each notified claim is assessed on a case-by-case basis with regards to the claim circumstances and information available from external sources. These specific provisions are reviewed and updated regularly as and when there are developments and are not discounted for the time value of money.

The Company closely monitors the relevant projects for which the bonds and guarantees are issued, and makes specific provisions should the Company be made aware of potential claim payments through its regular project monitoring.

Given the uncertainty in estimating the provision for insurance claims, it is likely that the actual outcome will be different from the provisions made based on internal provisioning. Accordingly, the Company engages an approved actuary to assess the adequacy of the Company's provision for insurance claims on an annual basis.

The reserving methodology and assumptions used by the approved actuary, which remain unchanged from prior year, are intended to produce a "best" estimate of the provision for insurance claims through the analysis of historical claims payment and recovery data to project future claims payment. The "best" estimate is intended to represent the mean value of the range of future outcomes of the claim costs. The provision for insurance claims is expressed in terms of the present value of the future claim costs using discount rate based on the prevailing 'risk free' rate chosen as the yield of Singapore Government Bonds.

41 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

In estimating the provision for insurance claims, the actuary includes an allowance for claims handling expenses and maintenance cost which are intended to cover the costs of administering outstanding claims until all claims are fully settled.

The actuary's estimate for the provision for insurance claims is subject to uncertainty and variations of the actual and expected experience are to be expected. The inherent uncertainty is due to the fact that the ultimate claim cost is subject to the outcome of future events. Possible uncertainties include those related to the selection of models and assumptions, the statistical uncertainty, the general business and economic environment, and the impact of legislative reform. A PAD is therefore made to allow for uncertainty surrounding the estimation process and is intended to provide a 75% probability of adequacy for the provision for insurance claims. The PAD assumption relied on the actuary's inputs. An allowance for future management expenses and claim handling costs is made.

Based on the current assumptions, the gross and net provisions for insurance claims are as follows:

At 31 December 2018	**Net ($'000)**	**Gross ($'000)**
Estimated provision for insurance claims under the base scenario	**11,221**	**13,445**
At 31 December 2017		
Estimated provision for insurance claims under the base scenario	10,508	11,710

Provision for adverse deviation

Provision for insurance claims also includes a PAD which will provide a 75% probability of adequacy for the provision for insurance claims.

The Company has assumed a claim PAD of 12% to 17% (2017: 20%) under the base scenario. Increasing or decreasing the PAD by 2% (2017: 5%) results in changes in provision as follows:

	Net ($'000)		**Gross ($'000)**	
	High	**Low**	**High**	**Low**
	+2%	**-2%**	**+2%**	**-2%**
At 31 December 2018				
Provision for insurance claim	**11,391**	**11,051**	**13,649**	**13,241**
	+5%	-5%	+5%	-5%
At 31 December 2017				
Provision for insurance claims	11,114	10,262	12,339	11,442

41 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Ultimate loss ratio for motor

For Motor class of business, the actuary has presumed an Ultimate Loss Ratio ("ULR") of 156% (2017: 91%) under the base scenario. If the assumed ULR increased or decreased by 2% (2017: 5%), the resulting provision will be as follows:

	Net ($'000)		Gross ($'000)	
	High	**Low**	**High**	**Low**
	+2%	**-2%**	**+2%**	**-2%**
At 31 December 2018				
Provision for insurance claims	**11,399**	**11,043**	**13,683**	**13,211**
	+5%	-5%	+5%	-5%
At 31 December 2017				
Provision for insurance claims	11,142	10,235	12,339	11,438

Claim handling expenses

Allowance for claims handling expenses relates to the costs of administering outstanding claims until all claims are fully settled. CHE is computed based on 6% (2017: 4.5%) of incurred-but-not-reported claims and 6% (2017: 4.5%) of case reserves.

The effects of varying CHE by 2% (2017: 1%) (both upwards and downwards) are presented below:

	Net ($'000)		Gross ($'000)	
	High	**Low**	**High**	**Low**
	+2%	**-2%**	**+2%**	**-2%**
At 31 December 2018				
Provision for insurance claims	**11,353**	**11,089**	**13,577**	**13,313**
	+1%	-1%	+1%	-1%
At 31 December 2017				
Provision for insurance claims	10,757	10,620	11,959	11,821

42 OPERATING SEGMENTS

The Group has three reportable segments which relate to the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. The reportable segment presentation is prepared based on the Group's management and internal reporting structure. As some of the activities of the Group are integrated, internal cost allocation has been made in preparing the segment information such as the Group's centralised support costs and funding costs. Inter-segment pricing where appropriate, is determined on an arm's length basis. The Group's CEO reviews the internal management reports on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

42 OPERATING SEGMENTS (CONT'D)

Credit financing :	Credit financing encompasses commercial, alternative and structured finance businesses and focuses on providing services to corporate clients, mainly the small and medium-sized enterprises. The commercial services provided include factoring, accounts receivable financing, trade financing, mortgage financing, working capital, financing for overseas operations, hire purchase as well as participating in financing by SPRING and IES under LEFS and IF Scheme respectively. Where conventional forms of commercial finance are inadequate, alternative and structured financial solutions are offered to clients to address either equity or debt capital requirements.
Insurance :	The provision of credit insurance facilities to Singapore exporters and the issue of performance bonds and guarantees, domestic maid insurance, property and casualty insurance, marine cargo and motor insurance, political risks, engineering and work injury compensation insurance. The segment includes holding of equity securities and bonds under the regulated insurance fund.
Private equity and other investments :	The provision of development capital in the form of mezzanine financing,convertible debt instruments and direct private equity investments.

Total operating income comprises interest income, net earned premium revenue, fee and commission income and investment income. Performance is measured based on segment profit before tax.

Information about reportable segments

	Credit financing $'000	Insurance $'000	Private equity and other investments $'000	Total $'000
2018				
Operating results				
Total operating income	36,907	7,249	630	44,786
Reportable segment profit/(loss) before tax	25,628	(4,720)	1,681	22,589
Net interest income	20,521	–	–	20,521
Net earned premium revenue	–	6,853	–	6,853
Non-interest income	24,453	409	1,728	26,590
Other material non-cash items:				
- Provisions for loan losses and impairment of other assets	(666)	(87)	–	(753)
- Depreciation and amortisation	(1,240)	(143)	–	(1,383)
Assets and liabilities				
Reportable segment assets	423,695	57,041	20,740	501,476
Capital expenditure	1,232	194	–	1,426
Reportable segment liabilities	291,332	26,852	436	318,620

42 OPERATING SEGMENTS (CONT'D)

	Credit financing $'000	Insurance $'000	Private equity and other investments $'000	Total $'000
2017				
Operating results				
Total operating income	32,076	13,388	2,709	48,173
Reportable segment profit/(loss) before tax	5,892	(3,551)	3,437	5,778
Net interest income	19,029	–	–	19,029
Net earned premium revenue	–	11,071	–	11,071
Non-interest income	7,098	2,381	3,486	12,965
Other material non-cash items:				
- Provisions for loan losses and impairment of other assets	(3,453)	(20)	–	(3,473)
- Depreciation and amortisation	(1,324)	(254)	–	(1,578)
Assets and liabilities				
Reportable segment assets	318,752	61,234	25,196	405,182
Capital expenditure	251	158	–	409
Reportable segment liabilities	218,024	25,032	495	243,551

Reconciliations of reportable segment operating income, profit or loss, assets and liabilities and other material items

	2018 $'000	2017 $'000
Operating income		
Interest income	**28,136**	24,612
Net earned premium revenue	**6,853**	11,071
Fee and commission income	**8,000**	6,687
Investment income	**1,797**	5,803
Total operating income for reportable segments	**44,786**	48,173
Profit		
Total profit before tax for reportable segments	**22,589**	5,778
Consolidated profit before tax	**22,589**	5,778
Non-interest income		
Total non-interest income for reportable segments	**26,590**	12,965
Consolidated non-interest income	**26,590**	12,965
Assets		
Total assets for reportable segments	**501,476**	405,182
Other unallocated amounts	**4,979**	5,834
Consolidated assets	**506,455**	411,016

42 OPERATING SEGMENTS (CONT'D)

	2018 $'000	2017 $'000
Liabilities		
Total liabilities for reportable segments	**318,619**	243,551
Other unallocated amounts	**3,276**	1,150
Consolidated liabilities	**321,895**	244,701

Geographical segments

In view of the Group's continuing efforts to develop its businesses across the region, resources are now allocated mainly to the five principal geographical areas.

Geographical segments are analysed by five principal geographical areas. Singapore, Thailand, Malaysia, Indonesia and Others are the major markets for credit financing and insurance activities. Others are also the markets for private equity and other investment activities.

In presenting information on the basis of geographical segments, segment operating income is based on the geographical location of the clients. Segment assets are based on the geographical location of the assets.

Geographical information

	Operating income $'000	Non-current assets $'000	Total assets $'000
2018			
Singapore	**21,249**	**1,241**	**277,590**
Thailand	**18,614**	**4,978**	**186,621**
Malaysia	**2,634**	**132**	**22,794**
Indonesia	**2,289**	**143**	**18,916**
Others	**–**	**–**	**534**
	44,786	**6,494**	**506,455**
2017			
Singapore	27,429	13,671	215,420
Thailand	16,455	5,278	175,177
Malaysia	2,301	139	9,747
Indonesia	1,988	26	10,041
Others	–	–	631
	48,173	19,114	411,016

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

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

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

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

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

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

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 Revenue from Contracts with Customers issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 Insurance Contracts issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – Classification and measurement of share-based payment transactions issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – Transfers of investment property issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS(I) – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

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

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

Summary of quantitative impact

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

43 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

Reconciliation of the Group's equity
Consolidated statement of financial position

		31 December 2017			1 January 2018	
	Note	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) I framework $'000	SFRS(I) 9 $'000	SFRS(I) I framework $'000
Non-current assets						
Property, plant and equipment		14,893	–	14,893	–	14,893
Intangible assets		465	–	465	–	465
Investment properties		3,756	–	3,756	–	3,756
Other investments	B	54,377	–	54,377	(315)	54,062
Loans, advances, hire purchase and leasing receivables	B	54,841	–	54,841	(51)	54,790
Deferred tax assets		5,308	–	5,308	–	5,308
		133,640	–	133,640	(366)	133,274
Current assets						
Reinsurers' share of insurance contract provisions		3,649	–	3,649	–	3,649
Insurance receivables		1,225	–	1,225	–	1,225
Loans, advances, hire purchase and leasing receivables	B	52,482	–	52,482	(840)	51,642
Trade and other receivables	B	169,334	–	169,334	552	169,886
Other investments	B	15,622	–	15,622	(3)	15,619
Cash and cash equivalents		35,064	–	35,064	–	35,064
		277,376	–	277,376	(291)	277,085
Total assets		411,016	–	411,016	(657)	410,359
Equity						
Share capital		137,302	–	137,302	–	137,302
Other reserves	A, B	(3,370)	7,352	3,982	(3,458)	524
Accumulated profits	A, B	18,359	(7,352)	11,007	2,850	13,857
Equity attributable to owners of the Company		152,291	–	152,291	(608)	151,683
Non-controlling interests	B	14,024	–	14,024	(49)	13,975
Total equity		166,315	–	166,315	(657)	165,658
Non-current liabilities						
Interest-bearing borrowings		9,412	–	9,412	–	9,412
Employee benefits		1,145	–	1,145	–	1,145
Deferred tax liabilities		375	–	375	–	375
		10,932	–	10,932	–	10,932
Current liabilities						
Trade and other payables		10,894	–	10,894	–	10,894
Insurance payables		1,967	–	1,967	–	1,967
Interest-bearing borrowings		198,377	–	198,377	–	198,377
Insurance contract provisions for:						
- gross unexpired risks		10,029	–	10,029	–	10,029
- gross insurance claims		11,710	–	11,710	–	11,710
Current tax payable		792	–	792	–	792
		233,769	–	233,769	–	233,769
Total liabilities		244,701	–	244,701	–	244,701
Total equity and liabilities		411,016	–	411,016	(657)	410,359

43 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

Reconciliation of the Company's equity
Statement of financial position for the Company

	Note	1 January 2018 FRS framework $'000	SFRS(I) 9 $'000	SFRS(I) framework $'000
Non-current assets				
Property, plant and equipment		13,342	–	13,342
Intangible assets		119	–	119
Subsidiaries		86,897	–	86,897
Other investments		5,262	–	5,262
Loans, advances, hire purchase and leasing receivables	B	44,513	(5)	44,508
Deferred tax assets		391	–	391
		150,524	(5)	150,519
Current assets				
Loans, advances, hire purchase and leasing receivables	B	39,720	(196)	39,524
Trade and other receivables	B	52,665	98	52,763
Other investments		659	–	659
Cash and cash equivalents		12,163	–	12,163
		105,207	(98)	105,109
Total assets		255,731	(103)	255,628
Equity				
Share capital		137,302	–	137,302
Other reserves	B	379	(379)	–
Accumulated profits	B	24,696	276	24,972
Equity attributable to owners of the Company		162,377	(103)	162,274
Non-current liabilities				
Interest-bearing borrowings		4,000	–	4,000
		4,000	–	4,000
Current liabilities				
Trade and other payables		5,444	–	5,444
Interest-bearing borrowings		83,894	–	83,894
Current tax payable		16	–	16
		89,354	–	89,354
Total liabilities		93,354	–	93,354
Total equity and liabilities		255,731	(103)	255,628

43 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

Notes to the reconciliations

A. SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

Foreign currency translation reserve ("FCTR")

The Group considers that restating FCTR to comply with current SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods. The Group and the Company elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR of $7,352,000 as at 1 January 2017 determined in accordance with FRS to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative FCTR of the Group increased by $7,352,000 and retained earnings decreased by the same amount as at 31 December 2017.

B. SFRS(I) 9

(i) Classification of financial assets and financial liabilities

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

				1 January 2018	
	Note	Original classification under FRS 39	New classification under SFRS(I)9	Original carrying amount under FRS 39	New carrying amount under SFRS(I) 9
Group				$	$
Financial assets					
Other investments, including derivatives					
Perpetual securities	*(a)*	Available-for-sale	Amortised cost	3,815	3,807
Debt investments (Quoted debt securities)	*(a)*	Available-for-sale	Amortised cost	18,480	18,284
Debt investments (Quoted debt securities)	*(a)*	Held-to-maturity	Amortised cost	12,576	12,462
Equity investments	*(b)*	Available-for-sale	Mandatorily at FVTPL	8,405	8,405
Equity investments	*(c)*	Designated as at FVTPL	Mandatorily at FVTPL	11,622	11,622
Convertible loans	*(d)*	Available-for-sale	Mandatorily at FVTPL	15,101	15,101
				69,999	69,681

43 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

B. SFRS(I) 9 (Contd)

(i) Classification of financial assets and financial liabilities (cont'd)

	Note	Original classification under FRS 39	New classification under SFRS(I)9	1 January 2018 Original carrying amount under FRS 39 $	1 January 2018 New carrying amount under SFRS(I) 9 $
Group					
Financial assets					
Loans, advances, hire purchase and leasing receivables		Loans and receivables	Amortised cost	107,323	106,432
Trade and other receivables					
Loans and receivables			Amortised cost	169,334	169,886
Cash and cash equivalents		Loans and receivables	Amortised cost	35,064	35,064
Total financial assets				**381,720**	**381,063**
Company					
Financial assets					
Other investments, including derivatives					
Equity investments	*(b)*	Available-for-sale	Mandatorily at FVTPL	5,262	5,262
Loans, advances, hire purchase and leasing receivables		Loans and receivables	Amortised cost	84,233	84,032
Trade and other receivables		Loans and receivables	Amortised cost	52,665	52,763
Cash and cash equivalents		Loans and receivables	Amortised cost	12,163	12,163
Total financial assets				**154,323**	**154,220**

(a) Debt securities and perpetual securities that were previously classified as held-to-maturity and available-for-sale are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. On transition to SFRS(I) 9, ECL allowance of $269,000 for debt securities previously reported as held-to-maturity was recognised in opening retained earnings at 1 January 2018. The fair value reserve of $49,000 in connection with debt securities and perpetual securities previously reported as available-for-sale was adjusted to opening retained earnings as at 1 January 2018 as if those investments had always been accounted for as financial assets at amortised cost.

(b) These equity investments represent investments that the Group intends to hold for long term. The Group has designated these investments as financial assets measured at FVTPL at 1 January 2018.

(c) Under FRS 39, these equity investments were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on that basis. These assets have been classified as mandatorily at FVTPL.

(d) Convertible loans were categorised as available-for-sale under FRS 39. For convertible loans, as the embedded feature cannot be separated and the contractual terms of the convertible loan as a whole do not give rise solely to payments of principal and interest on the principal amount outstanding. As such, the convertible loans in their entirety are classified as FVTPL.

43 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

(ii) Impairment of financial assets

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

Impairment loss related to trade receivables and other financial assets are presented under allowances for loan lossess and impairment of other assets, similar to the presentation under FRS 39, and not presented separately in the statement of profit or loss due to materiality considerations.

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

	Group $'000	Company $'000
Loss allowance at 31 December 2017 under FRS 39	1,525	952
Additional impairment recognised at 1 January 2018 on:		
Loans, advances, hire purchase and leasing receivables – at amortised cost	891	201
Trade and other receivables	(552)	(98)
Debt investments – amortised cost	269	–
Loss allowance at 1 January 2018 under SFRS(I) 9	2,133	1,055

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

Additional information about how the Company measure the allowance for impairment is described in Note 3.8.

44 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

SFRS(I) 16 *Leases*

SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

Applicable to 2021 financial statements

SFRS(I) 17 *Insurance Contracts*

The Group has assessed the estimated impact that the initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a significant impact, is as described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 Leases, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease,* SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

The Group and the Company as lessee

The Group and the Company expect to measure lease liabilities by applying a single discount rate to their portfolio of warehouse and factory facilities leases. Furthermore, the Group and the Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

44 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application. In addition, the Group will no longer recognise provisions for operating leases that it assessed to be onerous as described in note 20. Instead, the Group will include the payments due under the lease in their lease liability.

As at 1 January 2019, the Group expects an increase in ROU assets of approximately $2.8 million and an increase in lease liabilities of approximately $2.7 million. The Company expects an increase in ROU assets and lease liabilities of approximately $2.6 million and $2.5 million as at 1 January 2019.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

SFRS(I) 17

SFRS(I) 17 *Insurance Contracts* was issued in May 2017 and is effective for years beginning on 1 January 2021, and to be applied retrospectively. If full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The standard will replace SFRS (I) 4 *Insurance Contracts* and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group's financial statements.

In 2019, the Group will start to assess the impact that the application of SFRS(I) 17 will have on the financial statements.

Additional Information

INTERESTED PERSONS TRANSACTIONS

The transactions entered into during the financial year are as follow:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
	12 months	**12 months**
	31 Dec 2018	**31 Dec 2017**
Name of Interested Person	**$'000**	**$'000**
Credit Facility Granted		
Phillip Credit Pte Ltd	557	756
Management of Investment Portfolio		
Phillip Capital Management (S) Ltd	161	150
	718	906

MATERIAL CONTRACTS INVOLVING DIRECTORS' INTEREST

Saved as disclosed in the notes to the financial statements, there were no material contracts entered into by the Group involving the interest of the directors

Statistics of Shareholdings

AS AT 15 MARCH 2019

SHARE CAPITAL

Issued and Paid-up Share Capital	:	$137,906,932
Number of Shares	:	375,969,665
Class of Shares	:	ordinary shares
Voting Rights	:	one vote per share
Number of Treasury Shares	:	nil
Number of Subsidiary Holdings[1]	:	nil

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	132	3.62	5,142	0.00
100 - 1,000	135	3.71	58,669	0.02
1,001 - 10,000	2,311	63.42	9,228,922	2.45
10,001 - 1,000,000	1,051	28.84	52,927,948	14.08
1,000,001 and above	15	0.41	313,748,984	83.45
Total	3,644	100.00	375,969,665	100.00

TOP TWENTY SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	PHILLIP SECURITIES PTE LTD	236,566,474	62.92
2	DBS NOMINEES PTE LTD	34,918,204	9.29
3	LEE BOON LEONG	17,061,000	4.54
4	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	6,498,208	1.73
5	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,674,108	0.98
6	LIM WAH TONG	2,463,000	0.65
7	LIM HOW TECK	2,170,000	0.58
8	CITIBANK NOMINEES SINGAPORE PTE LTD	1,732,630	0.46
9	RAFFLES NOMINEES (PTE) LIMITED	1,678,750	0.45
10	TOH ONG TIAM	1,404,000	0.37
11	LIM CHIN CHOO @ ELIZABETH LIM	1,243,500	0.33
12	YEO WEI HUANG	1,155,000	0.31
13	TAN SOON LIN	1,080,460	0.29
14	BOON KIA HENG JUSTIN (WEN JIAQING)	1,068,650	0.28
15	TEO YEW HOCK	1,035,000	0.27
16	OCBC SECURITIES PRIVATE LTD	996,602	0.27
17	LEE SOON KIE	992,900	0.26
18	MAYBANK KIM ENG SECURITIES PTE LTD	673,610	0.18
19	OU YANG YAN TE	647,852	0.17
20	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	615,125	0.16
	Total	317,675,073	84.49

Notes:

1 "Subsidiary Holdings" is defined in the Listing Manual issued by the Singapore Exchange Securities Trading Limited to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

Statistics of Shareholdings

AS AT 15 MARCH 2019

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 15 March 2019, approximately 30.30% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as recorded in the Register of Substantial Shareholders as at 15 March 2019

	No. of Shares			
Substantial Shareholder	**Direct Interest**	**Deemed Interest**	**Total Interest**	**%**
Phillip Assets Pte. Ltd.	226,063,029[1]	-	226,063,029	60.13
Lim Hua Min	-	226,063,029[2]	226,063,029	60.13
Factorie, L.P.	25,773,280	-	25,773,280	6.86
Factorie Ltd	-	25,773,280[3]	25,773,280	6.86
Diamond GP Holdings Ltd.	-	25,773,280[4]	25,773,280	6.86
Dymon Asia Private Equity (S.E. Asia) 2012 Ltd	-	25,773,280[5]	25,773,280	6.86
Tan Keng Soon	-	25,773,280[6]	25,773,280	6.86
Dymon Asia Capital Ltd	-	25,773,280[7]	25,773,280	6.86
Yong Ming Chong	-	25,773,280[8]	25,773,280	6.86

Notes:

1 Deposited with the Depository Agent, Phillip Securities Pte. Ltd.

2 Lim Hua Min is deemed to have an interest in the 226,063,029 shares held by Phillip Assets Pte. Ltd.

3 Factorie Ltd is the general partner of Factorie, L.P. and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.

4 Diamond GP Holdings Ltd. has a controlling interest in Factorie Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.

5 Dymon Asia Private Equity (S.E. Asia) 2012 Ltd has a controlling interest in Diamond GP Holdings Ltd. and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.

6 Tan Keng Soon holds more than 20% voting rights in Dymon Asia Private Equity (S.E. Asia) 2012 Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.

7 Dymon Asia Capital Ltd holds more than 20% voting rights in Dymon Asia Private Equity (S.E. Asia) 2012 Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.

8 Yong Ming Chong has a controlling interest in Dymon Asia Capital Ltd and is deemed to have an interest in the 25,773,280 shares held by Factorie, L.P.

Notice of Annual General Meeting

IFS CAPITAL LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 198700827C

NOTICE IS HEREBY GIVEN that the Thirty-Second (32nd) Annual General Meeting of IFS Capital Limited (the "**Company**") will be held at 11 Eunos Road 8, Lifelong Learning Institute, Event Hall 2-2 Level 2, Singapore 408601, on Monday, 29 April 2019 at 2.30 p.m. for the following purposes:

ROUTINE BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2018 together with the Auditors' Report thereon. . **(Resolution 1)**

2. To approve the payment of a first and final one-tier tax exempt ordinary cash dividend of 0.55 cents per share for the financial year ended 31 December 2018. **(Resolution 2)**

3. To approve the Directors' fees of S$243,200 (2017: S$243,200) for the financial year ended 31 December 2018. **(Resolution 3)**

4. To re-elect Mr Lim Hua Min, who will retire by rotation in accordance with article 94 of the Constitution of the Company. **(Resolution 4)**

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

SPECIAL BUSINESS

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

6. That authority be and is hereby given to the Directors to:

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

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

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

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors 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 per cent. of the total number of issued shares of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent. of the total number of issued shares of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”)) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares of the Company excluding treasury shares and subsidiary holdings at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

and, in sub-paragraph (1) above and this sub-paragraph (2), “subsidiary holdings” has the meaning given to it in the Listing Manual of the SGX-ST;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. **(Resolution 6)**

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that, subject to the approval of the Shareholders for the proposed first and final dividend at the Annual General Meeting, the Share Transfer Books and the Register of Members of the Company will be closed on 8 May 2019, for the purpose of determining shareholders’ entitlements to the proposed first and final one-tier tax exempt ordinary cash dividend for the financial year ended 31 December 2018.

Duly completed and stamped transfers together with all relevant documents of or evidencing title received by the Company’s Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902 up to the close of business at 5.00 p.m. on 7 May 2019 will be registered before entitlements to the proposed first and final dividend are determined. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5.00 p.m. on 7 May 2019 will be entitled to the proposed first and final dividend.

The proposed first and final dividend if approved at the Annual General Meeting, will be paid on 17 May 2019.

By Order of the Board

Chionh Yi Chian/Angeline Ng
Company Secretary/Assistant Company Secretary
IFS Capital Limited

Singapore
12 April 2019

Notice of Annual General Meeting

Notes:

(a) (i) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(ii) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

(b) A proxy need not be a member of the Company.

(c) The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 not less than 72 hours before the time appointed for holding the Annual General Meeting.

1. <u>Notes to Resolution 4:</u>

In relation to Resolution 4, Mr Lim Hua Min will, upon re-election as a Director of the Company, continue to serve as a Member of the Executive Resource and Compensation Committee. Please refer to the "Board of Directors" and "Additional Information on Director Seeking Re-election" sections in the Annual Report 2018 for further information on Mr Lim Hua Min.

Mr Kwah Thiam Hock who is also retiring as a Director of the Company, will not be offering himself for re-election.

2. <u>Notes to Resolution 6:</u>

Resolution 6 is to empower the Directors to issue shares of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50 per cent. of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), with a sub-limit of 20 per cent. for issues other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of the issued shares of the Company (excluding treasury shares and subsidiary holdings) at the time that Resolution 6 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 6 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares. As at 15 March 2019, the Company had no treasury shares and no subsidiary holdings.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Additional Information on Director Seeking Re-Election

The following additional information relating to Mr Lim Hua Min who is seeking re-election as a Director at the Annual General Meeting of the Company on 29 April 2019, is provided pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Name of Director	MR LIM HUA MIN
Date of Appointment	20 May 2003
Date of last re-election	27 April 2016
Age	73
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	N.A.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	- Chairman, Non-Executive Director - Member of the Executive Resource and Compensation Committee
Professional qualifications	- Bachelor of Science (Honours) University of Surrey, England - Master of Science Imperial College, London University
Working experience and occupation(s) during the past 10 years	Executive Chairman of Phillip Group of Companies
Shareholding interest in the listed issuer and its subsidiaries	Deemed interest: 226,063,029 shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Lim is the substantial shareholder of Phillip Assets Pte Ltd which is the substantial shareholder of the listed issuer.
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments (Including Directorships) Past (for the last 5 years) Present	 Nil Please refer to Mr Lim Hua Min's details on page 31 of the Annual Report.

Additional Information on Director Seeking Re-Election

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

Additional Information on Director Seeking Re-Election

Name of Director	MR LIM HUA MIN
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

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IFS CAPITAL LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 198700827C

PROXY FORM

Thirty-Second (32^{nd}) Annual General Meeting

IMPORTANT
1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in IFS Capital Limited, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2019.

I/We ______________________ (Name) ______________ (NRIC/Passport No./Co. Regn No.)

of ____ (Address)

being a member/members of **IFS Capital Limited** (the "**Company**"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Thirty-Second (32^{nd}) Annual General Meeting of the Company to be held at 11 Eunos Road 8, Lifelong Learning Institute, Event Hall 2-2 Level 2, Singapore 408601, on Monday, 29 April 2019 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Annual General Meeting.

	Resolutions Relating To:	For*	Against*
Routine Business			
1	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report		
2	Payment of a First and Final One-Tier Tax Exempt Ordinary Cash Dividend of 0.55 cents per share		
3	Approval of Directors' fees amounting to S$243,200		
4	Re-election of Director: Mr Lim Hua Min		
5	Re-appointment of KPMG LLP as Auditors		
Special Business			
6	Ordinary Resolution: Authority for Directors to Issue Shares and Instruments Convertible into Shares		

* ***Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please indicate with an "X" in the box provided. Alternatively, please indicate the number of votes as appropriate.***

Dated this __________ day of ________________ 2019

Total No. of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s) or
Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES TO PROXY FORM OVERLEAF

NOTES TO PROXY FORM:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.

3. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument appointing a proxy or proxies, to the Annual General Meeting.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he 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 the member.

5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902, not less than 72 hours before the time appointed for holding the Annual General Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy or proxies, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General

The Company shall be entitled to reject an 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 appointing a proxy or proxies (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Affix Postage Stamp

IFS Capital Limited

c/o M & C Services Private Limited

112 Robinson Road #05-01

Singapore 068902

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Corporate Information

BOARD OF DIRECTORS

Lim Hua Min
Chairman

Gabriel Teo Chen Thye
Lead Independent Director

Manu Bhaskaran

Law Song Keng

Kwah Thiam Hock

Tan Hai Leng Eugene
Executive Director
& Group Chief Executive Officer

AUDIT COMMITTEE

Gabriel Teo Chen Thye
Chairman

Manu Bhaskaran

Law Song Keng

EXECUTIVE RESOURCE AND COMPENSATION COMMITTEE

Manu Bhaskaran
Chairman

Lim Hua Min

Gabriel Teo Chen Thye

GROUP MANAGEMENT COMMITTEE

Tan Hai Leng Eugene
Chairman

Chionh Yi Chian

Ang Iris

Randy Sim Cheng Leong

Choi Kin Seng

Tan Ley Yen

AB. Razak Khalil

Giovanni Florentinus E.J.

REGISTERED OFFICE

10 Eunos Road 8
#09-04 Singapore Post Centre
Singapore 408600
Tel: 65-6270 7711
Fax: 65-6339 1076
Website: www.ifscapital.com.sg
Email: IR@ifscapital.com.sg

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

COMPANY SECRETARY

Chionh Yi Chian

ASSISTANT COMPANY SECRETARY

Angeline Ng Ching Loo

AUDITORS

KPMG LLP
Public Accountants and
Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Partner-In-Charge

Goh Kim Chuah
(since FY2015)

IFS CAPITAL LIMITED
(Reg No: 198700827C)

10 Eunos Road 8
#09-04 Singapore Post Centre
Singapore 408600
Tel: +65 6270 7711
Fax: +65 6339 1076

SUBSIDIARIES

ECICS LIMITED

10 Eunos Road 8
#09-04A Singapore Post Centre
Singapore 408600
Tel: +65 6337 4779
Fax: +65 6338 9267

IFS CAPITAL ASSETS PRIVATE LIMITED
IFS CAPITAL INTELLECTUAL PROPERTY PRIVATE LIMITED
IFS CONSUMER SERVICES PRIVATE LIMITED
IFS VENTURES PRIVATE LIMITED
IFS VENTURES 2 LIMITED

10 Eunos Road 8
#09-04 Singapore Post Centre
Singapore 408600
Tel: +65 6270 7711
Fax: +65 6339 1076

IFS CAPITAL (MALAYSIA) SDN. BHD.
IFS FACTORS (MALAYSIA) SDN. BHD.

Suite 2-01, 2nd Floor
Menara Atlan
161B Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel : (603) 2161 7080
Fax : (603) 2161 9090

PT. IFS CAPITAL INDONESIA

Rukan Cordoba Blok G
No. 37 Jl. Marina Raya
Pantai Indah Kapuk
Jakarta 14470
Indonesia
TEL: (6221) 225 730 29

IFS CAPITAL (THAILAND) PUBLIC COMPANY LIMITED
IFS CAPITAL HOLDINGS (THAILAND) LIMITED

20th Floor, Lumpini Tower
1168/55 Rama IV Road
Tungmahamek Sathorn
Bangkok 10120
Thailand
Tel : (662) 285 6326
Fax : (662) 285 6335