



**HONG LEONG  
FINANCE LIMITED**

ANNUAL REPORT 2014

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Inspired by the skill and finesse of Asian calligraphy, this year's annual report features a hand-drawn circle presented in a fluid, expressive stroke. Drawing the perfect circle is a disciplined art form, requiring daily practice to achieve perfection. This reflects Hong Leong Finance's continuous pursuit of excellence, in the products and services we extend to our customers.

The circle is a perfect symbol of strength, which represents our position as a pillar of support for our customers. This concept is further expressed with the placement of the company's logo in the centre of the circle, signifying our aim to remain at the core of our customers' businesses and investments, an unwavering pillar of strength in good times and bad.

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# FIVE-YEAR FINANCIAL SUMMARY

		2014	2013	2012	2011	2010
<b>Capital Employed</b>						
Total assets	\$ million	12,262	11,675	11,794	9,505	8,901
Net equity	\$ million	1,659	1,646	1,625	1,598	1,549
Net assets per share	\$	3.74	3.72	3.68	3.63	3.52
<b>Share Capital</b>						
Number of shares in issue	million	443.5	442.7	441.2	440.5	440.4
<b>Loans and Deposits</b>						
Loans net of allowances	\$ million	9,583	9,088	8,896	7,452	6,279
Deposits	\$ million	10,469	9,906	10,046	7,761	7,177
<b>Profit and Retained Earnings</b>						
Profit before tax	\$ million	75.8	84.4	78.5	119.7	146.3
Profit after tax	\$ million	62.8	70.1	77.6	99.8	122.0
Interim/final dividend(s) declared in the year	\$ million	53.2	53.0	52.9	52.9	44.0
Earnings retained for the year	\$ million	9.6	17.1	24.7	46.9	78.0
<b>Earnings Per Share and Dividends</b>						
Earnings per share	cents	14.2	15.9	17.6	22.7	27.7
Dividend – tax exempt one-tier*	cents	10.0	12.0	12.0	12.0	12.0
Times covered*		1.4	1.3	1.5	1.9	2.3
<b>Number of Employees</b>		674	675	662	653	640

\* Dividend per share and times covered are stated based on the interim/final dividend(s) declared/proposed in respect of each financial year. This differs from the accounting treatment whereby dividends are accounted for in the year declared regardless of the financial year to which they relate.

## Dividend Policy

The Group aims to maintain a strong capital position to ensure market confidence, to support its on-going business and to meet the expectations of depositors, customers and investors alike. Hong Leong Finance is also required to comply with regulatory standards of capital requirements through the maintenance of a minimum capital adequacy ratio at all times, and to transfer a requisite proportion of its annual net profit to the statutory reserve which is not available for distribution to shareholders.

The Board of Directors aims to pay dividends to shareholders twice a year, at rates which balance returns to shareholders with prudent capital and financial management. Before proposing any dividends, the Board of Directors will consider a range of factors, including the Group's results of operations, sufficiency of retained earnings and cash for operations as well as for capital requirements, capital expenditure and investment plans and general business and other conditions and factors.

# FINANCIAL HIGHLIGHTS

## Total Assets (\$ mil)

FY 2014

12,262

FY 2013

11,675

## Loans Net Of Allowances (\$ mil)

FY 2014

9,583

FY 2013

9,088

## Deposits (\$ mil)

FY 2014

10,469

FY 2013

9,906

## Profit Before Tax (\$ mil)

FY 2014

75.8

FY 2013

84.4

## Profit After Tax (\$ mil)

FY 2014

62.8

FY 2013

70.1

## Interim/Final Dividend(s) Declared In The Year (\$ mil)

FY 2014

53.2

FY 2013

53.0

## Earnings Per Share (cents)

FY 2014

14.2

FY 2013

15.9

# CHAIRMAN'S STATEMENT



Many SMEs have found our one-stop professional financial services offered at the strategically located SME Centre @ Hong Leong Finance apt and convenient.

On behalf of the Board of Directors, I am pleased to present this annual report of the Group and the Company for the financial year ended 31 December 2014.

## FINANCIAL OVERVIEW

Group profit after tax attributable to shareholders for the year ended 31 December 2014 amounted to \$62.8 million, equivalent to 14.2 cents per share. The results for the year were arrived at after charging a topping up of provisions (net of write back of provisions/recoveries) amounting to \$2.0 million against a write back of \$2.3 million in 2013.

The Group achieved steady growth in its core activities during the year. Loans and advances (before allowances) rose to \$9.69 billion from \$9.19 billion in 2013, an increase of \$500 million or 5.4% over the previous year. Deposits and balances of customers registered a corresponding increase of 5.7%, closing at \$10.47 billion as at 31 December 2014. There are no bank borrowings outstanding.

At the end of the financial year, Group shareholders' funds totalled \$1.66 billion, equivalent to \$3.74 per share. The Group continues to maintain a strong capital adequacy ratio of 16.4% as at 31 December 2014, higher than the prescribed requirement. Under the enhanced risk-based capital framework effective from 2015, the capital adequacy ratio translates to 16.2%.

An interim dividend of 4 cents per share (tax exempt one-tier) was paid on 15 September 2014. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Board is proposing the payment of a final dividend of 6 cents per share (tax exempt one-tier) in respect of 2014. The aggregate distribution for the year will amount to approximately \$44 million, compared to \$53 million for 2013.

## OPERATING PERFORMANCE

Global economic growth remained subdued for another financial year in 2014, with worldwide recovery slow and uneven. This was further shaped by a strained



geo-political situation, incorporating rising tensions in East Asia, Ukraine and the Middle East. External cross-border demand has been stalling.

The Singapore economy grew by 4.6% in the first quarter on a year-on-year basis and slowed to 2.3%, 2.8% and 2.1% in the subsequent three quarters. For the whole of 2014, the economy expanded by 2.9%. Domestically, there were formidable headwinds ranging from labour shortage, consumer deleveraging and low productivity to the slowdown in both property and motor vehicle markets.

Local SMEs were faced with multiple challenges from industry competition to manpower scarcity which were limiting their growth. In this difficult and trying environment, companies were optimising their product and service quality to differentiate their offerings and taking concrete steps to boost productivity with technology solutions in ensuring sustained growth in the long run. In order to achieve higher levels of productivity, productivity-enhancing investments were required.

Hong Leong Finance continues to be committed in helping SMEs in their productivity drive. The popular and successful Productivity Loan Promotion, rolled out in 2013, to incentivise and motivate SMEs to take up government assistance under the Quality Growth Programme and sign up for our productivity-enhancing loans, was extended for another year to promote and support the efficiency efforts of SMEs.

With more than 50 years of experience, Hong Leong Finance understands the success drivers for SME businesses. Many SMEs have found our one-stop professional financial services offered at the strategically located SME Centre @ Hong Leong Finance apt and convenient. We therefore focused our resources on what we do best that creates sustainable competitive advantage. We continued emphasising investment in physical capital and infrastructure and expanded the SME Centre @ Hong Leong Finance network to eight island-wide this year. Alongside this, we grew our SME sales force and managed good growth in our SME loan portfolio.

Our non-lending fee income from the capital markets continued to improve as more SMEs were tapping into it. Our Corporate Finance team was amongst the Top Sponsors for Catalist IPOs in 2014, a major milestone for Corporate Finance. We worked with a broad range of customers on significant engagements, including a Reverse Takeover and IPOs for approximately 20% of the new companies listed on SGX Catalist board. Acting as Continuing Sponsor and Right Issue Manager for Catalist companies have also provided us with a steady fee income stream.

Building strategic alliances with key business partners such as property developers, real estate agents, car dealers and equipment suppliers enabled us to gain greater access to their resources, including markets, capital and people. The team-up with our partners has provided immense opportunities for all and helped us to grow.

The car loan business remained slow due to restrictive credit regulations. New car sales in Singapore recovered slightly in 2014 and some pick up is anticipated in 2015 with moderate but stable growth on the back of a slew of Certificates of Entitlement to be deregistered, freeing up additional supply for the market.

*Building strategic alliances with key business partners such as property developers, real estate agents, car dealers and equipment suppliers enabled us to gain greater access to their resources, including markets, capital and people.*

The private and public residential property market was sluggish with the price index slipping QoQ. This was the result of numerous factors acting in conjunction with the cooling measures. Hong Leong Finance continued to write private residential property loans very selectively in view of stiff loan market competition and low interest yield. However, serving HDB dwellers with customised and innovative HDB Home Loans at the 28 branches remains our focal point.

# CHAIRMAN'S STATEMENT

With a rising interest rate environment and higher cost of funds which impinged on our net interest margins, Hong Leong Finance adopted a measured loan growth strategy with emphasis on higher yield SME loans.

While satisfying the financial needs of our customers and helping them succeed financially, we were committed in keeping up with our credit discipline, and maintaining and upholding a proper, robust and prudent management of our Governance, Risk and Compliance framework.

Hong Leong Finance recognises the need for economic growth to be balanced by providing opportunities and benefits for different communities. As a strong advocate in promoting SME growth, Hong Leong Finance has been a long-standing supporter of the Annual SMEs Conference and Infocomm Commerce Conference. We are proud to once again be a Gold Sponsor at this year's conferences.

In honour of Singapore's Pioneer Generation for their contribution in nation-building, Hong Leong Finance was the only financial institution that offered this special group of individuals, who are 65 years and older, one of the highest fixed deposit rates to enjoy. And in celebration of Singapore's Golden Jubilee in 2015, Hong Leong Finance also kicked off the celebratory activities with gifts and good rates for fixed deposit customers.

For the young, we participated as a key sponsor in the NTU Fest 2014 that raised funds for needy ITE students to facilitate them in pursuing their education and interests.

We do what is right for our customers and the community and this timeless value is embraced and well-exemplified by our staff who are our pride. Three staff members were bestowed Silver awards as service excellence champions at the Association of Banks in Singapore's Excellent Service Awards Ceremony 2014.

Hong Leong Finance also added another feather to our cap by clinching the top finance company title in the region, winning the "ASEAN Finance Company of the Year" in the Asian Banking & Finance Retail Banking Awards 2014. The award recognised our superior performance and practices in the banking and financing services sector in ASEAN. This is the fourth consecutive year that Hong Leong Finance received an award at the Asian Banking & Finance Retail Banking Awards for our service distinction. These successes would not have been possible without the collaboration and dedication of our customers, partners and staff.

Hong Leong Finance's business model is built on years of trust. Customers' deposits and investors' monies are placed with us based on our established track record of prudence, good returns and service excellence. Loans are made to individuals and businesses only after careful stringent credit assessment; investments are made in assets that meet regulatory requirements to provide sustainable future income; contributions are given to the community to help promote social and entrepreneurship growth. By operating efficiently and supporting our customers and local communities, we remain as a strong and sustainable profitable business. Hong Leong Finance together with other companies in the Hong Leong Group Singapore supported Securities Investors Association (Singapore) as a sponsor in their



Investor Education Programmes during the year. Our employees also joined hands with others in the Hong Leong Group to touch lives of the seniors from Henderson Senior Citizens' Home at the annual Lunar New Year celebration and had a rewarding day making a difference in the lives of others.

## OUTLOOK

The nature of challenges facing businesses is increasingly complex. The world is undergoing a series of transformational shifts. The geo-political tensions in a number of regions will have negative consequences on the global economic outlook. In the absence of a strong catalyst for global business growth combined with Singapore's ongoing restructuring efforts, the local economy is likely to face further headwinds.

The fast moving, interconnected economy requires Hong Leong Finance to respond quickly and adopt an integrated approach when choosing solutions. Close engagement with our valued customers, partners and communities will continue to be our priority for 2015 to promote healthy economic growth that supports a more-inclusive result, addressing challenges and creating enhanced opportunities.

At the same time, we will remain focused in being prudent and proactive in seeking new opportunities on ensuring healthy and measured balance sheet growth, in compliance with our policies and strong underwriting risk parameters. We will also streamline and rationalise our systems and processes to deliver high quality products and services to our customers while keeping tight control of our expenditure as a way to ensure long-term value creation.

*Close engagement with our valued customers, partners and communities will continue to be our priority for 2015 to promote healthy economic growth that supports a more-inclusive result, addressing challenges and creating enhanced opportunities.*

## APPRECIATION

On behalf of the Board of Directors, I would like to convey our sincere gratitude to all our valued customers, shareholders and business partners for their continued support, trust and confidence in us. I would also like to express my appreciation and thanks to my fellow Directors for their invaluable advice and guidance during the year and to the management and staff for their commitment and efforts in 2014.

### KWEK LENG BENG

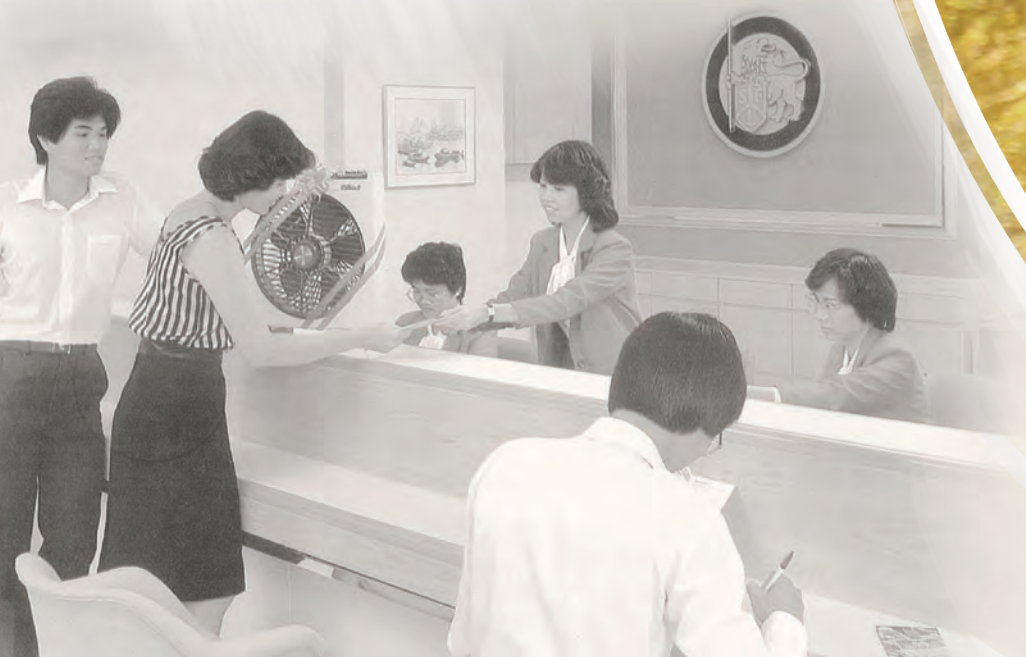
Chairman

26 February 2015

# TURNING POTENTIAL INTO SUCCESS

Our unwavering commitment to building long-term partnerships with customers, businesses, shareholders and the community has always been a cornerstone of our business. Over the past five decades, our team of branch officers and SME specialists have been forging lasting relationships and creating mutually beneficial experiences with customers. We strive to unlock greater opportunities and set our sights on helping our partners build business sustainability, growth and success.

The appearances of HLF's branches, like the newly renovated Jurong East Branch (*pictured right*), may change but customers can still receive the same level of service excellence.







# CORPORATE PROFILE

*We are committed to providing complete financial solutions to both business enterprises and retail customers. We remain close to the community we serve through our branch and SME centre network and aspire to serve our customers by listening to their requests and tailoring our suite of products and services to best cater to their needs.*

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Incorporated in 1961 as a Small & Medium Enterprise (SME), Hong Leong Finance (HLF) has evolved to become Singapore's largest finance company with a distribution network of 28 branches. Listed on the Singapore Stock Exchange in 1974 as the then Singapore Finance Ltd, HLF is the financial services arm of the Hong Leong Group Singapore, offering an extensive suite of

financial products and services, spanning from deposits and savings, corporate and consumer loans, government assistance programmes for SMEs to corporate finance and advisory services.

With over 50 years of experience in serving the SME community, HLF has supported many local enterprises with customised financing solutions to enable them to operate successfully in the corporate world. To help our corporate customers gain greater business efficiency, HLF launched the Business Current Account in 2007 and became the only finance company here to offer chequeing account services. HLF is also a pioneer in the Local Enterprise Finance Scheme administered by Spring Singapore and the exclusive finance company in Singapore with full sponsorship status for the SGX Catalist Board, enabling us to provide financial advisory and fund raising services to SMEs aiming to list on Catalist. With our strong commitments towards the SMEs, HLF was twice conferred the "Friends of Enterprise" award by the Spirit of Enterprise.





In our quest to maintain market leadership and deliver our services more efficiently to the SMEs, HLF's strong SME Centres @ Hong Leong Finance network further enhances our presence and brings us closer to the business community. There are currently eight centres across the north, south, east, west and central zones of Singapore, which have been reaching out to businesses in the vicinity.

At HLF, we are committed to providing complete financial solutions to both business enterprises and retail customers. We remain close to the community we serve through our branch and SME centre network and aspire to serve our customers by listening to their requests and tailoring our suite of products and services to best cater to their needs. Whether it is a business entity striving to expand its company or an individual wishing to build a secure

financial future, HLF will endeavour to cater to their every need. For that reason, HLF is honoured to receive the Asia Finance Company of the Year Award in 2007, the Singapore Finance Company of the Year Award for three consecutive years in 2011, 2012 and 2013 and the ASEAN Finance Company of the Year Award for 2014 at the Asian Banking and Finance Retail Banking Awards.

We believe in maintaining the trust and confidence that our customers have in us by consistently developing and enhancing our capabilities to better serve our diverse customer base and be a financial partner of choice.

Through the years, we have established a solid customer base and grown with them. We thank them for their continued support and look forward to many more years of excellent service.

**8** SME  
CENTRES

NORTH, SOUTH,  
EAST, WEST &  
CENTRAL ZONES  
OF SINGAPORE

**28**

BRANCHES  
ACROSS  
SINGAPORE

**53**  
YEARS

SERVING THE  
COMMUNITY



# TRANSFORMING POSSIBILITIES INTO REALITY

With a comprehensive suite of financial services and solutions, we are able to meet the different needs of our customers. From using printed materials, our staff now increasingly use the latest technology and digital devices to help customers with their financial needs.

Pamphlets and brochures used to be the main source of information on HLF's products, like the Savers Plus Account (*pictured below*). Now it is complemented by digital tablets that provide a holistic view of customers' financial positions and the options available to them.









# 2014 HIGHLIGHTS

## January

### Talkmed IPO Listing

Hong Leong Finance (HLF) acted as the sponsor for oncology and haematology firm Talkmed when it conducted its Initial Public Offering (IPO) on the Singapore Exchange's (SGX) Catalist Board. The company raised gross proceeds of S\$21.03 million.

## February

### Relaunch of SME Centres @ Hong Leong Finance



HLF's SME Centres @ Branches was relaunched as SME Centres @ Hong Leong Finance. This was part of HLF's renewed focus towards providing

better service and effective products that would support Singapore's Small and Medium Enterprise (SME) sector.

## March

### Productivity Loan Promotion



By popular demand, the popular Productivity Loan Promotion was continued for another year to help SMEs in their productivity drive. Companies would receive

incentives when they took up the government assistance and signed up for HLF's productivity-enhancing loans.

## April

### An Evening of Business Insight



Members of Waste Management and Recycling Association of Singapore had an insightful evening with industry experts to learn about the commercial

property and commercial vehicle market outlook.

### International Dental Exhibition & Meeting (IDEM)

HLF took part in the biennial IDEM exhibition and helped medical professionals by offering special financing packages for purchases of the latest technologies and equipment.

## May

### Pioneer Generation Fixed Deposits Promotion



To recognise the nation-building efforts and contributions of Singapore's Pioneer Generation, HLF offered a fixed-deposit promotion

to this group of Singaporeans who were aged 65 and older.

### KOP Limited Reverse Takeover



Acting as the financial advisor and placement agent, HLF played a vital role in the listing of hospitality and integrated real estate developer KOP

Limited on the SGX Catalist Board. The listing was achieved through KOP's reverse takeover of Scorpio East Holdings.

## June

### SMJ International Holdings IPO Listing



HLF acted as the sponsor in the listing of carpet specialist SMJ International Holdings on the SGX Catalist Board. The IPO raised gross proceeds of S\$3.9 million.

## July

### ASEAN Finance Company of the Year 2014



In recognition of its status as one of the top financial institutions in the region, HLF was bestowed the "ASEAN Finance Company of the Year" award at the

Asian Banking and Finance Retail Banking Awards 2014. HLF also clinched the coveted "Singapore Finance Company of the Year" award for the years 2011, 2012 and 2013.

## August

### Gold Sponsor of SCCC Annual SMEs Conference



As a long-standing supporter of SMEs in Singapore, HLF participated as a Gold Sponsor at the 16th annual SMEs

Conference and 17th Infocomm Commerce Conference organised by the Singapore Chinese Chamber of Commerce & Industry. The two-day conference was attended by 4,700 participants.

### NTU Fest 2014



HLF was a key sponsor of the NTU Fest 2014 in support of the charity drive to help ITE students in their advancement of education and personal development.

### Opening of 8th SME Centre



Reinforcing its commitment to SMEs, HLF opened an eighth SME Centre @ Hong Leong Finance at Bukit Merah to provide convenient one-stop financial services to businesses.

### Singapore eDevelopment

HLF was appointed continuing sponsor for property developer and technology firm Singapore eDevelopment.

## September

### Fixed Deposits Offer to Thank Customers

To celebrate its inaugural "ASEAN Finance Company of the Year" award, HLF rolled out a special Fixed Deposits promotion in appreciation of customers' support.

## October

### Excellent Service Awards



HLF's staff were honoured for service excellence at the Association of Banks in Singapore's (ABS) Excellent Service Awards. This was also the first time HLF submitted staff nominations for the award.

## November

### HDB Home Loan Blitz



In the face of rising interest rate risk, to give HDB home dwellers the peace of mind and protection, HDB Home Loan Blitz was launched with a 3-year fixed rate package. The move was welcomed by customers looking to provide assurance for their loved ones.

## December

### mm2 Asia IPO Listing



HLF acted as the sponsor for mm2 Asia's Catalyst Board IPO. The deal raised gross proceeds of S\$7.8 million and marked the first listing of a Singaporean film production company on the SGX. The film company has produced movies including *Ah Boys To Men 1 and 2* and *The Journey*.

### New SME Property Loan Package

Cash-strapped SMEs had another avenue to raise financing for their working capital. Under the new SME Property Loan Package, they could borrow more to meet their cash flow needs.

### Singapore's Golden Jubilee Fixed Deposits Promotion



Ending off the year on a celebratory note, HLF rolled out a new Fixed Deposits promotion, offering attractive rates and gifts, to celebrate Singapore's Golden Jubilee which commenced in Jan 2015.

# BOARD OF DIRECTORS



**Kwek Leng Beng**



**Kwek Leng Joo**



**Kwek Leng Peck**



**Kwek Leng Kee**



**Chng Beng Hua**



**Cheng Shao Shiong @ Bertie Cheng**



**Po'ad bin Shaik Abu Bakar Mattar**



**Ter Kim Cheu**



**Raymond Lim Siang Keat**

## **Kwek Leng Beng, 74**

*Executive Director*

A Managing Director of Hong Leong Finance Limited ("HLF" or the "Company") since 1 March 1979, Mr Kwek was appointed Chairman of the Company since 28 November 1984 and was last re-appointed as a Director on 24 April 2014 pursuant to Section 153(6) of the Companies Act, Chapter 50 ("Section 153(6)"). Mr Kwek is also chairman of the Executive Committee ("Exco") and sits on the Risk Management Committee ("RMC") and Nominating Committee ("NC").

He is the Executive Chairman of Hong Leong Investment Holdings Pte. Ltd. ("HLIH"), the immediate and ultimate holding company of HLF, and City Developments Limited ("CDL"), and non-executive Chairman of Hong Leong Asia Ltd. ("HLA") and Millennium & Copthorne Hotels plc ("M&C"). He is also Chairman and Managing Director of City e-Solutions Limited ("CES").

Mr Kwek holds a law degree, LL.B. (London) and is also a fellow of The Institute of Chartered Secretaries and Administrators. He has extensive experience in the finance business, having grown from day one with the original Hong Leong Finance Limited which has since merged its finance business with the Company. He also has vast experience in the real estate business, the hotel industry as well as the trading and manufacturing business.

Mr Kwek's other appointments include being a member of the East Asia Council of INSEAD since its inception in 2003, a board member of the Singapore Hotel Association and a Fellow of the Singapore Institute of Directors ("SID"). He was also conferred an Honorary Doctorate of Business Administration in Hospitality from Johnson & Wales University (Rhode Island, US) and an Honorary Doctorate from Oxford Brookes University (UK).

At the Securities Investors Association Singapore ("SIAS") Investors' Choice Awards in October 2012, Mr Kwek (as Executive Chairman of CDL), together with Mr Kwek Leng Joo (then the Managing Director of CDL), emerged joint winners as "Partners in the Office of the CEO" in the Brendan Wood International – SIAS TopGun CEO Designation Award. This Award was accorded to CEOs who are best in class as rated by shareholders.

Mr Kwek was presented the inaugural Real Estate Developers' Association of Singapore (REDAS) Lifetime Achievement Award in February 2014 which was introduced to honour a pioneering group of real estate industry leaders in Singapore.

In February 2015, Mr Kwek was also presented the Singapore Chinese Chamber of Commerce and Industry ("SCCCI") SG50 Outstanding Chinese Business Pioneers Award. The award honours the Republic's outstanding Chinese business pioneers and their exemplary contributions to nation-building.

## **Kwek Leng Joo, 61**

*Non-Executive and Non-Independent Director*

Appointed a Director of HLF since 1 September 2001, Mr Kwek was last re-elected as a Director on 24 April 2014.

Mr Kwek assumed the role of Deputy Chairman of CDL on 17 February 2014, after having acted as CDL's Managing Director since January 1995. He is also the Chairman of CDL's Corporate Social Responsibility & Corporate Governance (CSR & CG) Committee and an Executive Director of CES.

Mr Kwek holds a Diploma in Financial Management and has extensive experience in property development and investment.

Mr Kwek contributes actively to the business and civic communities through many public appointments. He served as the President of the SCCCI from 1993 to 1997 and 2001 to 2005 and is currently an Honorary President of the SCCCI. He is the Chairman of the Board of Trustees of the National Youth Achievement Award Council, co-Chairman of the International Panel of Experts on Construction Productivity & Prefabrication Technology, Trustee of The Duke of Edinburgh's International Award Foundation, and a member of the Board of Trustees of Nanyang Technological University. He is also a member of the Singapore Management University's Master of Tri-sector Collaboration Advisory Group, the Climate Change Network, Marina Bay Public Art Advisory Panel and the National Productivity and Continuing Education Council, as well as an Honorary Fellow of the Society of Project Managers and a Fellow of the SID. He was also appointed a Justice of the Peace by the President of the Republic of Singapore in 2013.

Mr Kwek has been a dedicated advocate of CSR for over two decades, and his vision has established CDL's reputation as a leading green building champion and a forerunner in CSR, raising the bar for Singapore's real estate industry and driving change for the building sector. To raise the importance of CSR in the business community in Singapore, Mr Kwek was elected the



President of Singapore Compact for CSR, which is the national CSR society and local network for the United Nations (UN) Global Compact.

Mr Kwek (as Managing Director of CDL), emerged joint winners together with Mr Kwek Leng Beng (as Executive Chairman of CDL), as "Partners in the Office of the CEO" in the Brendan Wood International – SIAS TopGun CEO Designation Award given out at the SIAS Investors' Choice Awards in October 2012. This Award is accorded to CEOs who are best in class as rated by shareholders.

### **Kwek Leng Peck, 58**

*Non-Executive and Non-Independent Director*

Appointed a Director of HLF since 1 January 1998, Mr Kwek was last re-elected as a Director on 23 April 2013. Mr Kwek also sits on the Exco (also as alternate to the chairman), RMC and Hong Leong Finance Share Option Scheme 2001 Committee ("SOSC") of the Company.

Mr Kwek is an Executive Director of HLA and HLIH. He is also the non-executive Chairman of Tasek Corporation Berhad and a non-executive Director of CDL, M&C and China Yuchai International Limited.

Mr Kwek holds a Diploma in Accountancy and has many years of experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management.

### **Kwek Leng Kee, 60**

*Non-Executive and Non-Independent Director*

Appointed a Director of HLF on 1 September 2001, Mr Kwek was last re-elected as a Director on 23 April 2013.

Mr Kwek is the Assistant Managing Director of Hong Leong Holdings Limited.

Mr Kwek has many years of experience in property investment, property development and the building and construction materials business.

He was also appointed as Justice of the Peace by the Prime Minister's Office in May 2008 and was awarded the Public Service Star (Bar) on National Day 2014.

### **Chng Beng Hua, 49**

*Non-Executive and Independent Director*

Appointed a Director of HLF since 1 July 2000, Mr Chng was last re-elected as a Director on 23 April 2013. He also sits on the Audit Committee ("AC") of the Company. He is an Executive Director and the Chief Executive Officer ("CEO") of Compact Metal Industries Ltd.

Mr Chng holds a Bachelor of Business Administration (Finance) from University of Texas, Austin, USA. He has many years of working experience in finance, management of hotel and service apartment, and real estate development.

### **Cheng Shao Shiong @ Bertie Cheng, 77**

*Non-Executive and Independent Director*

Appointed a Director of HLF since 23 April 2004, Mr Cheng was last re-appointed as a Director on 24 April 2014 pursuant to Section 153(6). Mr Cheng also sits on the Exco, RC and SOSC and is the chairman of the RMC and NC of the Company.

Mr Cheng retired as the CEO of POSBank in July 1997. In the preceding 3-year period, he was a Director of CFM Holdings Limited until December 2012. Currently, Mr Cheng is the Chairman of TeleChoice International Limited and TEE International Limited, and a Director of Pacific Andes Resources Development Limited.

Other appointments include being Chairman of the Medifund Committee, Singapore General Hospital, Vice-Chairman of the Board of Trustees, Consumers Association of Singapore (CASE) Endowment Fund, Advisor to POSBank and Chairman of the Investment Panel of SPRING SEEDS Capital Pte. Ltd. He is also a Director of Baiduri Bank Bhd, Brunei.

Mr Cheng holds a Bachelor of Arts Degree in Economics (Honours) from the University of Malaya in Singapore. He received the Public Administration Medal (Silver) in 1984, the Public Service Medal in 2001 and the Friend of Labour Award from the National Trades Union Congress in 2008.



### **Po'ad bin Shaik Abu Bakar Mattar, 67**

*Non-Executive and Lead Independent Director*

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Appointed a Director of HLF on 24 April 2009, Mr Mattar was last re-elected as a Director on 24 April 2014. He is also the chairman of the AC, RC and SOSC and a member of the NC of the Company. He was also appointed as Lead Independent Director of the Company on 1 September 2010.

Mr Mattar sits on other bodies in both the private and public sectors. In the preceding 3-year period, he was a Director of Tiger Airways Holdings Limited until July 2014.

Other appointments include being a member of the Public Service Commission and Council of Presidential Advisers, and Pro-Chancellor of National University of Singapore.

Mr Mattar holds a Bachelor of Accountancy from the University of Singapore and a Master in Management from the Asian Institute of Management (Makati, Philippines). He is also a member of the Institute of Singapore Chartered Accountants and is formerly a Senior Partner with an international firm of public accountants.

### **Ter Kim Cheu, 68**

*Non-Executive and Independent Director*

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Appointed a Director of HLF on 1 September 2010, Mr Ter was last re-elected as a Director on 24 April 2014. He also sits on the Exco, AC, RC and SOSC of the Company.

Mr Ter retired from the Singapore Legal Service after over 30 years of service. Prior to his retirement in 2008, he was the Parliamentary Counsel and Principal Senior State Counsel (Legislation Division), Attorney-General's Chambers, Singapore and a Law Revision Commissioner of Singapore. He was also a member of the Securities Industry Council for two terms from 1993 to 1997.

Currently, Mr Ter provides legislative consultancy services in Singapore and overseas.

He is a member of the Strata Titles Board of Singapore and the Audit Committee of Singapore Sports Council.

Mr Ter holds a Bachelor of Social Sciences (Hons) degree from the University of Singapore and Bachelor of Law and Master of Law degrees from the University of London. He is also a Barrister-at-Law, having been called to the English Bar at Lincoln's Inn and an Advocate & Solicitor of the Supreme Court of Singapore.

### **Raymond Lim Siang Keat, 55**

*Non-Executive and Independent Director*

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Appointed a Director of HLF on 1 March 2012, Mr Lim was last re-elected as a Director on 26 April 2012. He also sits on the Exco and RMC of the Company.

Mr Lim is a former Cabinet Minister in the Singapore Government and a Member of Parliament since 2001. He has held various ministerial positions including Second Minister of Finance, Second Minister of Foreign Affairs and Minister of Transport.

Prior to entering politics in 2001, Mr Lim held various senior positions in the financial industry including as a Managing Director of Temasek Holdings (Private) Limited, Group CEO of DBS Vickers Securities Holdings Pte Ltd and Chief Economist for Asia of ABN AMRO Asia Securities (Singapore) Pte Limited.

Mr Lim is currently Chairman of APS Asset Management Pte Ltd. He is also Senior Advisor to the Swire Group, a Hong Kong-based industrial conglomerate and a Director of several companies including GIC Pte Ltd, Insurance Australia Group Limited, Swire Properties Limited and Raffles Medical Group Limited. He is an Adjunct Professor of the Lee Kuan Yew School of Public Policy, National University of Singapore. In the preceding 3-year period, he was a Director of Dart Energy Ltd until February 2013.

A Rhodes Scholar, Mr Lim graduated with First Class Honours in the Master of Law at Cambridge University and a B.A. (Jurisprudence) from Oxford University. He also has a First Class Honours degree in Economics from the University of Adelaide under the Colombo Plan scholarship.

# CONTINUING THE SINGAPORE STORY

Hong Leong Finance has grown into Singapore's largest finance company with a network of 28 branches and 8 SME centres islandwide. With a modern outlook, we have supported Singapore's growth story over the last few decades by growing with our customers, expanding our capabilities, pioneering innovative products and services and championing the cause for entrepreneurship.

The branch at Lavender Street was one of HLF's earliest branches opened in the 1960s. With constant upgrading, customers can enjoy modern facilities at HLF branches, including the Clementi West Branch (*pictured right*).

司公限有融金隆豐  
HONG LEONG FINANCE  
LIMITED

行分司公限有融金隆豐 213 融金隆豐







# DIRECTORY OF SERVICES

## SME Loans

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Commercial/Industrial Property Loan  
Development Loan  
Equipment Financing  
Equipment Refinancing  
Factoring/Accounts Receivable Financing  
HDB Factory Loan  
HDB Shop Loan  
Hire Purchase  
Internationalisation Finance Scheme (IFS)  
Inventory Finance  
JTC Factory Loan  
Letters of Credit  
Loans for Conservation Property  
Loan Insurance Scheme (LIS)  
Local Enterprise Finance Scheme (LEFS)  
Medical Asset Financing  
Micro Loan Programme  
Revolving Working Capital Finance  
Suppliers' Invoice Financing  
Trade Finance  
Vessel Financing

## Corporate Finance

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### Catalist Full Sponsor

### Equity Fund Raising

Initial Public Offering  
Secondary Fund Raising  
Underwriting of Shares

### Corporate Advisory

Financial Advisory  
Mergers & Acquisitions  
Restructuring  
Independent Financial Advisory

## Deposits

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Business Current Account  
Fixed Deposits  
Savings Accounts  
Savers Plus

## Personal Loans

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Car Loan (New & Used Cars)  
HDB Home Loan  
Private Housing Loan  
Share Financing



# CORPORATE DIRECTORY

## Board of Directors

### Executive Director:

Kwek Leng Beng *Board Chairman & Managing Director*

### Lead Independent Director:

Po'ad bin Shaik Abu Bakar Mattar

### Non-Executive Directors:

Kwek Leng Joo

Kwek Leng Peck

Kwek Leng Kee

Chng Beng Hua *Independent*

Cheng Shao Shiong @ Bertie Cheng *Independent*

Ter Kim Cheu *Independent*

Raymond Lim Siang Keat *Independent*

## Executive Committee

Kwek Leng Beng *Chairman*

Kwek Leng Peck *also as alternate to Chairman*

Cheng Shao Shiong @ Bertie Cheng

Ter Kim Cheu

Raymond Lim Siang Keat

## Audit Committee

Po'ad bin Shaik Abu Bakar Mattar *Chairman*

Chng Beng Hua

Ter Kim Cheu

## Risk Management Committee

Cheng Shao Shiong @ Bertie Cheng *Chairman*

Kwek Leng Beng

Kwek Leng Peck

Raymond Lim Siang Keat

## Nominating Committee

Cheng Shao Shiong @ Bertie Cheng *Chairman*

Kwek Leng Beng

Po'ad bin Shaik Abu Bakar Mattar

## Remuneration Committee

Po'ad bin Shaik Abu Bakar Mattar *Chairman*

Cheng Shao Shiong @ Bertie Cheng

Ter Kim Cheu

## Hong Leong Finance Share Option Scheme 2001 Committee

Po'ad bin Shaik Abu Bakar Mattar *Chairman*

Kwek Leng Peck

Cheng Shao Shiong @ Bertie Cheng

Ter Kim Cheu

## President

Ian Anthony Macdonald

*(Please refer to page 33 of this Annual Report for additional information on the President)*

## Deputy President

Ang Tang Chor

*(Please refer to page 33 of this Annual Report for additional information on the Deputy President)*

## Secretaries

Yeo Swee Gim, Joanne

Oh Su Chong

Chye Chan Yu

## Registered Office

16 Raffles Quay #01-05, Hong Leong Building,  
Singapore 048581

Tel: 6415 9433 Fax: 6224 6773

Email: customerservice@hlf.com.sg

## Share Registrars & Share Transfer Office

M & C Services Private Limited

112 Robinson Road #05-01, Singapore 068902

Tel: 6227 6660 Fax: 6225 1452

## Investor Relations

Tel: 6428 9309 Fax: 6534 3060

Email: gcasecretary@cdl.com.sg

## Auditors

KPMG LLP

Public Accountants and Chartered Accountants, Singapore  
16 Raffles Quay #22-00, Hong Leong Building,  
Singapore 048581

*(Partner-in-charge: Karen Lee Shu Pei, appointed from commencement of audit of financial statements for the financial year ended 31 December 2013)*

## Bankers

Australia and New Zealand Banking Group Limited

Bank of America, N.A.

DBS Bank Ltd

Deutsche Bank AG

HL Bank

Malayan Banking Berhad

Mizuho Bank, Limited

Oversea-Chinese Banking Corporation Limited

Standard Chartered Bank

Sumitomo Mitsui Banking Corporation

The Bank of Nova Scotia

The Bank of Tokyo-Mitsubishi UFJ, Ltd

The Hongkong and Shanghai Banking Corporation  
Limited

United Overseas Bank Limited

# OPERATING AND FINANCIAL REVIEW

## Company Overview, Objectives and Strategies

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Hong Leong Finance Limited (“HLF” or the “Company”), incorporated in 1961, is the listed financial services arm of the Hong Leong Group Singapore. Today, HLF is Singapore’s largest finance company with a network of 28 branches and 8 SME Centres island-wide, serving all walks of life encompassing the Small and Medium Enterprises (“SMEs”) and retail customers. Its activities are principally governed by the Finance Companies Act (Chapter 108) and regulated by the Monetary Authority of Singapore (“MAS”). The principal activity of its subsidiaries is the provision of nominee services.

HLF’s core business is taking of deposits from the public and provision of a suite of financial products and services that include consumer and corporate loans and corporate advisory services. HLF is an active player in the SME market and a pioneer in the Local Enterprises Financing Scheme (“LEFS”). With over 50 years of experience in helping SMEs build a strong and solid platform for sustainable growth and success, HLF understands the needs of the SMEs well. Through its dedication and commitment, serving the SME business community has evolved to be HLF’s core business activity.

HLF is committed to strengthening its leadership status in the market and it believes that it takes more than just assets to be a real leader. It is devoted to building mutually rewarding relationships with its customers and business partners, understanding their financial needs and ensuring that it is with them every step of the way.

In line with its pledge to expand the provision of comprehensive and accessible financial services to the SMEs and the HDB homeowners who are its core customers, HLF has been constantly developing and creating more value in its products and services. The SME Centre @ Hong Leong Finance network has further strengthened its foothold in the SME market and increased its visibility to businesses through its extensive branch network.

As value-add services to its corporate customers, HLF’s full sponsorship status for the SGX Catalist Board enables it to be the only finance company in Singapore to provide financial advisory and fund raising services to SMEs aiming to list on Catalist. It also renders corporate advisory services to companies interested in listing on the Singapore Exchange and for mergers and acquisitions, and underwrites the sale of shares by listed companies. Furthermore HLF is the first finance company here to offer chequeing account services to its corporate loan customers and this capability has provided greater business efficiency to customers in cash management. HLF continues to participate in SME related events and various government initiatives dedicated to helping SMEs grow and seize business opportunities, thus reaffirming its unwavering support for local entrepreneurs.

To maintain its competitive edge, HLF will remain steadfast in innovating and delivering customer-centric products and services to assist both the retail and corporate customers in fulfilling their aspirations and achieving their financial goals.

Further details of HLF’s products and services can be found in the corporate profile and corporate highlights sections of this Annual Report 2014.



## Financial Analyses

### Analysis of Performance

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS").

	2014 \$mil	2013 \$mil	Variance* + / (-) %
<b>Selected Profit and Loss Items</b>			
Net interest income/hiring charges	149.0	148.2	0.5
Fee and commission income	12.3	15.5	(20.9)
Other operating income	0.2	1.3	(84.1)
Income before operating expenses	161.5	165.0	(2.1)
Less : Operating expenses	83.7	82.9	0.9
Profit from operations before allowances/provision	77.8	82.1	(5.2)
Add/(Less): (Allowances for)/reversal or recovery of doubtful debts and provision for settlements and costs relating to distribution of wealth management products and impairment losses of other assets	(2.0)	2.3	(186.5)
Profit before tax	75.8	84.4	(10.3)
Profit after tax attributable to owners	62.8	70.1	(10.4)
<b>Selected Balance Sheet Items</b>			
Loans, advances and receivables (net of allowances)	9,583	9,088	5.4
Deposits and balances of customers	10,469	9,906	5.7
Total assets	12,262	11,675	5.0
Total liabilities	10,603	10,029	5.7
Total equity	1,659	1,646	0.7
<b>Key Financial Ratios</b>			
Net interest margin (%)	1.3	1.3	
Net interest income/total income (%)	92.3	89.8	
Non-interest income/total income (%)	7.7	10.2	
Cost/income ratio (%)	51.8	50.3	
Loans/deposits ratio (%)	92	92	
Non-performing loans ratio (%)			
- Secured by collateral	0.7	0.6	
- Unsecured and fully provided for	0.1	0.1	
Return on equity (%)	3.8	4.3	
Return on assets (%)	0.5	0.6	
Capital adequacy ratio (%)	16.4	17.0	
Earnings per share (cents)			
- per basic share	14.2	15.9	(10.6)
- per diluted share	14.1	15.8	(10.6)
Net assets per share (\$)			
- per basic share	3.74	3.72	0.5
- per diluted share	3.57	3.56	0.3

\* Calculated based on actual figures before rounding.

# OPERATING AND FINANCIAL REVIEW

	2014 cents	2013 cents
Dividend per share (tax exempt)		
- interim	4	4
- final	6	8
<b>Total</b>	<b>10</b>	<b>12</b>

## (a) Results for the year

Pre-tax profit from operations before allowances/provision was \$77.8 million in 2014, a decrease of 5.2% from \$82.1 million in 2013. The Group reported profit before tax of \$75.8 million for 2014, a decrease of \$8.6 million or 10.3% over the previous year. The results were arrived at after topping up provision (net of write back of provision/recoveries) amounting to \$2.0 million against a write back of \$2.3 million in 2013. Group profit after tax for the year registered a decrease of \$7.3 million or 10.4% over the previous year.

Net interest income/hiring charges increased by 0.5% to \$149.0 million mainly due to a higher loan base.

Non-interest income decreased to \$12.5 million (2013 : \$16.8 million) or by 25.6% in 2014. Fee and commission income, the largest component of non-interest income, decreased by 20.9% to \$12.3 million from \$15.5 million in 2013. Staff and other costs were controlled. The cost to income ratio increased slightly to 51.8% from 50.3% a year ago.

## (b) Loans and deposits

Loans, advances and receivables (net of allowances) increased by 5.4% in 2014 to \$9,583 million from \$9,088 million. This was attributable to an increase in net loans and advances of \$637 million offset by the decline in hire purchase receivables of \$142 million. The non-performing loans ("NPL") ratio increased marginally to an aggregate of 0.8% after accounting for recoveries and write-offs. The NPL ratio comprised secured NPL of 0.7% (2013 : 0.6%), with the balance 0.1% (2013 : 0.1%) being the unsecured portion which is fully covered by specific allowances.

Deposits and balances of customers amounted to \$10,469 million as at 31 December 2014. The loans to deposits ratio stood at 92% (2013 : 92%).

## (c) Shareholders' equity and dividends

Return on equity was 3.8% in 2014, down from 4.3% in 2013 and return on assets was 0.5% in 2014, down from 0.6% in 2013. This is attributable to lower profits in 2014. Net assets per share rose to \$3.74 in 2014 from \$3.72 in 2013.

As detailed in the Chairman's Statement, an interim dividend of 4 cents per share (tax exempt one-tier) was paid on 15 September 2014. With the proposed payment of a final dividend of 6 cents per share (tax exempt one-tier) in respect of the financial year ended 31 December 2014, subject to the approval of shareholders, the total distribution for 2014 will amount to approximately \$44 million, compared to \$53 million for 2013.

## (d) No significant subsequent event

In the interval between the release of the preliminary financial statements and the latest practicable date prior to the issue of this report, no development has occurred which would materially affect the operating and financial performance of the Group.

## Net Interest Income

Net interest income includes hiring charges which has been adversely impacted by the declining hire purchase portfolio.

Overall, net interest income increased by 0.5% to \$149.0 million in 2014 from \$148.2 million in 2013 with a closing loans to deposits ratio of 92% in 2014 (2013 : 92%). The increase in net interest income was due to a higher loan base. Net interest income was the major source of income contributing 92.3% (2013 : 89.8%) to total income.

Net interest margin as a percentage of interest-bearing assets stood at 1.3% in 2014 (2013 : 1.3%).

	2014			2013		
	Average Balance \$mil	Interest \$mil	Average Rate %	Average Balance \$mil	Interest \$mil	Average Rate %
Interest-bearing Assets						
Loans, advances and receivables	9,429	232.8	2.5	9,103	226.6	2.5
Singapore Government securities	1,236	16.1	1.3	1,186	16.5	1.4
Other assets	1,157	5.7	0.5	1,309	5.8	0.4
<b>Total</b>	<b>11,822</b>	<b>254.6</b>	<b>2.2</b>	<b>11,598</b>	<b>248.9</b>	<b>2.1</b>
Interest-bearing Liabilities						
Deposits and balances of customers	10,094	105.5	1.0	9,829	100.6	1.0
Other liabilities	3	0.1	2.4	3	0.1	2.9
<b>Total</b>	<b>10,097</b>	<b>105.6</b>	<b>1.0</b>	<b>9,832</b>	<b>100.7</b>	<b>1.0</b>
Net interest income/margin as a percentage of interest-bearing assets	-	149.0	1.3	-	148.2	1.3

## Volume and Rate Analysis

The table below analyses the changes in net interest income in 2014 over 2013 due to changes in volume and changes in rates.

Increase/(decrease) due to change in	2014		Total \$mil
	Volume \$mil	Rate \$mil	
Interest Income			
Loans, advances and receivables	8.1	(1.9)	6.2
Singapore Government securities	0.7	(1.1)	(0.4)
Other assets	(0.7)	0.6	(0.1)
<b>Net</b>	<b>8.1</b>	<b>(2.4)</b>	<b>5.7</b>
Interest Expense			
Deposits and balances of customers	2.7	2.2	4.9
Other liabilities	-	-	-
<b>Net</b>	<b>2.7</b>	<b>2.2</b>	<b>4.9</b>
<b>Net interest income</b>	<b>5.4</b>	<b>(4.6)</b>	<b>0.8</b>

# OPERATING AND FINANCIAL REVIEW

## Non-Interest Income

Non-interest income decreased by 25.6% to \$12.5 million in 2014 (2013 : \$16.8 million). Fee and commission income which constituted 98.4% (2013 : 92.5%) of non-interest income was \$12.3 million in 2014 compared to \$15.5 million in 2013 due to lower fee income from some lending products.

Total non-interest income for 2014 was 7.7% of total income, down from 10.2% for 2013, with the non-lending portion comprising 1.5% of total income (2013 : 1.3%).

	2014 \$mil	2013 \$mil	Variance* + / (-) %
Fee and Commission Income			
Loan related and other financing business	9.9	13.4	(26.6)
Non-lending business including corporate advisory services and other trailer fees	2.4	2.1	15.2
	12.3	15.5	(20.9)
Other Operating Income	0.2	1.3	(84.1)
<b>Total</b>	<b>12.5</b>	<b>16.8</b>	<b>(25.6)</b>

## Operating Expenses

Total operating expenses increased slightly by 0.9% to \$83.7 million in 2014 from \$82.9 million in 2013.

	2014 \$mil	2013 \$mil	Variance* + / (-) %
Staff costs			
- Short-term employee benefits	55.4	55.5	(0.2)
- Employer's CPF contributions to defined contribution plans	5.6	5.7	(2.8)
- Share-based payments	0.7	0.9	(20.9)
	61.7	62.1	(0.8)
Depreciation of property, plant and equipment	2.7	2.5	9.0
Other operating expenses			
- Operating lease expenses	5.2	5.2	0.3
- IT-related expenses	2.3	2.0	12.8
- Other operating expenses	11.8	11.1	6.7
	19.3	18.3	5.6
<b>Total</b>	<b>83.7</b>	<b>82.9</b>	<b>0.9</b>
Group staff strength – period end	674	675	(0.1)
Group staff strength – average	671	668	0.4

\* Calculated based on actual figures before rounding.

## Allowances for/Reversal or Recovery of Doubtful Debts and Provision for Settlements and Costs relating to Distribution of Wealth Management Products and Impairment Losses of Other Assets

Allowances for doubtful debts and impairment losses of other assets net of write back/recoveries was a charge of \$2.0 million in 2014, compared to a net reversal/recovery of \$2.3 million in 2013.

The larger increase in the loan portfolio in 2014 entailed a higher charge in general allowance during the year in line with industry practice. Accordingly, general allowance for loans increased by \$5.0 million for 2014 (2013 : \$1.9 million). An additional specific allowance for loans of \$1.5 million was made in 2014, compared to specific allowances written back for loans of \$0.6 million in 2013.

	2014 \$mil	2013 \$mil	Variance* +/- %
Allowances for loans and advances (net)	(6.5)	(1.3)	(389.1)
Other recoveries (net)	4.5	3.6	22.6
<b>Total</b>	<b>(2.0)</b>	<b>2.3</b>	<b>(186.5)</b>

## Total Assets

Total assets were \$12,262 million as at 31 December 2014, representing an increase of 5.0% over the figure of \$11,675 million as at 31 December 2013.

## Assets Mix

	2014 \$mil	2013 \$mil	Variance* +/- %
Cash at banks and in hand	1,082	1,082	0.1
Statutory deposit with the Monetary Authority of Singapore	283	261	8.2
Singapore Government securities	1,259	1,202	4.7
Customer loans – net	9,583	9,088	5.4
Others	55	42	30.5
<b>Total Assets</b>	<b>12,262</b>	<b>11,675</b>	<b>5.0</b>

\* Calculated based on actual figures before rounding.

# OPERATING AND FINANCIAL REVIEW

## Analysis of Gross Loan Portfolio

### (a) Customer loans by product group

With an increase in the loan portfolio, property related loans made up 82% of the total loan portfolio as at 31 December 2014 (2013 : 79%), with property loans other than housing/HDB home loans taking the bigger share at 66% of total portfolio (2013 : 63%). The housing loans component stood at 16% of the total (2013 : 16%) inclusive of HDB home loans of 9% (2013 : 9%).

Hire purchase loans reflected the lending curbs on motor vehicle loans and formed 12% of total loan portfolio as at 31 December 2014 (2013 : 15%). Whilst such loans are principally fixed rate in nature, the gross loans continue to be progressively reduced by monthly principal repayments and early redemptions.

	2014		2013	
	\$mil	%	\$mil	%
Housing and HDB Home Loans	1,536	16	1,507	16
Other Property Loans	6,375	66	5,832	63
Hire Purchase/Block Discounting	1,230	12	1,374	15
Share Loans	362	4	323	4
Others	185	2	153	2
<b>Total</b>	<b>9,688</b>	<b>100</b>	<b>9,189</b>	<b>100</b>

### (b) Customer loans by industrial classification

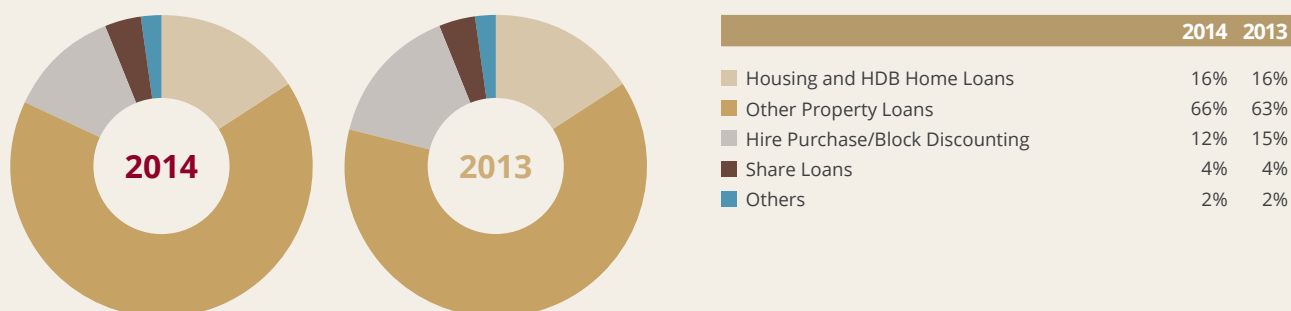
	2014		2013	
	\$mil	%	\$mil	%
Hire purchase/block discounting	1,230	12	1,374	15
Housing loans secured by property under finance	1,304	13	1,261	14
Other loans and advances:				
Manufacturing	75	1	27	1
Building and construction	4,126	43	3,985	43
General commerce	88	1	78	1
Transport, storage and communication	83	1	76	1
Investment and holding companies	830	9	641	7
Professional and private individuals	477	5	465	4
Others (including hotels, associations and charitable organisations)	1,475	15	1,282	14
<b>Total</b>	<b>9,688</b>	<b>100</b>	<b>9,189</b>	<b>100</b>

### (c) Customer loans by remaining contractual maturity

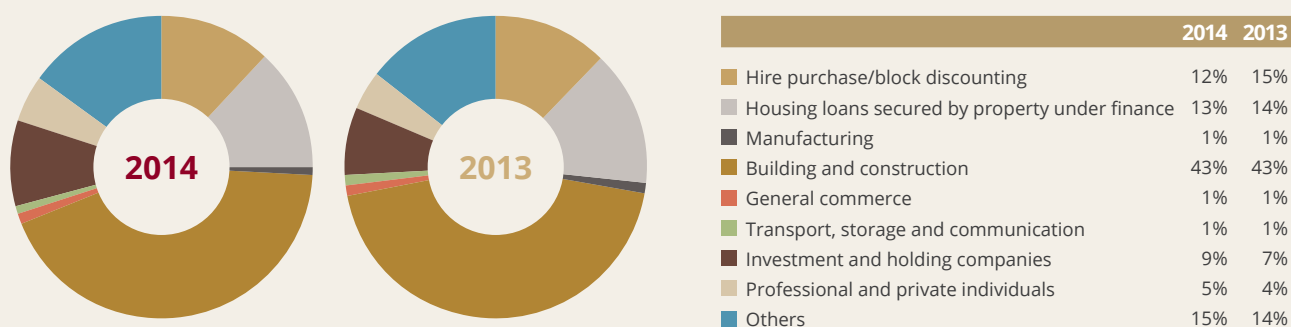
	2014		2013	
	\$mil	%	\$mil	%
Reviewable/due within 1 year	2,641	27	2,173	24
Due after 1 year but within 3 years	2,977	31	2,967	32
Due after 3 years but within 5 years	1,040	11	1,394	15
Over 5 years	3,030	31	2,655	29
<b>Total</b>	<b>9,688</b>	<b>100</b>	<b>9,189</b>	<b>100</b>



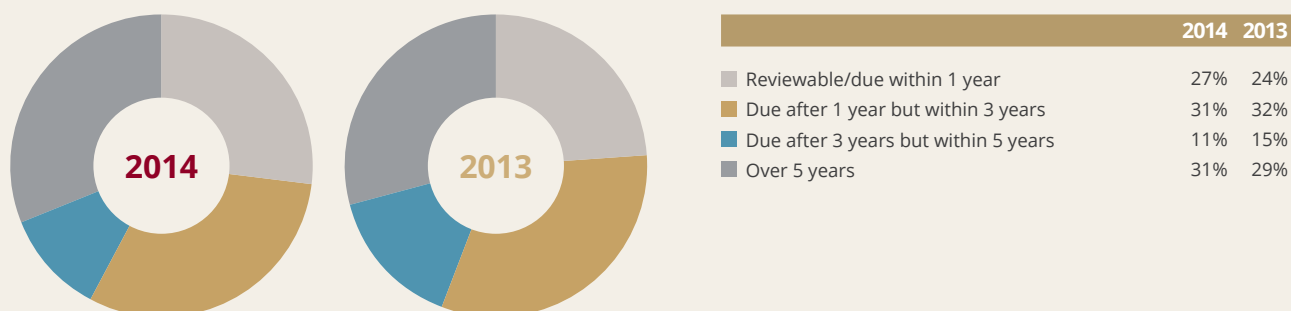
(a) Customer loans by product group



(b) Customer loans by industrial classification



(c) Customer loans by remaining contractual maturity



# OPERATING AND FINANCIAL REVIEW

## (d) Non-performing loans

The loan portfolio includes secured non-performing loans of 0.7% of the portfolio in 2014 (2013 : 0.6%) together with unsecured non-performing loans of 0.1% of the portfolio in 2014 (2013 : 0.1%). The Group currently maintains full specific allowances for all non-performing loans where the net outstanding debt is not covered by the value of the collateral held.

There are no loans and advances graded as doubtful as at 31 December 2014 and 2013.

The non-performing loans position graded in line with industry definition together with the security coverage is given below.

	2014 \$mil	2013 \$mil	Variance* + / (-) %
Substandard	65.2	59.5	9.6
Loss	8.5	8.9	(5.2)
<b>Total</b>	<b>73.7</b>	<b>68.4</b>	<b>7.7</b>
(i) Secured non-performing loans ("NPLs")	65.2	59.5	9.6
Secured NPLs as % of total NPLs	88.6	87.0	+1.6%pt
(ii) Unsecured NPLs	8.5	8.9	(5.2)
Specific allowances for NPLs	8.5	8.9	(5.2)
(iii) Specific allowances as % of total NPLs	11.4	13.0	(1.6%pt)

## Funding Sources

Total funding (including total equity) increased by 5.0% in 2014 to \$12,262 million from \$11,675 million in 2013. Customers' deposits remained the main funding source contributing 85.4% (2013 : 84.8%) of total funds. This funding source was \$563 million or 5.7% higher in 2014 closing at \$10,469 million from \$9,906 million in 2013. There are no bank borrowings outstanding.

	2014 \$mil	2013 \$mil	Variance* + / (-) %
Fixed deposits	10,118	9,436	7.2
Savings deposits and other balances of customers	345	463	(25.4)
Current accounts and other deposits	6	7	(20.5)
<b>Total customer deposits</b>	<b>10,469</b>	<b>9,906</b>	<b>5.7</b>
Other liabilities	134	123	9.6
Total shareholders' equity	1,659	1,646	0.7
<b>Total</b>	<b>12,262</b>	<b>11,675</b>	<b>5.0</b>
Customer deposits by remaining contractual maturity			
On demand/up to 1 year	9,205	9,173	0.4
Over 1 year to 3 years	1,264	733	72.4
<b>Total customer deposits</b>	<b>10,469</b>	<b>9,906</b>	<b>5.7</b>

\* Calculated based on actual figures before rounding.

## Capital Adequacy

The Group's capital adequacy ratio is higher than the minimum regulatory requirement. With the increase in the loan portfolio, as at 31 December 2014, the capital adequacy ratio was 16.4% compared to 17.0% as at 31 December 2013.

	2014 \$mil	2013 \$mil
Share capital	879	876
Reserves	780	770
Core capital	1,659	1,646
Risk-weighted assets	10,099	9,664
Ratio	16.4%	17.0%

Under the enhanced risk-based capital framework effective from 2015, the capital adequacy ratio translates to 16.2%. The capital adequacy ratio is marginally lower under this framework due to additional capital set aside for operational risk, partially offset by reduction in risk weight for loans to certain individuals and small businesses classified under regulatory retail asset class.

## Other Information

A review of the outlook for the Company's business can be found in the Chairman's Statement. Information on the background of the Directors is presented in the section on the Board of Directors, whilst information on the background of other key management personnel is set out below. Details of the Company's risk management policies and processes have been included in the corporate governance section of this Annual Report 2014.

### The President, Ian Macdonald

The President joined the Company in February 2002. He has extensive experience in the financial industry, having worked in Barclays Bank Australia for 13 years and with Australian Guarantee Corporation Ltd, Sydney ("AGC") from 1994 to January 2002. His last held appointment with AGC was as National Manager, Business Finance.

### The Deputy President, Ang Tang Chor

The Deputy President joined the Company in 2003. He has a wealth of experience from the banking industry, having worked in Tat Lee Bank Ltd/Keppel TatLee Bank Ltd for over 27 years before its acquisition by Oversea-Chinese Banking Corporation Limited ("OCBC"). His last held appointment with OCBC prior to joining the Company was that of General Manager, International Banking Division.

Date : 17 March 2015

# CORPORATE GOVERNANCE REPORT

Hong Leong Finance Limited (“HLF” or the “Company”) is committed to maintaining good corporate governance and business integrity in all its business activities.

To demonstrate its commitment to uphold the highest standards of corporate governance, HLF joined the Securities Investors Association Singapore (“SIAS”) and its partners in 2014 together with other companies under the Hong Leong Group, Singapore in making the following public Statement of Support, at the 5<sup>th</sup> Singapore Corporate Governance Week 2014 (organised by the SIAS) held in October 2014:

*“As an Organisation we are committed to upholding high standards of corporate governance to enhance shareholder value. We believe, practising good corporate governance is central to the health and stability of our financial markets and economy.”*

This report sets out HLF’s corporate governance practices with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (“2012 Code”).

Where the Company’s practices differ from the recommendations under the 2012 Code, the Company’s position in respect of such differences is explained in this report.

## BOARD MATTERS

### Principle 1: The Board’s Conduct of Affairs

#### Primary Functions of the Board

The Board oversees the Company’s business and its performance. Its primary functions are to provide leadership, set broad policies, provide guidance on and approve strategic objectives, ensure that necessary financial and human resources are in place for the Company to meet its objectives, review the Company’s performance, satisfy itself as to the adequacy and effectiveness of the framework and processes for internal controls (including financial, operational, compliance and information technology (“IT”) controls) and risk management for the safeguarding of shareholders’ interests and the Company’s assets, and assume responsibility for good corporate governance.

For an overview of the Company, its objectives and its strategies, please refer to the Operating and Financial Review on page 24 of this Annual Report (“AR”).

A description of sustainability as an integral part of the Company’s business strategy together with a statement of appreciation of various stakeholder groups can be found in the Chairman’s Statement.

#### Independent Judgement

All Directors are required to objectively discharge their duties and responsibilities in the interests of the Company. Directors, who are in any way, directly or indirectly, interested in a transaction or proposed transaction declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50 and the Finance Companies Act, Chapter 108, where applicable, and also voluntarily abstain from deliberation on the same. The Board has established the Nominating Committee (“NC”) which recommends to the Board the appointments/re-appointments to the Board and Board Committees and assesses the independence of Directors. When assessing the independence of Directors, the NC takes into account the individual Director’s objectivity, independent thinking and judgement.

# CORPORATE GOVERNANCE REPORT

## Delegation by the Board

The primary functions of the Board are either carried out directly by the Board or through committees established by the Board, namely, the Executive Committee ("Exco"), the Risk Management Committee ("RMC"), the Audit Committee ("AC"), the NC, the Remuneration Committee ("RC") and the Hong Leong Finance Share Option Scheme 2001 ("SOS") Committee ("SOSC"), all collectively referred to hereafter as the Board Committees. The Board has also placed its members, including independent non-executive Directors ("NEDs"), from time to time on management committees such as the Loan Sub-Committee and Management Sub-Committees to provide independent review and as a check and balance on the work of those committees involved in the approval of loan and credit proposals. Specific written terms of reference for these Board Committees, which set out the duties, authority and accountability of each of these Board Committees, are approved by the Board and reviewed periodically to ensure their continued relevance. The powers and authorisation limits of the relevant management committees are also approved by the Board. The composition of each Board Committee can be found under the 'Corporate Directory' section of the AR.

The delegation of authority by the Board to the Board Committees and management committees enables the Board to achieve operational efficiency by empowering these committees to decide on matters within their respective terms of reference and/or limits of delegated authority, and yet without abdicating its responsibility. Please refer to the sections on Principles 4, 5, 7, 8, 11 and 12 in this report for further information on the activities of the NC, RC, RMC and AC. Information on the activities of the Exco can be found under Principle 1 in this report while those of the SOSC's can be found in the Directors' Report on pages 63 to 65 and in the Financial Statements on pages 91 to 94 of the AR.

## Board Processes

Board and Board Committee meetings are held regularly, with the Board meeting no less than four times a year. A meeting of the NEDs, chaired by the Lead Independent Director ("Lead ID") is also held at least once a year and as often as may be warranted by circumstances. The proposed meetings for the Board, all Board Committees and the NEDs for each new calendar year are set out in a schedule of meetings and notified to all Board members before the start of that calendar year. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including discussions on key deliberations and decisions taken are maintained by the Company Secretary. The Company's Articles of Association allow for the meetings of its Board and the Board Committees to be held *via* teleconferencing. The Board and Board Committees may also make decisions by way of circulating written resolutions.

The attendance of the Directors at meetings of the Board and the Board Committees, as well as the frequency of such meetings during 2014, is disclosed on page 36 of the AR. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only on his attendance at meetings of the Board and/or the Board Committees. A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and through strategic networking relationships which would further the interests of the Company.

# CORPORATE GOVERNANCE REPORT

## Directors' Attendance at Board and Board Committee Meetings in 2014

	Board	Exco	AC	NC	RC	SOSC	RMC
<b>Number of meetings held in 2014:</b>	4	2	6	4	3	1	2
<b>Name of Directors</b>	<b>Number of meetings attended in 2014</b>						
Kwek Leng Beng	4	2	N.A.	4	N.A.	N.A.	2
Kwek Leng Joo	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Kwek Leng Peck	4	2	N.A.	N.A.	N.A.	1	2
Kwek Leng Kee	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chng Beng Hua	4	N.A.	6	N.A.	N.A.	N.A.	N.A.
Cheng Shao Shiong @ Bertie Cheng	4	2	N.A.	4	3	1	2
Po'ad bin Shaik Abu Bakar Mattar	4	N.A.	6	4	3	1	N.A.
Ter Kim Cheu	4	2	6	N.A.	3	1	N.A.
Raymond Lim Siang Keat	4	2	N.A.	N.A.	N.A.	N.A.	2

## Board Approval

The Board has in place an internal guide wherein certain key matters are specifically reserved for approval by the Board such as the setting of strategic direction or policies or financial objectives which have or may have material impact on the profitability or performance of the Company, decisions to commence, discontinue or modify significantly any business activity or to enter into or withdraw from a particular market sector, corporate or financial restructuring, significant amendments to the terms and conditions of existing borrowings other than in the ordinary course of business, material acquisition and disposal of assets, adoption of corporate governance policies and any other matters which require Board approval as prescribed under the relevant legislations and regulations as well as the provisions of the Company's Articles of Association. Management is fully apprised of such matters.

The Company also has in place an authorisation matrix for various matters including limits for the granting of loans, guarantees or other credit facilities, corporate finance activities, operation of banking accounts, investments, capital expenditure and lease of properties.

The Exco comprises five Directors with the majority of its members being independent. The Exco's principal responsibility as set out in its terms of reference, approved by the Board, is to assist the Board in the discharge of its duties including, in particular, assisting the Board in approving banking-related matters such as banking facilities extended to the Company and the granting by the Company of loans, guarantees or credit facilities up to a limit fixed by the Board, and approving acquisition/disposal of assets which are non-discloseable pursuant to the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST Listing Manual") up to a limit authorised by the Board.

## Board Orientation and Training

Every newly appointed Director receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislations and regulations. The new Director will also receive an induction pack containing information and documents relating to the role and responsibilities of a director, the Company's business, Board processes, corporate governance practices, relevant company policies and procedures as well as a board meeting calendar for the year with a brief of the routine agenda for each meeting.

The Company also conducts a comprehensive induction programme for newly appointed Directors and for existing Directors pursuant to their appointments to any of the Board Committees, which seeks to familiarise Directors with the Company's business, board processes, internal controls and governance practices. The induction programme includes meetings with various key executives of the Management and briefings on key areas of the Company's operations.

# CORPORATE GOVERNANCE REPORT

For a first time Director who has no prior experience as a director of a listed company, in addition to the induction as detailed above, he or she will be encouraged to also attend the Listed Company Director ("LCD") Programme conducted by the Singapore Institute of Directors ("SID") in order to acquire relevant knowledge of what is expected of a listed company director. Completion of the LCD Programme, which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide the first time Director with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act, Chapter 50, the SGX-ST Listing Manual and the 2012 Code.

The Directors are also provided with updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislations and regulations, risk management and financial reporting standards. The Directors are regularly kept informed by the Company Secretary of the availability of appropriate courses, conferences and seminars such as those run by the SID and the Directors are encouraged to attend such training at the Company's expense.

Three in-house seminars were conducted by invited speakers in 2014, on topics relating to taxation, the role of business in addressing environmental, social and governance challenges, integrated reporting, and the key highlights on the Guidebook for Audit Committees in Singapore (Second Edition). In addition to the training courses/programmes and briefing updates, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Company's operations.

## Senior Management and Management Team

The Board through the NC reviews the appointments and reasons for resignations and terminations of the Managing Director ("MD"), the President, the Deputy President, the Executive Vice President (Finance & Corporate Services/Group Financial Controller) and other relevant Senior Management staff.

The roles and responsibilities of these positions and other members of the Management team and their reporting relationships are set out in the Company's organisation structure, which is tabled annually and as and when there are changes, for the Board's information. The Board retains the right to require any changes to the organisation structure as it deems fit.

## Principle 2: Board Composition and Guidance

### Board Independence

The Board currently comprises nine members. All members of the Board except for the Chairman of the Board ("Board Chairman") are NEDs. Of the eight NEDs, the NC has determined five of them, being more than half of the Board, to be independent ("5 IDs"), thus providing for a strong and independent element on the Board capable of exercising objective judgement on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision making. The Board concurred with the NC's determination of the independence of the 5 IDs. For purposes of determination of independence, the 5 IDs also provided annual declarations regarding their independence.

When determining the independence of the 5 IDs, the NC has considered their other directorships, annual declarations regarding their independence, disclosures of interests in transactions in which they have a direct/indirect interest, their ability to avoid any apparent conflicts of interests especially by abstaining from deliberation on such transactions, and their ability to maintain objectivity in their conduct as Directors of the Company.



# CORPORATE GOVERNANCE REPORT

In addition, when determining the independence of Mr Chng Beng Hua and Mr Bertie Cheng, both of whom have served on the Board for more than nine years, the NC and the Board have given due consideration to the recommendation under Guideline 2.4 of the 2012 Code that the independence of any director who has served on the Board beyond nine years be subject to particularly rigorous review. The Board (with Mr Chng and Mr Cheng abstaining respectively in respect of the deliberation over their own independence) concurred with the NC's determination that both Mr Chng and Mr Cheng are independent notwithstanding they have served on the Board beyond nine years as they have continued to demonstrate strong independence in character and judgement in the discharge of their responsibilities as Directors of the Company. They had also avoided apparent conflicts of interests especially by abstaining from deliberation on transactions in which they had a direct/indirect interest, and were able to maintain objectivity in their conduct as Directors of the Company. They have objectively raised issues and sought clarification as and when necessary from the Board, Management and the Group's external advisors on matters pertaining to their area of responsibilities whether on the Board or on the Board Committees. The Company has also benefitted from their years of experience in their respective fields of expertise.

## **Board Composition and Size**

The NC reviews the size and composition mix of the Board and Board Committees annually. The Board comprises business leaders and professionals with financial, banking, legal and business management backgrounds. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Company's business and direction. Taking into account the scope and nature of the operations of the Company, the Board is satisfied that the current composition mix and size of the Board provide for sufficient diversity and yet allow for effective decision making. The NC is supportive of gender diversity on the Board and will consider female candidates with the appropriate qualification, experience and competency in its consideration on any new appointments to the Board.

## **NEDs' Participation**

NEDs are encouraged to participate actively in Board meetings in the development of the Company's strategic plans and direction, and in the review and monitoring of Management's performance against targets. To facilitate this, they are kept informed of the Company's businesses and performance through monthly and quarterly reports from Management, and have unrestricted access to Management. They also sit on various Board Committees and management committees to provide constructive input and the necessary review and monitoring of performance of the Company and Management.

## **Principle 3: Chairman and Chief Executive Officer**

### **Role of Chairman and the Chief Executive Officer**

The Board Chairman, Mr Kwek Leng Beng, is also the MD. Mr Kwek Leng Beng plays an instrumental role in providing the Company with strong leadership and vision, assisting the Board to develop policies and strategies, and ensuring that these are implemented effectively. As Board Chairman, he bears primary responsibility for the workings of the Board, by ensuring effectiveness in all aspects of its role including setting agenda for Board meetings with input from Management, ensuring sufficient allocation of time for thorough discussion of each agenda item, promoting an open environment for debate, ensuring that NEDs are able to speak freely and contribute effectively, and exercising control over the quality, quantity and timeliness of information flow between the Board and Management. At annual general meetings and other shareholder meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management. As MD, he is the most senior executive in the Company and bears executive responsibility for the Company's business. He is assisted by the President, Mr Ian Macdonald and the Deputy President, Mr Ang Tang Chor and other members of the Management team. Both the President and the Deputy President have extensive working experience in the banking and finance sector. They have also been with the Company for more than ten years. Please refer to the Operating and Financial Review on page 33 of the AR for additional information on the President and the Deputy President.

# CORPORATE GOVERNANCE REPORT

## Lead Independent Director

The Board recognises that best practices of corporate governance advocate that the chairman of the board and the chief executive officer should in principle be separate persons to ensure an appropriate balance of power, increased accountability and greater capacity of the board for independent decision making. The Board also recognises that there are instances where the two roles may be performed by one person for valid reasons, and that such a practice is not uncommon both locally and in other developed jurisdictions.

The holding of dual roles of Board Chairman and MD by the same Director, together with the strengths brought to these roles by a person of Mr Kwek Leng Beng's stature and experience has been considered by the Board. There are internal controls in place to allow for effective oversight by the Board of the Company's business to ensure an appropriate balance of power and authority is exercisable by the Board to enable objective decision making in the interests of the Company. In view of the management structure in place, the Board is of the view that it is currently unnecessary to effect a separation of the roles of the Board Chairman from that of the MD to facilitate the Company's decision making and implementation process.

Taking cognizance of the non-separation of the roles of Board Chairman and MD, the Board has appointed Mr Po'ad Mattar as Lead ID to serve as a sounding board for the Board Chairman and also as an intermediary between the NEDs and the Board Chairman. The role of the Lead ID is set out under the written terms of reference of the Lead ID, which has been approved by the Board. Under the chairmanship of the Lead ID, a meeting of the NEDs was convened in 2014 without the presence of Management or the Board Chairman.

## Principle 4: Board Membership

### NC Composition and Role

Two out of the three members of the NC, including the NC chairman, are independent. The Lead ID is one of the independent members of the NC. Please refer to the 'Corporate Directory' section on page 23 of the AR, for the composition of the NC.

The NC's responsibilities as set out in its written terms of reference approved by the Board, is to review all Board and Board Committees composition and membership, determine each Director's independence, evaluate performance of the Board as a whole, its Board Committees and the individual Directors, review appointments and resignations of Senior Management which includes the MD, the President, the Deputy President, the Executive Vice President (Finance & Corporate Services/Group Financial Controller), and other relevant Senior Management staff and review Directors' training and continuous professional development programme. The Company Secretary maintains records of all NC meetings including records of discussions on key deliberations and decisions taken.

For the financial year under review, the NC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("NC Self-Assessment Checklist").

The NC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the NC under its terms of reference, and considered also the contribution of NC members to the deliberation and decision making process at NC meetings.

Based on the self-assessment, the NC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

# CORPORATE GOVERNANCE REPORT

## Re-nomination of Directors

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

The Articles of Association of the Company provide that not less than one-third of the Directors for the time being shall retire as Directors at each annual general meeting of the Company ("AGM"). All new Directors appointed by the Board shall hold office until the next AGM, and be eligible for re-election at the said AGM.

Excluding the Directors above 70 years of age who are subject to annual re-nomination, namely Mr Kwek Leng Beng and Mr Bertie Cheng, the remaining Directors of the Company will retire about once in every two to three years. In accordance with the Articles of Association of the Company, Messrs Kwek Leng Peck, Chng Beng Hua and Raymond Lim are due to retire by rotation at the forthcoming AGM ("2015 AGM") and have offered themselves for re-election at the 2015 AGM.

## Criteria and Process for Nomination and Selection of New Directors

The NC interviews shortlisted candidates before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committees.

In reviewing and recommending to the Board any new Director appointments, the NC considers: (a) the candidate's independence, in the case of the appointment of an independent NED; (b) the composition requirements for the Board and Board Committees (if the candidate is proposed to be appointed to any of the Board Committees); (c) the candidate's age, gender, track record, experience and capabilities or such other factors as may be determined by the NC to be relevant and which would contribute to the Board's collective skills; (d) any competing time commitments if the candidate has multiple listed company board representations and/or other principal commitments; and (e) MAS' fit and proper criteria.

As a finance company, all new appointments to the Board are subject to the approval of the MAS.

## Directors' Time Commitments

When considering the nomination of Directors for appointment or re-election/re-appointment, the NC also takes into account the competing time commitments faced by Directors with multiple listed company board representations and/or other principal commitments. An analysis of the directorships (which includes directorships within corporate groups and executive appointments) held by the Directors is reviewed annually by the NC. Based on the analysis and the Directors' commitments and contributions to the Company which is also evident in their level of attendance and participation at Board and Board Committee meetings, the NC is satisfied that all Directors are able to carry out and have been adequately carrying out their duties as Directors of the Company.

It is recommended under the 2012 Code that the Board consider providing guidance on the maximum number of listed company board representations which each Director of the Company may hold in order to address competing time commitments faced by Directors serving on multiple boards. Having considered this issue, the NC does not recommend setting a maximum number of listed company board representations that a Director may hold. The Board considers an assessment of the individual Directors' participation as described above to be more effective for the Company than to prescribe a numerical limit on the number of listed company directorships that a Director may hold. It would not wish to omit from consideration suitable individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.

# CORPORATE GOVERNANCE REPORT

The Board at the recommendation of the NC has recently introduced a policy where a Director should consult the Board Chairman and the chairman of the NC prior to accepting any new principal commitment or listed company board appointment. This would allow the Director to review his time commitments with the proposed new appointments and in the case of an independent Director, to ensure that his independence would not be affected.

## **Key Information on Directors**

Please refer to the 'Board of Directors' section in the AR for key information on the Directors, and additional information in the notice of AGM for Directors proposed for re-election and re-appointment at the 2015 AGM.

## **Succession Planning for the Board and the MD**

The Board believes in carrying out succession planning for itself and the MD to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews the composition of the Board, which includes size and mix, annually and recommends to the Board the selection and appointment of new Directors, whether in addition to existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills sets taking into account the Company's business operations. The Board will be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competencies on the Board.

## **Board Development**

The NC reviews the training and development of the Directors to ensure that Directors receive appropriate development on a continuing basis, to perform their roles on the Board and where applicable, the Board Committees. The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. The briefings are conducted either internally with invited speakers, or externally, at the Company's expense. A separate programme is established for new Directors, details of which together with details of the internal briefing and updates provided to the Directors in 2014 are set out in the paragraph above under the subject heading "Board Orientation and Training".

The Board is kept apprised twice yearly on a list of training programmes attended by the Directors during the year.

## **Principle 5: Board Performance**

### **Board Evaluation Process**

The Company has in place a formal process for assessment of the effectiveness of the Board as a whole, the various Board Committees and the contribution by each Director to the effectiveness of the Board and the Board Committees, where applicable. No external facilitator has been used. The NC assesses the Board's performance as a whole annually using objective and appropriate quantitative and qualitative criteria which were recommended by the NC and approved by the Board. When assessing the overall Board performance, the NC takes into consideration the feedback from individual Directors on areas relating to the Board's competencies and effectiveness. The results of the overall evaluation of the Board by the NC including its recommendation, if any, for improvements are presented to the Board.

The NC's assessment of the performance of the Board Committees is assisted by the self-assessment checklists of the NC, RC, RMC and the AC as well as reports provided by the chairmen of the Exco and SOSC.

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

# CORPORATE GOVERNANCE REPORT

When deliberating on the performance of a particular Director who is also a member of the NC, that member abstains from the discussions in order to avoid any conflict of interests.

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

## **Board Evaluation Criteria**

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

The quantitative criteria used to evaluate the overall Board performance comprise the Company's monthly and year-to-date performance as compared to corresponding periods in the preceding year and the budget; quarterly performance indicators which include a comparison of the Company's performance for the financial period under review against the performance of the Company and comparable industry players for the corresponding period.

## **Individual Director Evaluation Criteria**

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

## **Principle 6: Access to Information**

### **Complete, Adequate and Timely Information and Access to Management**

Prior to each meeting, members of the Board and the Board Committees are provided with the meeting agenda and the relevant papers submitted by Management, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. Management, the Company's auditors and professional advisers who can provide additional insight into the matters for discussion are also invited from time to time to attend such meetings. The role and responsibilities of Management and their reporting relationships are set out in the Company's organisation structure which is tabled annually and also as and when there are changes, for noting by the Board. Directors have separate and independent access to Management.

Draft agendas for Board and Board Committee meetings are circulated to the Board Chairman and the chairmen of the Board Committees, in advance, for them to review and suggest items for the agenda. The Board and the Board Committees are also furnished with routine reports, where applicable from the various departments of the Company. Each of the chairmen of the AC, NC, RC, SOSC and Exco provides an annual report of the respective committee's activities during the year under review to the Board. The chairman of the RMC provides reports to the Board twice yearly on its activities. The minutes of meetings of the Board Committees are circulated to all Board members.

## **Company Secretary**

The Company Secretary, whose appointment and removal are subject to the Board's approval, attends all Board meetings and meetings of the AC, NC, RC, SOSC and RMC and ensures that all Board procedures are followed. The Company Secretary, together with Management, also ensures that the Company complies with all applicable statutory and regulatory rules. Together with Management, she also advises the Board Chairman, the Board and Board Committees on corporate governance matters and assists to implement and strengthen corporate governance practices and processes, including facilitating orientation for newly appointed Directors and appointments to Board Committees, and continuing training and development for the Directors.



# CORPORATE GOVERNANCE REPORT

On an on-going basis, the Directors have separate and independent access to the Company Secretary, whose duties and responsibilities are clearly defined.

## **Independent Professional Advice**

The Directors, whether as a group or individually, are entitled to take independent professional advice at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant the same. The Company has in place internal guidelines allowing the Directors to seek independent professional advice.

## **REMUNERATION MATTERS**

### **Principle 7: Procedures for Developing Remuneration Policies**

#### **RC Composition and Role**

The RC comprises three NEDs, all of whom including the chairman of the RC are independent. The RC's principal responsibilities as set out in its written terms of reference approved by the Board are to review and recommend, for the endorsement of the Board, a framework of remuneration and the specific remuneration packages for each Board member and the Company's key management personnel ("KMP").

The Company has in place a remuneration framework for the Directors and the KMP. The Company currently identifies its MD who is the only Executive Director of the Company, the President and the Deputy President as its KMP. The RC has reviewed the Deputy President's contract of employment in connection with his promotion to this position in December 2014 and considered the terms therein, including the termination clauses, to be fair and reasonable.

All the members of the RC also sit on the SOSC and the chairman of the RC is also the chairman of the SOSC. The RC has access to appropriate advice from the Company's Head of Human Resources ("HR Head"), who attends all RC meetings. No remuneration consultants from outside the Company were appointed. The Company Secretary maintains records of all RC and SOSC meetings including records of discussions on key deliberations and decisions taken.

Three meetings of the RC were convened during 2014. For the financial year under review, the RC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("RC Self-Assessment Checklist").

The RC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the RC under its terms of reference, and considered also the contribution of RC members to the deliberation and decision making process at RC meetings.

Based on the self-assessment, the RC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

### **Principle 8: Level and Mix of Remuneration**

#### **Remuneration of Directors and KMP**

In reviewing the remuneration package of the KMP, the RC, with the assistance of the HR Head, considers the level of remuneration based on the Company's remuneration policy which comprises the following three distinct objectives:

- to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Company's needs;

# CORPORATE GOVERNANCE REPORT

- to reward employees for achieving corporate and individual performance targets in a fair and equitable way; and
- to ensure that the remuneration reflects employees' duties and responsibilities.

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

In determining the variable incentives for a KMP, the KMP's individual performance is taken into consideration together with any annual guidance from the National Wages Council, competitive market practices and information gathered from market surveys conducted by the Company's Human Resources department. This is then reviewed along with the Company's performance, taking into consideration specific indicators tracked over time which align with shareholders' interest. Besides profitability, the growth and the quality of the Company's core business are also taken into account with the monitoring of the size and robustness of its loan assets and the level of non-performing loans.

When reviewing the structure and level of Directors' fees, the RC takes into consideration the Directors' respective roles and responsibilities in the Board and Board Committees and the changes in the business, corporate governance practices and regulatory rules. The RC also compares the Company's fee structure against industry practices. Other factors taken into consideration in the fee review includes frequency of Board and Board Committee meetings, corporate performance for the financial year under review as well as the corporate and economic outlook in the new financial year, and the interval since the last fee review. No Director is involved in deciding his own remuneration. There is no provision in the SOS which requires the EDs and KMP to continue to hold their shares upon exercise of the options. Options granted under the SOS to EDs and KMP are already deferred and vest progressively over a period of three years. One of the objectives for the implementation of the SOS including the extension thereof is to make the total compensation of the participants more attractive and competitive in order for the Company to attract, retain and motivate good employees. To-date, the Company has granted only Market Price (as defined in the SOS) options. Information on the SOS is set out in the Directors' Report on pages 63 to 65 and the Financial Statements on pages 91 to 94 of the AR.

There is no restriction on Directors holding shares in the Company. The RC has however considered that the grant of options under the SOS may not be appropriate and should not be used as a scheme to encourage NEDs to hold shares in the Company.

Since 2014, the letter of offer of options to eligible participants (including the KMP) under the SOS includes a claw-back provision which gives the Company the right to recover or cancel the options (whether in whole or in part, before they are exercised) in the event of exceptional circumstances involving a misstatement of the financial results of the Company for the financial year on which the grant is based, or any misconduct by any employee of the Company, resulting in financial loss to the Company.

# CORPORATE GOVERNANCE REPORT

## Principle 9: Disclosure of Remuneration

### Disclosure of Remuneration

The compensation packages for the KMP comprise a fixed component (in the form of a base salary and fixed allowances), a variable component (comprising short-term incentives in the form of year-end and variable bonuses and longer-term incentives in the form of the grant of share options subject to a vesting schedule) and benefits-in-kind, where applicable.

Information on the SOS is set out in the Directors' Report on pages 63 to 65 and the Financial Statements on pages 91 to 94 of the AR.

Each of the Directors receives a base Director's fee, with the MD receiving an additional fee for serving as the Board Chairman. The Lead ID also receives an additional fee to reflect his expanded responsibility. Directors who serve on the various Board Committees also receive additional fees in respect of each Board Committee that they serve on, with the chairmen of the Board Committees receiving a higher fee in respect of their service as chairman of the respective committees.

The structure of fees paid or payable to Directors of the Company for FY 2014 is as follows:

Appointment	Fees per annum (\$)
Director	60,000 (Basic fee)
	<b>Additional Fees:</b>
Board Chairman	20,000
Executive Committee (Exco)	
- Exco Chairman	30,000
- Exco Member	20,000
Nominating Committee (NC)	
- NC Chairman	18,000
- NC Member	12,000
Remuneration Committee (RC)	
- RC Chairman	18,000
- RC Member	12,000
Hong Leong Finance Share Option Scheme 2001 Committee (SOSC)	
- SOSC Chairman	4,000
- SOSC Member	3,000
Audit Committee (AC)	
- AC Chairman	40,000
- AC Member	30,000
Risk Management Committee (RMC)	
- RMC Chairman	120,000
- RMC Member	20,000
Lead Independent Director	10,000

The remuneration of each Director including a breakdown (in percentage terms) earned through base salary, variable bonuses/allowances, fees, share option grants and other benefits for FY 2014, is set out on page 46 of the AR.

# CORPORATE GOVERNANCE REPORT

## Director's Remuneration for FY 2014

Name of Director	Total Remuneration (nearest thousand \$)	Base Salary <sup>(1)</sup> %	Variable Bonuses/ Allowances <sup>(1)</sup> %	Board/Board Committee Fees <sup>(2)</sup> %	Share Option Grants <sup>(3)</sup> %	Other Benefits %	Total %
<b>Executive Director</b>							
1. Kwek Leng Beng (Managing Director)	2,027	49	39	7	3	2	100
<b>Non-executive Directors</b>							
2. Kwek Leng Joo	60	-	-	100	-	-	100
3. Kwek Leng Peck	103	-	-	100	-	-	100
4. Kwek Leng Kee	60	-	-	100	-	-	100
5. Chng Beng Hua	90	-	-	100	-	-	100
6. Cheng Shao Shiong @ Bertie Cheng	235	-	-	99	-	1	100
7. Po'ad bin Shaik Abu Bakar Mattar	144	-	-	100	-	-	100
8. Ter Kim Cheu	125	-	-	100	-	-	100
9. Raymond Lim Siang Keat	100	-	-	100	-	-	100

Notes:

- (1) The salary and variable bonuses/allowances are inclusive of employer's central provident fund contributions.
- (2) These fees comprise Board and Board Committee fees (excluding AC and RMC fees) for FY 2014, which are subject to approval by shareholders as a lump sum at the 2015 AGM as well as the AC and RMC fees for FY 2014 that have already been approved by shareholders at the 2014 AGM.
- (3) These relate to options granted during FY 2014. The fair value of the options as at the date of grant is \$0.367 for each share under option taking into account the vesting schedule using the Black-Scholes Option Pricing Formula.

## Remuneration of Key Management Personnel (not being a Director or Chief Executive Officer) for FY 2014

The Board does not believe it is in the interest of the Company to disclose the FY 2014 remuneration of its President and Deputy President, being currently identified as the Company's KMP (not being a Director), nor the aggregate remuneration paid to its KMP for FY 2014, having regard to the highly competitive human resource environment.

## Remuneration of Director's Immediate Family Member for FY 2014

The annual remuneration of Ms Kwek Lay Yong, sister of Mr Kwek Leng Peck who is a NED of the Company, was in the band of \$100,000 to below \$150,000 for FY 2014.



# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

### Principle 10: Accountability

#### Accountability of Board and Management

The Board provides shareholders with quarterly and annual financial results. Results for the first, second and third quarter are released to shareholders within 45 days of the end of each quarter whilst the annual results are released within 60 days from the financial year end. In presenting the Group's annual and quarterly results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance and financial position with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which it operates.

For the financial year under review, the Executive Vice President (Finance & Corporate Services/Group Financial Controller) provided assurance to the AC on the integrity of the quarterly and the full year financial statements and the Board in turn provided a negative assurance confirmation in respect of the financial statements for the first, second and third quarter in accordance with the regulatory requirements.

Management provides all Directors with monthly financial results including analysis of the same which are submitted within 30 days of each month end.

### Principle 11: Risk Management and Internal Controls

Risk management plays an important role in the Company's business activities and is an essential component of its planning process. It is therefore critical to the Company's continuing profitability. Where risk is assumed, it is within a calculated and controlled framework. The Company ensures that it has the functional capability to manage risks in new and existing businesses, and that business plans are consistent with risks appetite. There is in place an independent and centralised risk management function which serves to broaden the Company's existing risk management framework to include additional capabilities and approaches in line with modern risk management practice. This integrated risk management framework identifies, assesses, manages and reports risks on a consistent and reliable basis. With the enhanced and formalised risk management function in place, the Company aims to:

- build on existing developments in governance and risk management to create an effective system for management of the risks the Company incurs, supported by appropriate tools;
- ensure the current operating system delivers the information needed for risk management; and
- train and motivate staff to manage risks effectively.

The Company believes that a strong risk management process will support effective capital allocation and management and, through this, increase shareholders' value. It is also with this process that risk and return are evaluated with a goal of producing sustainable revenue and reducing earnings volatility. The maintenance of a strong control framework is a high priority and is the foundation for the delivery of effective risk management.

A strong risk governance structure is maintained to strengthen risk evaluation and management, whilst positioning the Company to manage the changing dynamic environment in an efficient and effective manner. Governance is maintained through delegation of authority from the Board, down through the management hierarchy, and supported by a committee based structure. The risk governance structure is reviewed regularly against best practices as set out in the industry and regulatory guidance. The Board establishes and oversees the Company's risk management framework; and ensures the adequacy of independent risk management systems and practices. Thus, the Board has overall responsibility for determining the type and level of business risks that the Company undertakes to achieve its corporate objectives. To assist the Board in fulfilling its duties, the RMC, a dedicated risk committee at board level

# CORPORATE GOVERNANCE REPORT

oversees and reports to the Board on matters relating to the risk management function of the Company. The RMC reviews the adequacy and effectiveness of and approves the risk management framework, related risk management policies and systems. It also oversees the establishment and operation of the risk management systems that are in place. The RMC comprises four Directors, three of whom are NEDs. The members of the RMC possess the relevant business experience and are therefore suitably qualified to discharge their responsibilities. The Company Secretary maintains records of all RMC meetings including records of discussions on key deliberations and decisions taken.

During the year, the RMC did a self-assessment of its performance based on the self-assessment checklist ("RMC Self-Assessment Checklist"). The RMC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the RMC under its terms of reference. Based on the self-assessment, the RMC was of the view that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

Management, through its various committees, is accountable to the Board for ensuring the effectiveness of the risk management framework established by the Board.

A risk management team supports the RMC for maintaining an effective control environment that reflects established risks appetite and business objectives. The risk management team is independent of the business units, and performs the role of implementing risk management policies and procedures.

The business units, being the first line of defence against risk, are responsible for identifying, mitigating and managing risk within their lines of business. These units ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits for optimal performance.

All the Company's business activities involve, to varying degrees, the analysis, evaluation, acceptance and management of risks or combinations of risks. The principal risks of the Company comprise strategic, credit, market and operational risks. Significant business risks are identified and a risk management action plan focusing on four main aspects, namely, Board oversight, senior management accountability, sound and well-documented risk policies and strong risk management, monitoring and control capabilities, implemented. The risk management policies are designed to identify and analyse the various risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable information systems. Risk profiles, exposures and trends are regularly reported to Management and the RMC for review and appropriate action. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Company recognises that the risk management process is an on-going process and will thus continuously ensure that the Company's current risk management system and processes are in line with regulatory guidelines and industry best practices.

In the following paragraphs, a description is given of the way the various risk types are measured and managed in the Company.

## Strategic Risk

Strategic risk is the risk that adverse business decisions, ineffective or inappropriate business plans or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, execution and/or other intrinsic risks of business will impact the Company's ability to meet its objectives. The Company is mindful of the changes in its operating environment from time to time and is constantly monitoring and reviewing the economic and strategic risks of the Company in order to be able to enhance the management of the same. An integrated business planning and budget process is used to help manage strategic risk. A key component of this process is the alignment of strategies, goals, tactics and resources by the various business units and support departments. A planning process flows through the business units, identifying business unit plans that are aligned with the Company's direction.

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## Credit Risk

Credit risk is the potential loss arising from failure of a debtor or counterparty to meet their contractual obligations. The risk is managed to achieve sustainable and superior risk-reward performance whilst maintaining exposures within acceptable risk appetite parameters. This is achieved through the combination of governance, policies, systems and controls, underpinned by sound judgement. The failure to effectively manage credit risk across the Company and all products, services and activities can have a direct, immediate and material impact on the Company's earnings and reputation. Credit risk is undertaken that meets internal underwriting standards. This ensures that risks are commensurate with potential returns that enhance shareholder value.

The Company has a Credit Risk Management policy to document and formalise the credit risk framework. This policy sets forth credit risk principles and details how the risks are managed in the Company. It is supplemented by the Credit Manual which details the process and management relating to credit transactions. The comprehensive credit risk framework ensures that all credit risks arising from each business are identified, analysed and monitored. Credit stress testing is also conducted periodically to determine the impact of security values and other stress parameters on the Company's loan portfolios. This stress testing allows the Company to assess the potential credit impact to losses arising from unlikely but plausible adverse events.

Credit risk analysis focuses on ensuring that credit risks are identified in order that a balanced assessment can be made accordingly. Loans and advances to customers provide the principal source of credit risk to the Company. The value of outstanding loans and advances balances, their risk profile, and potential concentrations within them can therefore have a considerable influence on the level of credit risk. The Company addresses credit risk concentration by setting a credit portfolio mix limit and monitoring the limit on a regular basis. Management periodically reviews the loans portfolio and concentration risk reports to monitor for undue credit concentrations. More details on credit risk could be found in the Financial Statements on pages 107 to 110 of the AR.

## Market Risk

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as interest rate movement. Traditional financial activities, such as lending and deposit taking, expose the Company to market risk, of which interest rate risk is a large component. Market risk also includes the risks of market access for funding and liquidity.

The objective of balance sheet interest rate risk management is to secure stable and optimal net interest income over both the short and long term. Interest rate risk arises primarily from the fact that financial assets and liabilities typically reprice at different points in time. In liquidity risk management, the Company ensures that cash flow requirements of depositors and borrowers, as well as the Company's operating cash needs are met taking into account all on and off-balance sheet funding demands. Liquidity risk management also includes ensuring cash flow needs are met at a reasonable cost. The liquidity funding requirements are integrated into the liquidity risk management policy with its aim to ensure that the Company has a stable diversified funding base without over-reliance on any one market segment. Liquidity contingency funding plans are in place to identify potential liquidity crises using early warning indicators and to handle unexpected liquidity disruptions. Crisis escalation procedures, decision making authorities and various strategies including funding, communication and courses of action to be taken have been developed to minimise the impact of any liquidity crunch. The Assets and Liabilities Committee, comprising Management, reviews policies, strategies and limits in the management of market risk. The RMC assists the Board in ensuring the effective management of the market risk process.

Analyses of cash flow, re-pricing mismatches, Present Value of a basis point impact of assets and liabilities and simulation modelling are performed to determine the net funding requirements as well as the interest rate risk profile. Tolerance tenor limits on the mismatches of liquidity and interest rates as well as risk ratios are established and monitored periodically. These limits serve to control the overall extent and composition of respective liquidity and

# CORPORATE GOVERNANCE REPORT

interest rate risks taken. Liquidity stress testing is performed to assess and plan for the impact of various scenarios which may put the Company's liquidity at risk. The Company implements the Asset and Liability Management and Funds Transfer Pricing ("FTP") software systems to enhance market risk management. Interest rate risk sensitivity analyses are performed under various interest rate scenarios using dynamic simulation modelling. The FTP system, being an internal management pricing system, allows for the monitoring of net interest margin. It complements the performance measurement process by incorporating cost of funds dimension to the balance sheet. More details on liquidity and interest rate risks could be found in the Financial Statements on pages 111 to 117 of the AR.

## **Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. It includes legal, regulatory, fraud, business continuity and technology risks. While the Company has established procedures and controls to manage risks, the potential for failure or inadequacy in these procedures and controls would be classified as an operational risk. Operational risk is inherent in all the Company's business activities it operates to provide services to customers, including the practices and controls used to manage other risks. Operational risk failures could lead to reputation damage, financial loss or regulatory consequences.

Operational risk is identified, managed, monitored and mitigated through an operational risk management framework designed to provide a sound and well-controlled operational environment. The framework protects the Company from potential financial loss or damage to its reputation, its customers or staff and to ensure that it meets the necessary regulatory and legal requirements. The daily management of operational risk exposures is through a comprehensive system of internal controls to ensure that operational policies and procedures are being adhered to at different levels throughout the Company. The Company's operational risk self-assessment framework incorporates the mapping of risks into risk categories, monitoring of key risk indicators and loss events reporting. Action plans are formulated based on the severity of the assessed residual risks after considering mitigating controls. This is augmented through the use of a system that supports the operational risk management framework. Every department performs this regular self-assessment and ensures a proper control environment, which includes technology risk and data loss prevention. The internal audit function checks the system of internal controls through regular and on-going audit procedures and reports on the effectiveness of internal controls to Management and the AC.

To mitigate the impact of unforeseen operational risk events, the Company has developed Business Continuity Processes to ensure the availability of critical business functions in the event of unforeseen disasters. These processes provide a high level of assurance that enables senior management to understand, manage and satisfactorily control related business continuity risks. On an annual basis, Management provides an attestation to the RMC on the state of Business Continuity Management and the extent of alignment of Business Continuity Practices to regulatory guidelines and disclosure of residual risk.

The Company's reputation and financial soundness are of fundamental importance to the Company and to its customers, shareholders and employees. Managing reputation risk is an essential role of Management as it has the potential to impact earnings, ability to maintain existing or establish new business relationships and access to sources of funding. The Company seeks to manage and minimize reputation risk through its corporate governance structure and operational risk management framework.

## **Internal Controls**

The Directors recognise that they have overall responsibility to ensure proper financial reporting for the Company and effectiveness of the Company's system of internal controls including financial, operational, compliance and IT controls, and risk management policies and systems.



# CORPORATE GOVERNANCE REPORT

The internal controls structure of the Company has been designed and put in place by Management to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgement in decision making, losses, fraud or other irregularities.

The AC reviewed the adequacy of the Company's internal controls that address the Company's financial, operational, compliance and IT controls, and risk management systems, with the assistance of the RMC, Management, the Risk Management and Credit Control departments, Compliance department and the internal and external auditors.

Based on the work performed by Internal Audit ("IA"), Risk Management, Credit Control and Compliance departments during the financial year, as well as the statutory audit by KPMG LLP ("KPMG"), and the assurances from Management, the Board with the concurrence of the AC, is satisfied that the system of risk management and internal controls in place as at 31 December 2014 to address in all material aspects the financial, operational, compliance and information technology risks, is adequate and effective in the context of the current scope of the Company's business operations.

## **Principle 12: Audit Committee**

### **Composition of AC**

The AC comprises three NEDs, all of whom including the chairman of the AC are independent. Two members including the AC chairman possess the relevant accounting or related financial management expertise and experience.

With the current composition, the AC believes that it has the relevant accounting or related financial management expertise and experience to discharge its functions within its written terms of reference which has been approved by the Board.

### **Powers and Duties of the AC**

The AC is authorised by the Board to review or investigate any matters it deems appropriate within its terms of reference and has direct and unrestricted access to the external auditors, the internal auditors and Management. It may invite any Director, Management, officer or employee of the Company, the external auditors and internal auditors to attend its meetings. It is also authorised to engage any firm of accountants, lawyers or other professionals as it sees fit to provide independent counsel and advice to assist in the review or investigation on such matters within its terms of reference as it deems appropriate, at the Company's expense.

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Company's financial reporting process (including reviewing the accounting policies and practices of the Company) and internal controls, including financial, operational, compliance, IT and risk management controls. Other duties within its written terms of reference include:

- to review with Management and, where appropriate, with the external auditors the quarterly and full year financial statements before their submission to the Board to ensure their completeness, consistency and fairness;
- to monitor the integrity of the financial statements of the Company to be announced or reported and any other formal announcements relating to the Company's financial performance;
- to monitor and assess the role and effectiveness of the IA function in the overall context of the Company's internal controls and risk management systems;
- to review and approve the annual audit plans of the external and internal auditors;

# CORPORATE GOVERNANCE REPORT

- to review, on an annual basis, the scope and results of the external audit and its cost-effectiveness and the independence and objectivity of the external auditors; and also to review on a periodic basis the nature and extent of any non-audit services provided by the external auditors to the Company;
- to review annually with Management, the internal and external auditors the results of their review and evaluation of the Company's internal controls, including financial, operational, compliance and IT controls, and risk management policies and systems and report to the Board annually on the adequacy and effectiveness of such internal controls;
- to make recommendations to the Board on the nomination for the appointment, re-appointment and removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors;
- to approve the appointment, resignation or dismissal of the Head of IA;
- to review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual; and
- to review the Company's whistleblowing policy and arrangements put in place for raising concerns about possible improprieties in matters of financial reporting or any other matters.

The AC held six meetings during the year and carried out its duties as set out within its terms of reference. The Company Secretary maintains records of all AC meetings including records of discussions on key deliberations and decisions taken. The AC meets with the internal and external auditors, each separately without the presence of Management, annually.

For the financial year under review, the AC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities. The assessment was facilitated through the use of a self-assessment checklist ("AC Self-Assessment Checklist").

The AC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the AC under its terms of reference, and also considered the contribution of AC members to the AC's deliberation and decision making process.

Based on the self-assessment, the AC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

## External Auditors

Taking cognizance that the external auditors should be free from any business or other relationships with the Company that could materially interfere with their ability to act with integrity and objectivity, the AC undertook a review of the independence of KPMG and gave careful consideration to the Company's relationships with them during 2014. In determining the independence of KPMG, the AC reviewed all aspects of the Company's relationships with them including the processes, policies and safeguards adopted by the Company and KPMG relating to audit independence. The AC also considered the nature of the provision of the non-audit services in 2014 and the corresponding fees and ensured that such non-audit fees did not impair or threaten the audit independence. Based on the review, the AC is of the opinion that KPMG is, and is perceived to be, independent for the purpose of the Company's statutory financial audit. For details of the fees paid and/or payable to KPMG in respect of audit and non-audit services for FY 2014, please refer to note 21 of the Notes to the Financial Statements on page 103.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2015, the AC considered the adequacy of the resources, experience and competence of KPMG. Consideration was also given to the engagement partner and key team members' overall business acumen, knowledge and experience in the financial services industry. The size and complexity of the audit of the Company and the level of audit fee were further taken

# CORPORATE GOVERNANCE REPORT

into account. The AC also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed time-lines. The AC also appreciated the candour of the external auditors in discussions on audit issues with the AC, both in a private session and during meetings.

KPMG has confirmed that they are registered with the Accounting and Corporate Regulatory Authority. The Company is thus in compliance with Rule 712 and Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the auditors of the Company and its subsidiaries.

On the basis of the above, the AC has recommended to the Board the nomination of KPMG for re-appointment as external auditors at the 2015 AGM.

## Review of Related Party and Interested Person Transactions

Taking a risk-based approach, the Company has established policies and procedures on related party and interested person transactions to ensure that such transactions are undertaken on an arm's length basis, on normal commercial terms consistent with the Company's usual business practices and policies, not prejudicial to the interests of the Company and its minority shareholders and on terms which are generally no more favourable to the related parties and/or interested persons (as defined in Chapter 9 of the SGX-ST Listing Manual), than those extended to other unrelated third parties under similar circumstances. IA reviews all interested person transactions and the related party lending transactions annually and as part of its review, updates the AC on such transactions reviewed and updates the Board on comments/findings if any relating to any loan related/connected to any AC member.

A list of related parties and interested persons is maintained by the Company for monitoring purposes.

Particulars of interested person transactions required to be disclosed under Rule 907 of the SGX-ST Listing Manual are as follows:

Name of Interested Person	Aggregate value of all interested person transactions in FY 2014 (excluding transactions less than \$100,000 and transactions conducted under any shareholders' mandate pursuant to Rule 920) (\$'000)	Aggregate value of all interested person transactions conducted in FY 2014 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (\$'000)
Hong Leong Investment Holdings Pte. Ltd. group of companies		
- Lease of office premises	18,118*	Not applicable**
- Receipt of cleaning, security and building maintenance services	111	Not applicable**
- Receipt of corporate secretarial services	324	Not applicable**

\* This relates to the value of leases for the entire tenures of between 3 to 5 years relating to leases of office premises entered into by the Company during the year from Interested Persons.

\*\* The Company has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920.

The above interested person transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

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## **Whistleblowing Policy**

HLF has in place a whistleblowing policy where staff of the Company or other persons can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters or other matters without fear of reprisals in any form. The AC has the responsibility of overseeing this policy which is administered by the Head of IA. Under these procedures, arrangements are in place for independent investigation of such matters raised and for appropriate follow up action to be taken.

## **Principle 13: Internal Audit**

### **Reporting Line and Qualifications**

The IA function is independent of the activities it audits. The Head of IA's primary reporting line is to the AC chairman with an administrative line of reporting to the President of the Company. The appointment, resignation and dismissal of the Head of IA is reviewed and approved by the AC. The AC also provides input on the annual performance appraisal of the Head of IA and the AC chairman is consulted on all bonus payments and salary adjustments for this position. The AC meets the Head of IA at least once annually without the presence of Management. The Head of IA has unfettered access to the AC, the Board and Management.

IA operates within the framework stated in its IA Charter which is approved by the AC, and reviewed on an annual basis. The standards of the IA Charter are consistent with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

Processes are in place to ensure that the professional competence of the IA staff is maintained or upgraded through training programmes, and the AC reviews on an annual basis the continuing professional education programme for the IA team which comprises technical and non-technical training for professional and personal development of the IA staff.

### **Role and Activities of IA**

The primary role of the IA is to assist the Board to evaluate the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Company, by ensuring that the scope of the IA's work is reasonably comprehensive to enable effective and regular review of the key operational, financial and related activities of the Company.

The AC approved the annual IA plan in January 2014 and received regular reports during 2014 on the progress of the audit work under the IA plan. IA observations on operational and human lapses and recommendations to address them were also reviewed and discussed at the AC meetings. The AC was satisfied that recommendations made were dealt with by Management in a timely manner with any outstanding recommendations being closely monitored and reported back to the AC.

The AC reviewed the effectiveness and adequacy of the IA function including its resources through a review of the IA activities on a quarterly basis as well as its annual assessment of the IA function. The assessment was facilitated through the use of an evaluation framework which covers IA organisation, resources and continuing training, audit plans, work scope, quality of reports and recommendations, IA Charter and IA internal control assessment. Based on the assessment, the AC is satisfied with the quality and effectiveness of the IA function and that the IA function is currently adequately resourced and has appropriate independent standing within the Company to perform its functions effectively.



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The external assessor which was appointed by the Company in June 2014 to provide an independent review of the IA function has completed its work and made certain recommendations to further improve the effectiveness of the IA function. The recommendations will be considered and implemented to the extent as appropriate.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Principle 14: Shareholder Rights

Being committed to good corporate practices, the Company treats all shareholders fairly and equitably. To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner *via* SGXNET.

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. In accordance with the Articles of Association of the Company, shareholders may appoint one or two proxies to attend and vote at general meetings in their absence. The proxy forms must be deposited with the Company not less than forty-eight (48) hours before the time set for the general meetings. As it is logistically challenging to allow corporations providing nominee or custodial services to appoint more than two proxies, the Company has decided not to implement the same for the time being. CPF investors of the Company's securities may nevertheless attend shareholders' meetings as observers provided they have submitted their requests to do so with their agent banks within a specified timeframe.

### Principle 15: Communication with Shareholders

The Company ensures that shareholders are notified of all material information in an accurate and timely manner. The Company notifies its investors in advance of the date of release of its financial results *via* SGXNET. The Company's quarterly and full year results are announced within the mandatory period. The financial statements and other presentation materials presented at the Company's general meetings including material and price-sensitive information are disseminated and publicly released *via* SGXNET on a timely basis. All shareholders of the Company receive the annual report of the Company and the notice of AGM, which notice is also advertised in the press and released *via* SGXNET. Shareholders and investors can contact the Company or access information on the Company at its website at [www.hlf.com.sg](http://www.hlf.com.sg) which provides, *inter alia*, corporate announcements, press releases and the latest financial results as released by the Company on SGXNET, together with a feedback form which they can complete, and contact details of its Investors Relations given in the AR.

The Company has adopted a dividend policy, which is set out on page 2 of the AR.

### Principle 16: Conduct of Shareholder Meetings

At general meetings of the Company, shareholders are given the opportunity to communicate their views and encouraged to ask the Directors and Management questions regarding matters affecting the Company. The chairmen of all the Board Committees and the external auditors are present at general meetings to assist in addressing queries raised by the shareholders.

Shareholders are given the opportunity to vote at general meetings. However, as the authentication of shareholder identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

# CORPORATE GOVERNANCE REPORT

To allow for a more efficient voting system, the Company had introduced electronic poll voting since its 2012 AGM and would continue to do so at the 2015 AGM. With electronic poll voting, shareholders present in person or represented by proxy at the 2015 AGM will be entitled to vote on a 'one-share, one-vote' basis. The voting results of all votes cast in respect of each resolution will also be instantaneously displayed at the meeting and announced *via* SGXNET after the 2015 AGM. The rules including voting procedures that govern general meetings of shareholders are set out within the notice of 2015 AGM.

The Company provides for separate resolutions at general meetings on each substantial issue, including treating the re-election or re-appointment of each Director as a separate subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the notice of AGM in the AR. The Company also maintains minutes of AGM, which includes the key comments and queries raised by shareholders and the responses from the Board, Management and/or the external auditors.

## **Corporate Values and Conduct of Business**

The Board and Senior Management are committed to conducting business with integrity and consistent with high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. In addition to observing the Code of Conduct issued by the Finance Houses Association of Singapore, as well as the Code of Conduct for Banks and Bank Staff issued by the Association of Banks in Singapore to the extent applicable to the operations of the Company, the Company has in place an internal code of business and ethical conduct crystallising the Company's business principles and practices with respect to matters which may have ethical implications. The code provides a communicable and understandable framework for staff to observe the Company's principles such as honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Company's business in their relationships with customers, suppliers and amongst employees, including situations where there are potential conflicts of interests.

The Company also has in place policies and procedures on the Prevention of Money Laundering and Countering the Financing of Terrorism ("AML/CFT") and the prevention, detection, reporting and investigation of fraud, based on MAS Notices 824 and 828 to Finance Companies on AML/CFT and fraud reporting respectively, Personal Data Protection to provide guidance to employees on matters related to the Personal Data Protection Act 2012, as well as other relevant policies and procedures to facilitate the Company's compliance with all applicable laws and regulations.

## **Internal Code on Dealing in Securities**

The Company has in place an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities (a) on short-term considerations; (b) while in possession of unpublished material price-sensitive information in relation to such securities; and (c) during the "closed period" which is defined as two weeks before the date of announcement of results for the first, second and third quarter of the Company's financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the Company are notified prior to the commencement of the "closed periods" relating to dealing in the Company's securities.

## **Complaint Handling Procedures**

Complaint handling procedures are also in place to ensure that all complaints from customers are dealt with professionally, fairly, promptly and diligently and decisions are clearly communicated to customers.

Date: 17 March 2015

# FINANCIAL REPORT

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# DIRECTORS' REPORT

Year ended 31 December 2014

We are pleased to submit this report to the members of Hong Leong Finance Limited (the “Company”) together with the audited financial statements for the financial year ended 31 December 2014.

## Directors

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

Kwek Leng Beng  
Kwek Leng Joo  
Kwek Leng Peck  
Kwek Leng Kee  
Chng Beng Hua  
Cheng Shao Shiong @ Bertie Cheng  
Po'ad bin Shaik Abu Bakar Mattar  
Ter Kim Cheu  
Raymond Lim Siang Keat

## Arrangements to Enable Directors to Acquire Shares or Debentures

Except as disclosed under the section on “Share Options” in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangements whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Directors' Interests in Shares or Debentures

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants and/or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year. The directors of the Company consider Hong Leong Investment Holdings Pte. Ltd. (“HLIH”) to be the immediate and ultimate holding company of the Company.

According to the Register of Directors' Shareholdings kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year (including those of their spouses and infant children) in shares and/or share options in the Company and in related corporations are as follows:-



# DIRECTORS' REPORT

Year ended 31 December 2014

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year	At end of the year
<b><u>The Company</u></b>		
<b>Shares</b>		
Kwek Leng Beng	5,603,567	5,603,567
Kwek Leng Joo	703,610	703,610
Kwek Leng Peck	517,359	517,359
Kwek Leng Kee	1,595,079	1,595,079
<b>Options to subscribe for shares under the Hong Leong Finance Share Option Scheme 2001</b>		
Kwek Leng Beng	3,336,000	3,136,000
<b><u>Immediate and Ultimate Holding Company</u></b>		
<b>Hong Leong Investment Holdings Pte. Ltd. Ordinary Shares</b>		
Kwek Leng Beng	2,320	2,320
Kwek Leng Joo	1,290	1,290
Kwek Leng Peck	10,921	10,921
<b><u>Related Corporations</u></b>		
<b>Hong Leong Holdings Limited Ordinary Shares</b>		
Kwek Leng Beng	259,000	259,000
Kwek Leng Joo	210,000	210,000
Kwek Leng Peck	381,428	381,428
Kwek Leng Kee	997,000	997,000

# DIRECTORS' REPORT

Year ended 31 December 2014

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year	At end of the year
<b><u>Related Corporations (continued)</u></b>		
<b>City Developments Limited</b>		
<b>Ordinary Shares</b>		
Kwek Leng Beng	397,226	397,226
Kwek Leng Joo	65,461	65,461
Kwek Leng Peck	43,758	43,758
<b>Preference Shares</b>		
Kwek Leng Beng	144,445	144,445
Kwek Leng Joo	100,000	100,000
<b>Hong Realty (Private) Limited</b>		
<b>Ordinary Shares</b>		
Kwek Leng Beng	1,110	1,110
Kwek Leng Joo	510	510
Kwek Leng Peck	150	150
Kwek Leng Kee	300	300
<b>Hong Leong Asia Ltd.</b>		
<b>Ordinary Shares</b>		
Kwek Leng Beng	660,000	660,000
Kwek Leng Peck	1,680,000	1,680,000
Kwek Leng Kee	150,000	150,000
<b>Options to subscribe for ordinary shares under the Hong Leong Asia Share Option Scheme 2000</b>		
Kwek Leng Peck	470,000	470,000

# DIRECTORS' REPORT

Year ended 31 December 2014

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year	At end of the year
<b>Related Corporations (continued)</b>		
<b>City e-Solutions Limited</b>		
<b>Ordinary Shares of HK\$1.00 each</b>		
Kwek Leng Beng	3,286,980	3,286,980
Kwek Leng Joo	1,436,000	1,436,000
Kwek Leng Peck	2,082,200	2,082,200
<b>Millennium &amp; Copthorne Hotels New Zealand Limited</b>		
<b>Ordinary Shares</b>		
Kwek Leng Beng	3,000,000	906,000
<b>Redeemable Non-Voting Preference Shares</b>		
Kwek Leng Beng	-	453,000
<b>Sun Yuan Holdings Pte Ltd</b>		
<b>Ordinary Shares</b>		
Kwek Leng Beng	15,000,000	15,000,000
<b>Euroform (S) Pte. Limited</b>		
<b>Ordinary Shares</b>		
Kwek Leng Joo	50,000	50,000

# DIRECTORS' REPORT

Year ended 31 December 2014

	Other holdings in which the director is deemed to have an interest	
	At beginning of the year	At end of the year
<b><u>Immediate and Ultimate Holding Company</u></b>		
<b>Hong Leong Investment Holdings Pte. Ltd.</b>		
<b>Ordinary Shares</b>		
Kwek Leng Beng	40,744	40,744
Kwek Leng Kee	47,019	47,019

The directors' interests in the Company as at 31 December 2014 disclosed above remained unchanged as at 21 January 2015.

## Directors' Interests in Contracts

During the financial year, the Company and/or its related corporations have in the normal course of business entered into transactions with directors and/or their affiliated parties, being related parties and parties in which some of the directors are deemed to have an interest, with the directors having disclosed their interests in such transactions pursuant to Section 156 of the Companies Act, Chapter 50. Such transactions may comprise loans, deposits, provision of nominee and corporate advisory services, foreign exchange transactions, insurance transactions, property-related transactions, construction-related transactions, industrial and manufacturing-related transactions, consumer-related transactions, investing in real estate used for hospitality and/or hospitality-related purposes, purchase/sale of investments, property, industrial and consumer products, goods and services, including vehicles, equipment and machinery, parts and accessories and provision and receipt of after-sales services, hotel-related transactions, procurement services, information technology services, e-commerce-related transactions, management and consultancy services and/or other transactions carried out on normal commercial terms and in the normal course of business of the Company and/or its related corporations.

However, the directors have neither received nor become entitled to receive any benefit arising out of these transactions other than those to which they may be entitled as customers, suppliers, directors and members of these corporations.

Except as disclosed above and in the accompanying financial statements, and except for remuneration and professional fees paid/payable by related corporations, 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 and/or its related corporations 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.



# DIRECTORS' REPORT

Year ended 31 December 2014

## Share Options

### (a) Hong Leong Finance Share Option Scheme 2001 (the "Share Option Scheme")

The Share Option Scheme was approved by the shareholders at the extraordinary general meeting of the Company held on 31 January 2001 for an initial duration of 10 years (from 31 January 2001 to 30 January 2011). At the annual general meeting of the Company held on 23 April 2010, the shareholders approved the extension of the duration of the Share Option Scheme for a further period of 10 years from 31 January 2011 to 30 January 2021. Other than the extension of the duration of the Share Option Scheme, all other rules of the Share Option Scheme remain unchanged.

The Share Option Scheme is administered by a committee comprising the following members:-

Po'ad bin Shaik Abu Bakar Mattar (Chairman)  
Kwek Leng Peck  
Cheng Shao Shiong @ Bertie Cheng  
Ter Kim Cheu

The Share Option Scheme provides the Company with the flexibility of granting options to participants at Market Price (as defined in the Share Option Scheme) and/or with a discount (either up-front or a deferred discount) to the Market Price. All options granted to date under the Share Option Scheme are at Market Price and were granted to Group Employees and Parent Group Employees (both as defined in the Share Option Scheme). Subject to any applicable vesting schedule, these options may be exercised one year after the date of the grant and have a term of ten years from the date of the grant.

The aggregate number of shares in the capital of the Company ("Shares") over which options may be granted under the Share Option Scheme on any date, when added to the number of Shares issued and issuable in respect of all options granted under the Share Option Scheme shall not exceed 15% of the total number of issued Shares on the day preceding the relevant date of grant. The aggregate number of Shares which may be offered by way of grant of options to Parent Group Employees and Parent Group Non-Executive Directors (as defined in the Share Option Scheme) collectively under the Share Option Scheme shall not exceed 20% of the total number of Shares available under the Share Option Scheme.

# DIRECTORS' REPORT

Year ended 31 December 2014

## (b) Options granted under the Share Option Scheme

During the financial year under review, the following options were granted to Group Employees under the Share Option Scheme:-

Date of grant	Exercise period	Number of Shares under option	Subscription Price
25.9.2014	25.9.2015 to 24.9.2024	2,015,500 (net of options not accepted)	\$2.66

- (i) Included in the above are options granted to an Executive Director of the Company, details of which are as follows:-

Name of Director	Shares under option granted during financial year under review	Aggregate Shares under option granted since commencement of Share Option Scheme to end of financial year under review	Aggregate Shares under option exercised since commencement of Share Option Scheme to end of financial year under review	Aggregate Shares under option lapsed since commencement of Share Option Scheme to end of financial year under review	Aggregate Shares under option outstanding as at end of financial year under review
Kwek Leng Beng	160,000	4,496,000	1,000,000	360,000	3,136,000

- (ii) None of the participants were regarded by the Directors as controlling shareholders of the Company.
- (iii) None of the other participants were granted options representing 5% or more of the total number of Shares under option available under the Share Option Scheme.
- (iv) None of the Parent Group Employees were granted options representing 5% or more of the total number of Shares under option available under the Share Option Scheme to all Parent Group Employees and Parent Group Non-Executive Directors. A total of 250,000 Shares under option were granted to Parent Group Employees since the commencement of the Share Option Scheme to the end of the financial year under review.
- (v) Except for options granted to persons in their capacity as Group Employees and/or Parent Group Employees, no other options have been granted by the Company to any other categories of persons since the commencement of the Share Option Scheme.

# DIRECTORS' REPORT

Year ended 31 December 2014

- (vi) The options granted to certain participants of executive rank (including those granted to an Executive Director of the Company) since the commencement of the Share Option Scheme are subject to a vesting schedule as follows:-
  - (1) one year after the date of grant for up to 33% of the Shares over which the options are exercisable;
  - (2) two years after the date of grant for up to 66% (including (1) above) of the Shares over which the options are exercisable; and
  - (3) three years after the date of grant for up to 100% (including (1) and (2) above) of the Shares over which the options are exercisable.
- (vii) The persons to whom options have been granted do not have any right to participate by virtue of these options in any share issue of any other company.

## (c) Unissued Shares under option

There were a total of 23,107,955 unissued Shares under option granted pursuant to the Share Option Scheme at the end of the financial year. Details of the options to subscribe for Shares (including those granted to an Executive Director) are as disclosed in the accompanying financial statements.

Except as disclosed above and in the accompanying financial statements, during the financial year, there were:-

- (i) no options granted by the Company or its subsidiaries to any person to take up unissued Shares of the Company or its subsidiaries; and
- (ii) no Shares issued by virtue of any exercise of options to take up unissued Shares of the Company or its subsidiaries.

## Audit Committee

The Audit Committee comprises three independent non-executive members of the Board of Directors. The members of the Audit Committee at the date of this report are:-

Po'ad bin Shaik Abu Bakar Mattar (Chairman)  
Chng Beng Hua  
Ter Kim Cheu

The Audit Committee held six meetings during the financial year and carried out the functions of an audit committee under its terms of reference including those specified in the Companies Act, Chapter 50. In carrying out its functions, the Audit Committee *inter-alia* reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Group's system of internal controls. The Audit Committee also reviewed the consolidated financial statements and the financial statements of the Company for the year ended 31 December 2014 as well as the auditors' report thereon.

# DIRECTORS' REPORT

Year ended 31 December 2014

The Audit Committee 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 subject to the approval of the Monetary Authority of Singapore.\*

## **Auditors**

In appointing the auditors for the Company and the subsidiaries, the Company has complied with Rules 712 and 715 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to the auditors.

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

On behalf of the Board of Directors

**Kwek Leng Beng**

Director

**Po'ad bin Shaik Abu Bakar Mattar**

Director

**Singapore**

26 February 2015

\* Subsequent to the date of this report, the approval has been obtained from the Monetary Authority of Singapore.



# STATEMENT BY DIRECTORS

Year ended 31 December 2014

In our opinion:-

- (a) the consolidated financial statements of the Group consisting of Hong Leong Finance Limited (the “Company”) and its subsidiaries and the statement of financial position and the statement of changes in equity of the Company, together with the notes, set out on pages 70 to 128 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

**Kwek Leng Beng**  
Director

**Po’ad bin Shaik Abu Bakar Mattar**  
Director

**Singapore**

26 February 2015

# INDEPENDENT AUDITORS' REPORT

To the Members of  
Hong Leong Finance Limited

## Report on the financial statements

We have audited the accompanying financial statements of Hong Leong Finance Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 70 to 128.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

# INDEPENDENT AUDITORS' REPORT

To the Members of  
Hong Leong Finance Limited

## **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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

### **KPMG LLP**

Public Accountants and  
Chartered Accountants

### **Singapore**

26 February 2015

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

		Group		Company	
	Note	2014	2013	2014	2013
<b>Number of shares in issue</b>	4	<b>443,546,503</b>	442,700,193	<b>443,546,503</b>	442,700,193
		<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Share capital	4	<b>878,664</b>	876,389	<b>878,664</b>	876,389
Reserves	4	<b>611,892</b>	595,900	<b>611,892</b>	595,900
Accumulated profits		<b>168,012</b>	173,982	<b>165,081</b>	171,161
<b>Equity attributable to owners of the Company</b>		<b>1,658,568</b>	1,646,271	<b>1,655,637</b>	1,643,450
<b>Liabilities</b>					
Deposits and balances of customers	6	<b>10,468,530</b>	9,905,800	<b>10,472,491</b>	9,909,716
Trade and other payables	7	<b>118,680</b>	108,923	<b>117,385</b>	107,635
Current tax payable		<b>16,269</b>	14,152	<b>16,262</b>	14,145
<b>Total liabilities</b>		<b>10,603,479</b>	10,028,875	<b>10,606,138</b>	10,031,496
<b>Total equity and liabilities</b>		<b>12,262,047</b>	11,675,146	<b>12,261,775</b>	11,674,946
<b>Assets</b>					
Cash at banks and in hand	9	<b>1,082,543</b>	1,081,566	<b>1,081,737</b>	1,080,832
Statutory deposit with the Monetary Authority of Singapore	9	<b>282,905</b>	261,535	<b>282,905</b>	261,535
Singapore Government securities	10	<b>1,258,688</b>	1,201,651	<b>1,258,688</b>	1,201,651
Loans, advances and receivables	11	<b>9,582,540</b>	9,087,972	<b>9,582,540</b>	9,087,972
Other receivables, deposits and prepayments	12	<b>23,686</b>	20,482	<b>23,685</b>	20,481
Subsidiaries	13	<b>-</b>	-	<b>535</b>	535
Investments (long term)	14	<b>546</b>	546	<b>546</b>	546
Property, plant and equipment	15	<b>27,553</b>	18,119	<b>27,553</b>	18,119
Deferred tax assets	8	<b>3,586</b>	3,275	<b>3,586</b>	3,275
<b>Total assets</b>		<b>12,262,047</b>	11,675,146	<b>12,261,775</b>	11,674,946
Acceptances, guarantees and other obligations on behalf of customers	16	<b>11,174</b>	8,149	<b>11,174</b>	8,149

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

		<b>Group</b>	
	Note	<b>2014</b> <b>\$'000</b>	2013 \$'000
Profit and loss account:			
Interest on loans		<b>196,729</b>	182,639
Hiring charges		<b>36,056</b>	43,946
Other interest income		<b>21,858</b>	22,309
Interest income/hiring charges		<b>254,643</b>	248,894
Less: Interest expense		<b>105,652</b>	100,678
Net interest income/hiring charges	17	<b>148,991</b>	148,216
Fee and commission income	18	<b>12,293</b>	15,545
Other operating income	19	<b>199</b>	1,252
Income before operating expenses		<b>161,483</b>	165,013
Less: Staff costs	20	<b>61,695</b>	62,169
Depreciation of property, plant and equipment	15	<b>2,727</b>	2,502
Other operating expenses	21	<b>19,291</b>	18,270
<b>Profit from operations before allowances/provision</b>		<b>77,770</b>	82,072
Add/(Less): (Allowances for)/reversal or recovery of doubtful debts and provision for settlements and costs relating to distribution of wealth management products and impairment losses of other assets	7, 11, 12, 15	<b>(2,024)</b>	2,339
<b>Profit before income tax</b>		<b>75,746</b>	84,411
Less: Income tax expense	22	<b>12,949</b>	14,333
<b>Profit for the year/Comprehensive income attributable to owners of the Company</b>		<b>62,797</b>	70,078
<b>Earnings per share (cents)</b>	23		
Basic		<b>14.17</b>	15.85
Diluted		<b>14.15</b>	15.83

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital \$'000	Statutory reserve \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated profits \$'000	Total equity \$'000
<b>Group</b>						
At 1 January 2013	872,418	568,589	2,307	7,200	174,326	1,624,840
Issue of shares under share option scheme	3,533					3,533
Value of employee services received for issue of share options				866		866
Value of employee services transferred for share options exercised or lapsed	438			(582)	144	-
Final dividend paid of 8 cents per share (tax exempt one-tier) in respect of year 2012					(35,362)	(35,362)
Interim dividend paid of 4 cents per share (tax exempt one-tier) in respect of year 2013					(17,684)	(17,684)
Comprehensive income for the year					70,078	70,078
Transfer to Statutory reserve		17,520			(17,520)	-
At 31 December 2013	876,389	586,109	2,307	7,484	173,982	1,646,271
At 1 January 2014	876,389	586,109	2,307	7,484	173,982	1,646,271
Issue of shares under share option scheme	2,017					2,017
Value of employee services received for issue of share options				685		685
Value of employee services transferred for share options exercised or lapsed	258			(393)	135	-
Final dividend paid of 8 cents per share (tax exempt one-tier) in respect of year 2013					(35,460)	(35,460)
Interim dividend paid of 4 cents per share (tax exempt one-tier) in respect of year 2014					(17,742)	(17,742)
Comprehensive income for the year					62,797	62,797
Transfer to Statutory reserve		15,700			(15,700)	-
At 31 December 2014	878,664	601,809	2,307	7,776	168,012	1,658,568

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

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

# STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital \$'000	Statutory reserve \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated profits \$'000	Total equity \$'000
<b>Company</b>						
At 1 January 2013	872,418	568,589	2,307	7,200	171,606	1,622,120
Issue of shares under share option scheme	3,533					3,533
Value of employee services received for issue of share options				866		866
Value of employee services transferred for share options exercised or lapsed	438			(582)	144	-
Final dividend paid of 8 cents per share (tax exempt one-tier) in respect of year 2012					(35,362)	(35,362)
Interim dividend paid of 4 cents per share (tax exempt one-tier) in respect of year 2013					(17,684)	(17,684)
Comprehensive income for the year					69,977	69,977
Transfer to Statutory reserve		17,520			(17,520)	-
At 31 December 2013	876,389	586,109	2,307	7,484	171,161	1,643,450
At 1 January 2014	876,389	586,109	2,307	7,484	171,161	1,643,450
Issue of shares under share option scheme	2,017					2,017
Value of employee services received for issue of share options				685		685
Value of employee services transferred for share options exercised or lapsed	258			(393)	135	-
Final dividend paid of 8 cents per share (tax exempt one-tier) in respect of year 2013					(35,460)	(35,460)
Interim dividend paid of 4 cents per share (tax exempt one-tier) in respect of year 2014					(17,742)	(17,742)
Comprehensive income for the year					62,687	62,687
Transfer to Statutory reserve		15,700			(15,700)	-
At 31 December 2014	878,664	601,809	2,307	7,776	165,081	1,655,637

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

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	2014 \$'000	2013 \$'000
<b>Operating activities</b>			
Comprehensive income after tax for the year		62,797	70,078
Adjustments for:-			
Impact of accrual of interest income		1,198	304
Impact of accrual of interest expense		5,517	1,712
Allowances for doubtful debts and receivables		6,530	1,335
Depreciation of property, plant and equipment		2,727	2,502
Loss/(gain) on disposal of property, plant and equipment		23	(295)
Impairment losses on other assets		186	-
Value of employee services received for issue of share options		685	866
Income tax expense	22	12,949	14,333
		<b>92,612</b>	<b>90,835</b>
Changes in working capital:-			
Loans, advances and receivables		(501,072)	(193,062)
Other receivables, deposits and prepayments		(4,428)	5,453
Singapore Government securities		(57,037)	(94,166)
Deposits and balances of customers		562,730	(139,955)
Trade and other payables		4,240	(2,031)
Cash generated from/(used in) operations		97,045	(332,926)
Income taxes paid		(11,143)	(14,402)
<b>Cash flows from/(used in) operating activities</b>		<b>85,902</b>	<b>(347,328)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(12,371)	(1,806)
Proceeds from disposal of property, plant and equipment		1	316
<b>Cash flows used in investing activities</b>		<b>(12,370)</b>	<b>(1,490)</b>
<b>Financing activities</b>			
Proceeds from exercise of share options		2,017	3,533
Dividends paid		(53,202)	(53,046)
<b>Cash flows used in financing activities</b>		<b>(51,185)</b>	<b>(49,513)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>22,347</b>	<b>(398,331)</b>
Cash and cash equivalents at beginning of year		1,343,101	1,741,432
<b>Cash and cash equivalents at end of year</b>	9	<b>1,365,448</b>	<b>1,343,101</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

*These notes form an integral part of the financial statements.*

The financial statements for the year ended 31 December 2014 were authorised for issue by the Board of Directors on 26 February 2015.

## **1. Domicile and Activities**

Hong Leong Finance Limited (the "Company") is incorporated in the Republic of Singapore. The address of the Company's registered office is 16 Raffles Quay #01-05 Hong Leong Building, Singapore 048581.

The directors consider Hong Leong Investment Holdings Pte. Ltd., a company incorporated in the Republic of Singapore, to be the immediate and ultimate holding company of the Company.

The consolidated financial statements of the Group as at and for the year ended 31 December 2014 relate to the Company and its subsidiaries (together referred to as the "Group").

The principal activities of the Company are those relating to financing business and provision of corporate advisory services. The principal activities of the subsidiaries are the provision of nominee services.

## **2. Basis of Preparation**

### **(a) Statement of compliance**

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

### **(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

### **(c) 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 has been rounded to the nearest thousand, unless otherwise stated.

### **(d) Use of estimates and judgements**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 2. Basis of Preparation (continued)

### (d) Use of estimates and judgements (continued)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in Note 28, Use of Accounting Estimates and Judgements.

## 3. Significant Accounting Policies

The Group adopted new or revised financial reporting standards and interpretations which became effective during the year. The initial adoption of these standards and interpretations did not have a material impact on the financial statements.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

### (a) Basis of consolidation

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.

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

### (b) Foreign currency transactions

Transactions in foreign currencies are translated to Singapore dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency 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 retranslated to the functional currency 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 retranslation are recognised in profit or loss, except for the following retranslation differences which are recognised in other comprehensive income:-

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss); and
- qualifying cash flow hedges to the extent the hedge is effective.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. Significant Accounting Policies (continued)

### (c) Financial instruments

#### (i) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices for financial instruments traded in active markets.

#### (ii) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or when it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred assets. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group also derecognises certain assets when it charges off balances pertaining to the assets deemed to be uncollectible.

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

The Group classifies non-derivative financial 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.

#### *Financial assets at fair value through profit or loss*

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss 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 fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

#### *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 Singapore Government securities.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. Significant Accounting Policies (continued)

### (c) Financial instruments (continued)

#### (ii) Non-derivative financial assets (continued)

##### *Loans and receivables*

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

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

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, 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. Equity investments without active quoted market prices and whose fair value cannot be reliably measured are measured at cost less any impairment losses.

Available-for-sale financial assets comprise equity securities.

#### (iii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

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

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Such financial liabilities comprise deposits and balances of customers, borrowings (if any) and trade and other payables. Deposits and borrowings are the Group's sources of debt funding.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. Significant Accounting Policies (continued)

### (c) Financial instruments (continued)

#### (iv) Share capital

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

#### (v) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

#### *Fair value hedges*

Changes in the fair value of a derivative hedging instrument designated in a fair value hedge are recognised in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. Significant Accounting Policies (continued)

### (c) Financial instruments (continued)

#### (v) Derivative financial instruments, including hedge accounting (continued)

##### *Cash flow hedges*

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

##### *Separable embedded derivatives*

Changes in the fair value of separated embedded derivatives are recognised immediately in profit or loss.

##### *Other non-trading derivatives*

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

#### (vi) Financial guarantees

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for a 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 recognised initially 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 dates, the carrying amounts of those financial guarantees are transferred to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. Significant Accounting Policies (continued)

### (d) Property, plant and equipment

#### (i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The cost of self-constructed assets includes cost of materials and direct labour, other costs directly attributable to bringing the assets to a working condition for their intended use, estimated reinstatement costs when the Group has an obligation to remove the asset or restore the site and capitalised borrowing costs. Property, plant and equipment acquired through finance leases are carried at cost, less accumulated depreciation and accumulated impairment losses.

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 carrying amounts of material land and properties are reviewed annually to determine whether they are in excess of their recoverable amounts at the reporting date. If the carrying amount exceeds the recoverable amount, the asset is written down to the lower value.

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

#### (ii) Subsequent costs

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

#### (iii) Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. 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, in which case, the leased assets are depreciated over their estimated useful lives. Freehold land is not depreciated.

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



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. Significant Accounting Policies (continued)

### (d) Property, plant and equipment (continued)

#### (iii) Depreciation (continued)

The estimated useful lives (or lease term where shorter) for the current and comparative years are as follows:-

Properties other than freehold land	23 to 50 years
Office equipment, fixtures and fittings	3 to 5 years
Computer equipment	3 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.

### (e) 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.

### (f) Impairment

#### (i) Non-derivative financial assets

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 has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, or 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. Significant Accounting Policies (continued)

### (f) Impairment (continued)

#### (i) Non-derivative financial assets (continued)

##### *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 loans and 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. Significant Accounting Policies (continued)

### (f) Impairment (continued)

#### (ii) Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in 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.

### (g) Employee benefits

#### (i) Defined contribution plans

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

#### (ii) 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 if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. Significant Accounting Policies (continued)

### (g) Employee benefits (continued)

#### (iii) Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

When share options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital and the grant date fair value is transferred from share option reserve to share capital. The grant date fair value of share options that lapse or expire is transferred from share option reserve to accumulated profits.

The fair value of employee share options is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the options (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

### (h) 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 determined for the long term are arrived at after 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 with the unwinding of the discount subsequently recognised as finance cost.

### (i) Recognition of income and expense

#### (i) Interest

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

The calculation of the effective interest rate includes fees, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. Significant Accounting Policies (continued)

### (i) Recognition of income and expense (continued)

#### (i) Interest (continued)

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and liabilities at amortised cost on an effective interest rate basis and gains and losses on hedging instruments that are recognised in profit or loss.

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

#### *Income earned on hire purchase and leasing*

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

#### *Income earned on loans*

Interest is charged on either an annual rest, monthly rest or daily basis and credited to profit or loss in the period to which it relates.

#### *Income earned on trade finance and factoring accounts*

Interest is charged principally on a monthly rest basis.

#### *Income from debt securities*

Interest income from debt securities with a fixed maturity is recognised as it accrues.

#### *Income from bank deposits*

Interest income from bank deposits is accrued on a time-apportioned basis.

#### *Expense on deposits and balances of customers and interest-bearing borrowings*

Interest expense is accrued on a time-apportioned basis.

#### (ii) Fee and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fee and commission income are recognised as the related services are performed.

Other fee and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

#### (iii) 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.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. Significant Accounting Policies (continued)

### (i) Recognition of income and expense (continued)

#### (iv) Offsetting

Gains and losses arising from a group of similar transactions are presented on a net basis.

### (j) Government grants

Cash grants received from the government are recognised as an offset against the related costs.

### (k) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the respective 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 fulfillment of the arrangement is dependent on the use of a specific 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.

### (l) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. Significant Accounting Policies (continued)

### (l) Income tax (continued)

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income 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 the asset 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 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.

### (m) Earnings per share

The Group presents basic and diluted earnings per share data for its shares. Basic earnings per share is calculated by dividing the profit or loss after tax attributable to owners of the Company by the weighted average number of shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss after tax attributable to owners and the weighted average number of shares outstanding for the effects of all dilutive potential shares, which comprise shares under option granted to employees.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. Significant Accounting Policies (continued)

### (n) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group operates in only one segment. Its activities relate to financing business augmented by secondary non-lending activities such as provision of corporate advisory services and provision of nominee services. All activities are carried out in the Republic of Singapore. Revenue in respect of these activities is presented in Notes 17 and 18.

### (o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

## 4. Capital and Reserves

### Share capital

	Note	Company	
		2014 Number of shares	2013 Number of shares
Fully paid shares, with no par value:-			
At 1 January		<b>442,700,193</b>	441,224,493
Issue of shares under share option scheme	5	<b>846,310</b>	1,475,700
At 31 December		<b>443,546,503</b>	442,700,193

In 2014, pursuant to the Hong Leong Finance Share Option Scheme 2001 ("Share Option Scheme"), the Company issued new shares fully paid in cash as follows:-

	Company	
	2014 Number of shares	2013 Number of shares
Exercise price		
\$2.63	-	402,000
\$2.74	-	18,100
\$2.28	<b>335,310</b>	938,200
\$2.45	<b>511,000</b>	117,400
	<b>846,310</b>	1,475,700

The holders of 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 4. Capital and Reserves (continued)

### Reserves

	Group and Company	
	2014 \$'000	2013 \$'000
Statutory reserve	601,809	586,109
Capital reserve	2,307	2,307
Share option reserve	7,776	7,484
	<b>611,892</b>	<b>595,900</b>

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

The capital reserve comprises premium on issue of bonds with warrants and surplus on liquidation of subsidiaries.

The share option reserve comprises the cumulative value of employee services received for the issue of share options net of transfers of the grant date fair value of share options to share capital and accumulated profits upon the exercise or lapse/expiry of share options respectively.

Details of movements in reserves are shown in the consolidated statement of changes in equity and statement of changes in equity.

### Dividends

After the reporting date, the Directors proposed a final dividend of 6 cents per share, tax exempt one-tier, amounting to \$26,613,000 (2013: 8 cents per share, tax exempt one-tier, amounting to \$35,460,000) when estimated based on the number of shares in issue as at the reporting date. The dividend has not been recognised in the financial statements. The proposed final dividend is in addition to an interim dividend of 4 cents per share, tax exempt one-tier, amounting to \$17,742,000 (2013: 4 cents per share, tax exempt one-tier, amounting to \$17,684,000) paid on 15 September 2014 (2013: 11 September 2013).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 5. Employee Share Options

The Share Option Scheme was approved and adopted by members at an Extraordinary General Meeting held on 31 January 2001 for an initial duration of 10 years (from 31 January 2001 to 30 January 2011). At the Annual General Meeting of the Company held on 23 April 2010, the shareholders approved the extension of the duration of the Share Option Scheme for a further period of 10 years from 31 January 2011 to 30 January 2021. Other than the extension of the duration of the Share Option Scheme, all other rules of the Share Option Scheme remain unchanged. The Share Option Scheme is administered by the Company's Share Option Scheme Committee which comprised the following directors as at 31 December 2014:-

Po'ad bin Shaik Abu Bakar Mattar (Chairman)  
Kwek Leng Peck  
Cheng Shao Shiong @ Bertie Cheng  
Ter Kim Cheu

Information regarding the Share Option Scheme is as follows:-

- (a) The subscription price for each share under option is fixed by the Share Option Scheme Committee and to date has been at a price equal to the average of the last dealt prices for one share in the capital of the Company, as determined by reference to the daily official list made available by the Singapore Exchange Securities Trading Limited, for the 3 consecutive trading days immediately preceding the date of grant, subject to the rules of the Share Option Scheme.
- (b) Each option is exercisable, in whole or in part, during the option period applicable to that option subject to any conditions, including a vesting schedule, that may be imposed by the Share Option Scheme Committee in relation to any shares comprised in that option.
- (c) All options are settled by delivery of shares upon receipt of the exercise price in cash.
- (d) The options granted to Group Employees and Parent Group Employees expire 10 years from the date of grant. The options granted to Non-Group Employees expire 5 years from the date of grant.

Movements in the number of share options and their related weighted average exercise prices are as follows:-

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2014	2014	2013	2013
	\$	'000	\$	'000
At 1 January	2.97	22,718	2.97	22,776
Granted	2.66	2,053	2.56	1,945
Not accepted	2.66	(38)	2.56	(14)
Lapsed	2.84	(779)	2.87	(513)
Exercised	2.38	(846)	2.39	(1,476)
At 31 December	2.97	23,108	2.97	22,718
Exercisable at 31 December	3.02	20,436	3.04	19,793



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 5. Employee Share Options (continued)

The options outstanding at 31 December 2014 have an exercise price in the range of \$2.28 to \$3.82 (2013: \$2.28 to \$3.82) and a weighted average remaining contractual life of 5.2 years (2013: 5.7 years).

The weighted average share price at the date of exercise for share options exercised in 2014 was \$2.38 (2013: \$2.39).

The fair value of services received in return for share options granted is measured based on the grant date fair value of share options. The grant date fair value of the share options is measured using a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is estimated by considering historic average share price volatility.

There are no market and non-market performance conditions associated with the share option grants. Service conditions are not taken into account in the measurement of fair value of the services to be received at the grant date.

The inputs used in the measurement of the fair values at grant date of the share options are as follows:-

### *Fair value of share options and assumptions*

Date of grant of options	28.9.2004	28.9.2005	28.9.2006	19.9.2007	30.9.2008	29.9.2009	28.9.2010	29.9.2011	14.9.2012	25.9.2013	25.9.2014
Fair value at grant date	\$0.13	\$0.31	\$0.23	\$0.39	\$0.26	\$0.53	\$0.49	\$0.28	\$0.31	\$0.36	\$0.29
Share price	\$2.84	\$3.78	\$3.24	\$3.68	\$2.95	\$2.76	\$3.09	\$2.29	\$2.45	\$2.60	\$2.67
Exercise price	\$2.85	\$3.82	\$3.22	\$3.62	\$3.06	\$2.74	\$3.10	\$2.28	\$2.45	\$2.56	\$2.66
Expected volatility	15.5%	18.4%	16.4%	21.3%	21.3%	28.3%	28.1%	27.2%	26.7%	25.7%	20.5%
Expected option life	2.4 to 10 years	2.4 to 10 years	2.7 to 10 years	2.9 to 10 years	3.4 to 10 years	4.2 to 10 years	4.4 to 10 years	4.9 to 10 years	5.5 to 10 years	5.6 to 10 years	5.8 to 10 years
Expected dividend yield	6.3%	4.8%	5.6%	4.9%	5.1%	2.9%	3.9%	5.2%	4.9%	4.6%	4.5%
Risk-free interest rate (based on government bonds)	1.6 to 3.2%	2.4 to 2.9%	3.0 to 3.2%	2.2 to 2.7%	1.5 to 3.2%	1.2 to 2.5%	0.8 to 2.0%	0.5 to 1.7%	0.5 to 1.5%	1.1 to 2.4%	1.7 to 2.5%

Employee expenses:-

	2014 \$'000	2013 \$'000
Share options granted in		
2010	-	54
2011	26	72
2012	59	574
2013	466	166
2014	134	-
Total expense recognised as employee costs	685	866

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 5. Employee Share Options (continued)

Details of the options granted under the Share Option Scheme on unissued shares of the Company at the end of the year are as follows:-

	(1)	(2)	(3)	(4)	(5)	(6)
<b>Date of grant of options</b>	28.9.2004	28.9.2005	28.9.2006	19.9.2007	30.9.2008	29.9.2009
Expiry date	27.9.2014	27.9.2015	27.9.2016	18.9.2017	29.9.2018	28.9.2019
Exercise price	\$2.85	\$3.82	\$3.22	\$3.62	\$3.06	\$2.74
Number of options outstanding at 1.1.2014	652,500	1,970,530	1,396,135	2,772,000	3,036,000	2,708,400
Options lapsed	652,500	–	–	5,500	19,000	17,900
Options exercised (1.1.2014 to 31.12.2014)	–	–	–	–	–	–
Number of options outstanding at 31.12.2014	–	1,970,530	1,396,135	2,766,500	3,017,000	2,690,500
Number of options exercisable at 1.1.2014	652,500	1,970,530	1,396,135	2,772,000	3,036,000	2,708,400
Number of options exercisable at 31.12.2014	–	1,970,530	1,396,135	2,766,500	3,017,000	2,690,500
Option exercise period of options outstanding at 31.12.2014						
28.9.2006 to 27.9.2015	vested on 28.9.2006	1,282,440				
	vested on 28.9.2007	338,910				
	vested on 28.9.2008	349,180				
28.9.2007 to 27.9.2016	vested on 28.9.2007		826,300			
	vested on 28.9.2008		280,665			
	vested on 28.9.2009		289,170			
19.9.2008 to 18.9.2017	vested on 19.9.2008			2,017,105		
	vested on 19.9.2009			369,105		
	vested on 19.9.2010			380,290		
30.9.2009 to 29.9.2018	vested on 30.9.2009				2,201,610	
	vested on 30.9.2010				401,610	
	vested on 30.9.2011				413,780	
29.9.2010 to 28.9.2019	vested on 29.9.2010					1,901,910
	vested on 29.9.2011					388,410
	vested on 29.9.2012					400,180

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 5. Employee Share Options (continued)

	(7)	(8)	(9)	(10)	(11)
<b>Date of grant of options</b>	28.9.2010	29.9.2011	14.9.2012	25.9.2013	25.9.2014
Expiry date	27.9.2020	28.9.2021	13.9.2022	24.9.2023	24.9.2024
Exercise price	\$3.10	\$2.28	\$2.45	\$2.56	\$2.66
Number of options outstanding at 1.1.2014	3,318,500	2,213,000	2,721,600	1,929,000	–
Options granted	–	–	–	–	2,053,000
Options not accepted	–	–	–	–	37,500
Options lapsed	25,400	1,500	6,600	50,500	–
Options exercised (1.1.2014 to 31.12.2014)	–	335,310	511,000	–	–
Number of options outstanding at 31.12.2014	3,293,100	1,876,190	2,204,000	1,878,500	2,015,500
Number of options exercisable at 1.1.2014	3,318,500	1,821,660	2,117,595	–	–
Number of options exercisable at 31.12.2014	3,293,100	1,876,190	1,897,490	1,528,090	–
Option exercise period of options outstanding at 31.12.2014					
28.9.2011 to 27.9.2020	vested on 28.9.2011	2,424,311			
	vested on 28.9.2012	427,911			
	vested on 28.9.2013	440,878			
29.9.2012 to 28.9.2021	vested on 29.9.2012	1,105,020			
	vested on 29.9.2013	379,830			
	vested on 29.9.2014	391,340			
14.9.2013 to 13.9.2022	vested on 14.9.2013		1,599,995		
	vested on 14.9.2014		297,495		
	vesting on 14.9.2015		306,510		
25.9.2014 to 24.9.2023	vested on 25.9.2014			1,528,090	
	vesting on 25.9.2015			172,590	
	vesting on 25.9.2016			177,820	
25.9.2015 to 24.9.2024	vesting on 25.9.2015				1,642,310
	vesting on 25.9.2016				183,810
	vesting on 25.9.2017				189,380

## 6. Deposits and Balances of Customers

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Fixed deposits	10,117,683	9,435,785	10,121,644	9,439,701
Savings deposits and other balances of customers	345,363	463,121	345,363	463,121
Current accounts and other deposits	5,484	6,894	5,484	6,894
Total deposits and balances of customers	10,468,530	9,905,800	10,472,491	9,909,716

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 7. Trade and Other Payables

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Due after 12 months				
Amount due to SPRING Singapore	<b>1,598</b>	2,061	<b>1,598</b>	2,061
Due within 12 months				
Amount due to SPRING Singapore	<b>1,158</b>	1,528	<b>1,158</b>	1,528
Interest payable	<b>63,320</b>	57,803	<b>63,334</b>	57,820
Other trade payables and accrued operating expenses	<b>50,950</b>	45,956	<b>49,738</b>	44,748
Other payables	<b>1,654</b>	1,575	<b>1,557</b>	1,478
	<b>117,082</b>	106,862	<b>115,787</b>	105,574
Total trade and other payables	<b>118,680</b>	108,923	<b>117,385</b>	107,635

Amount due to SPRING Singapore represents unsecured advances from Standards, Productivity and Innovation Board under the Local Enterprise Finance Scheme ("LEFS") and Extended Local Enterprise Finance Scheme ("ELEFS") to finance LEFS and ELEFS borrowers. The interest rates and repayment periods vary in accordance with the type, purpose and security of the facilities granted under these schemes. Credit risks are shared with SPRING Singapore.

Included in other trade payables and accrued operating expenses is a provision for settlements and costs relating to distribution of wealth management products.

During the financial year, provision for settlements and costs relating to distribution of wealth management products amounting to \$1.1 million (2013: \$2.0 million) was reversed.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 8. Deferred Tax

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

	Group and Company				
	At 1 January 2013 \$'000	Recognised in profit or loss (Note 22) \$'000	At 31 December 2013 \$'000	Recognised in profit or loss (Note 22) \$'000	At 31 December 2014 \$'000
<b>Deferred tax assets</b>					
Trade and other payables	(1,531)	537	(994)	251	(743)
Loans, advances and receivables	(2,548)	(241)	(2,789)	(847)	(3,636)
	(4,079)	296	(3,783)	(596)	(4,379)
<b>Deferred tax liabilities</b>					
Property, plant and equipment	722	(238)	484	272	756
Other items	-	24	24	13	37
	722	(214)	508	285	793
<b>Net deferred tax assets</b>	(3,357)	82	(3,275)	(311)	(3,586)

Deferred tax assets relate primarily to timing differences in respect of provisions and collective allowances for doubtful debts expected to be realisable at a future date. Deferred tax liabilities relate primarily to differences arising between capital allowances granted and accumulated depreciation in respect of capital expenditure and other timing issues.

## 9. Cash and Cash Equivalents

	Group	
	2014 \$'000	2013 \$'000
Cash at banks and in hand	1,082,543	1,081,566
Statutory deposit with the Monetary Authority of Singapore	282,905	261,535
Cash and cash equivalents in the consolidated statement of cash flows	1,365,448	1,343,101



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 10. Singapore Government Securities

	<b>Group and Company</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Singapore Government securities, held to maturity at amortised cost		
– Within 12 months	<b>85,025</b>	215,084
– After 12 months	<b>1,173,663</b>	986,567
	<b>1,258,688</b>	1,201,651
Market value	<b>1,245,813</b>	1,182,473

## 11. Loans, Advances and Receivables

	<b>Group and Company</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
(a) Loans, advances and receivables at amortised cost		
Due after 12 months		
Loans, advances and hire purchase receivables	<b>7,086,610</b>	7,069,117
Less: Unearned charges and interest	<b>39,567</b>	53,186
	<b>7,047,043</b>	7,015,931
Less: Allowances for doubtful debts		
– Loans and advances	<b>62,699</b>	61,545
– Hire purchase receivables	<b>13,518</b>	14,946
	<b>76,217</b>	76,491
	<b>6,970,826</b>	6,939,440
Due within 12 months		
Loans, advances, factoring receivables and hire purchase receivables	<b>2,669,859</b>	2,206,644
Less: Unearned charges and interest	<b>29,140</b>	33,902
	<b>2,640,719</b>	2,172,742
Less: Allowances for doubtful debts		
– Loans, advances and factoring receivables	<b>22,742</b>	18,036
– Hire purchase receivables	<b>6,263</b>	6,174
	<b>29,005</b>	24,210
	<b>2,611,714</b>	2,148,532
Total loans, advances and receivables	<b>9,582,540</b>	9,087,972

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 11. Loans, Advances and Receivables (continued)

		<b>Group and Company</b>	
		<b>2014</b>	2013
		<b>\$'000</b>	\$'000
(b)	Allowances for doubtful debts		
	Specific allowances		
	At 1 January	<b>8,895</b>	13,160
	Net allowances made/(reversed) during the year	<b>1,520</b>	(590)
	Receivables written off against allowances	<b>(1,983)</b>	(3,675)
	At 31 December	<b>8,432</b>	8,895
	Collective allowances		
	At 1 January	<b>91,806</b>	89,887
	Allowances made during the year	<b>4,984</b>	1,919
	At 31 December	<b>96,790</b>	91,806
	Total allowances for doubtful debts	<b>105,222</b>	100,701

## (c) Hire purchase receivables are categorised as follows:-

	<b>Group and Company</b>					
	<b>2014</b>			<b>2013</b>		
	<b>Receivables \$'000</b>	<b>Interest \$'000</b>	<b>Principal \$'000</b>	<b>Receivables \$'000</b>	<b>Interest \$'000</b>	<b>Principal \$'000</b>
Due within 1 year	<b>416,855</b>	<b>27,481</b>	<b>389,374</b>	434,175	32,597	401,578
Due after 1 year						
but within 5 years	<b>812,705</b>	<b>36,928</b>	<b>775,777</b>	894,489	48,876	845,613
Due after 5 years	<b>66,521</b>	<b>1,808</b>	<b>64,713</b>	130,662	4,204	126,458
Total	<b>1,296,081</b>	<b>66,217</b>	<b>1,229,864</b>	1,459,326	85,677	1,373,649

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 12. Other Receivables, Deposits and Prepayments

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Interest receivables	9,516	10,714	9,516	10,714
Deposits	1,446	1,422	1,446	1,422
Prepayments	1,518	1,179	1,517	1,178
Other receivables	11,238	7,173	11,238	7,173
Less:				
Allowances for doubtful receivables:-				
At 1 January	6	-	6	-
Allowances made during the year	26	6	26	6
At 31 December	32	6	32	6
Net receivables	11,206	7,167	11,206	7,167
Total	23,686	20,482	23,685	20,481

## 13. Subsidiaries

	Company	
	2014	2013
	\$'000	\$'000
Unquoted equity investments, at cost	535	535

Details of the subsidiaries are as follows:-

Name of Subsidiary	Country of incorporation	Effective equity held by the Group	
		2014	2013
		%	%
Hong Leong Finance Nominees Pte Ltd	Singapore	100	100
Singapore Nominees Private Limited	Singapore	100	100

KPMG LLP Singapore is the auditor of the subsidiaries.

## 14. Investments (long term)

	Group and Company	
	2014	2013
	\$'000	\$'000
Available for sale unquoted equity securities, at cost	558	558
Less: Impairment losses at 1 January and 31 December	12	12
Net investments	546	546

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 15. Property, Plant and Equipment

	Group and Company						
	Freehold land \$'000	Freehold buildings \$'000	Leasehold buildings \$'000	Office equipment, fixtures and fittings \$'000	Computer equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost</b>							
At 1 January 2013	50	2,938	18,372	12,733	8,923	920	43,936
Additions	-	-	-	465	388	953	1,806
Disposals	-	-	-	(170)	(170)	(653)	(993)
At 31 December 2013	50	2,938	18,372	13,028	9,141	1,220	44,749
Additions	-	-	8,824	768	2,779	-	12,371
Disposals	-	-	-	(696)	(195)	-	(891)
At 31 December 2014	50	2,938	27,196	13,100	11,725	1,220	56,229
<b>Accumulated depreciation and impairment losses</b>							
At 1 January 2013	-	1,301	6,358	8,935	7,693	813	25,100
Depreciation charge for the year	-	60	439	1,214	630	159	2,502
Disposals	-	-	-	(170)	(170)	(632)	(972)
At 31 December 2013	-	1,361	6,797	9,979	8,153	340	26,630
Depreciation charge for the year	-	59	558	1,240	644	226	2,727
Impairment loss for the year	-	-	186	-	-	-	186
Disposals	-	-	-	(672)	(195)	-	(867)
At 31 December 2014	-	1,420	7,541	10,547	8,602	566	28,676
<b>Carrying amount</b>							
At 1 January 2013	50	1,637	12,014	3,798	1,230	107	18,836
At 31 December 2013	50	1,577	11,575	3,049	988	880	18,119
At 31 December 2014	50	1,518	19,655	2,553	3,123	654	27,553

The carrying amount of property, plant and equipment of the Group and the Company includes amounts totalling \$19,655,000 (2013: \$11,575,000) in respect of leasehold buildings held under finance leases.

Properties held at 31 December are as follows:-

	Group and Company	
	2014 \$'000	2013 \$'000
<b>Freehold Land and Buildings</b>		
(1) Property with carrying amount exceeding \$1,000,000 comprises a shop unit at 288 Balestier Road #01-02, Singapore, comprising 1,281 sq. ft. on freehold land held as branch premises.	1,027	1,054
(2) Properties with carrying amounts up to \$500,000 each comprise 2 shop units held as branch premises.	541	573
Total	1,568	1,627

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 15. Property, Plant and Equipment (continued)

		<b>Group and Company</b>	
		<b>2014</b>	2013
		<b>\$'000</b>	<b>\$'000</b>
<b>Leasehold Buildings</b>			
(1)	Properties with carrying amounts exceeding \$1,000,000 each are as follows:-		
(a)	A shop unit at Block 203 Bedok North Street 1 #01-451, Singapore, comprising 4,026 sq. ft. on a 84-year lease commencing July 1992 held as branch premises.	<b>1,418</b>	1,470
(b)	A shop unit at Block 725 Clementi West Street 2 #01-216, Singapore, comprising 3,832 sq. ft. on a 85-year lease commencing November 1995 held as branch premises.	<b>1,742</b>	1,800
(c)	A shop unit at Block 504 Jurong West Street 51 #01-211, Singapore, comprising 1,539 sq. ft. on a 91-year lease commencing January 1994 held as branch premises.	-	1,023
(d)	A shop unit at Block 520 Lorong 6 Toa Payoh #02-54, Singapore, comprising 1,195 sq. ft. on a 99-year lease commencing May 2002 held as branch premises.	<b>1,551</b>	1,593
(e)	A shop unit at Block 134 Jurong Gateway Road #01-313, Singapore, comprising 2,669 sq. ft. on a 91-year lease commencing April 1993 held as branch premises.	<b>8,206</b>	-
(2)	Properties with carrying amounts more than \$500,000 to \$1,000,000 each comprise 4 shop units held as branch premises.	<b>3,382</b>	2,975
(3)	Properties with carrying amounts up to \$500,000 each comprise 6 shop units (2013: 5 shop units) held as branch premises and 4 industrial units used as warehousing facilities.	<b>3,356</b>	2,714
	<b>Total</b>	<b>19,655</b>	11,575

## 16. Acceptances, Guarantees and Other Obligations on behalf of Customers

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

		<b>Group and Company</b>	
		<b>2014</b>	2013
		<b>\$'000</b>	<b>\$'000</b>
Letters of credit		<b>270</b>	863
Guarantees		<b>10,904</b>	7,286
<b>Total</b>		<b>11,174</b>	8,149

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 17. Net Interest Income/Hiring Charges

	Group	
	2014	2013
	\$'000	\$'000
<i>Interest income/hiring charges</i>		
Loans, advances and receivables	232,785	226,585
Deposits placed	5,745	5,795
Singapore Government securities and other liquid assets	16,113	16,514
Total interest income/hiring charges	254,643	248,894
<i>Interest expense</i>		
Deposits and balances of customers	105,578	100,583
Others	74	95
Total interest expense	105,652	100,678
Net interest income/hiring charges	148,991	148,216

There are no interest income/hiring charges and interest expense reported above that relate to financial assets or liabilities that are carried at fair value through profit or loss or classified as available-for-sale.

## 18. Fee and Commission Income

	Group	
	2014	2013
	\$'000	\$'000
Fee and commission income arising from:-		
Loans and advances	9,801	13,368
Non-lending activities	2,423	2,103
Others	69	74
Total	12,293	15,545

There is no fee and commission income relating to financial assets or liabilities carried at fair value through profit or loss or classified as available-for-sale.

## 19. Other Operating Income

	Group	
	2014	2013
	\$'000	\$'000
Gain/(loss) on disposal of plant and equipment	(23)	295
Other operating income	222	957
Total	199	1,252



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 20. Staff Costs

	<b>Group</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Short-term employee benefits	<b>55,420</b>	55,554
CPF contributions to defined contribution plans	<b>5,590</b>	5,749
Share-based payments	<b>685</b>	866
Total	<b>61,695</b>	62,169

## 21. Other Operating Expenses

	<b>Group</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Audit fees to auditors	<b>391</b>	383
Non-audit fees to auditors	<b>31</b>	91
Operating lease expenses	<b>5,184</b>	5,167
IT-related expenses	<b>2,307</b>	2,045
Other expenses	<b>11,378</b>	10,584
Total	<b>19,291</b>	18,270

Included in other expenses are fee and commission expenses arising from loans and advances amounting to \$1,665,000 (2013: \$1,511,000).

## 22. Income Tax Expense

		<b>Group</b>	
		<b>2014</b>	2013
	Note	<b>\$'000</b>	\$'000
<b>Current tax expense</b>			
Current year		<b>13,260</b>	14,251
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences	8	<b>(311)</b>	82
Income tax expense		<b>12,949</b>	14,333

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 22. Income Tax Expense (continued)

Reconciliation of income tax expense

	<b>Group</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Profit after tax for the year	<b>62,797</b>	70,078
Income tax expense	<b>12,949</b>	14,333
Profit before income tax	<b>75,746</b>	84,411
Tax calculated using Singapore tax rate of 17% (2013: 17%)	<b>12,877</b>	14,350
Tax effect of:-		
Exempt income not taxable for tax purposes	<b>(37)</b>	(38)
Enhanced tax deductions	<b>(33)</b>	(42)
Bad debts recovered not subject to tax	<b>(8)</b>	(7)
Income taxed at a 10% concessionary tax rate	<b>(341)</b>	(370)
Expenses not deductible for tax purposes	<b>498</b>	452
Others	<b>(7)</b>	(12)
Income tax expense	<b>12,949</b>	14,333

## 23. Earnings Per Share

(a) Basic earnings per share

	<b>Group</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Basic earnings per share is based on:-		
Profit after tax for the year attributable to owners of the Company	<b>62,797</b>	70,078
	<b>2014</b>	2013
	<b>Number</b>	Number
	<b>of shares</b>	of shares
	<b>'000</b>	'000
Issued shares at 1 January	<b>442,700</b>	441,224
Effect of share options exercised	<b>549</b>	821
Weighted average number of shares during the year	<b>443,249</b>	442,045

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 23. Earnings Per Share (continued)

### (b) Diluted earnings per share

	<b>Group</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000

Diluted earnings per share is based on:-

Profit after tax for the year attributable to owners of the Company	<b>62,797</b>	70,078
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For the purpose of calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options, with the potential shares weighted for the period outstanding.

The effect of the exercise of share options on the weighted average number of shares in issue is as follows:-

	<b>Group</b>	
	<b>2014</b>	2013
	<b>Number of shares '000</b>	Number of shares '000

Weighted average number of:-

shares used in the calculation of basic earnings per share	<b>443,249</b>	442,045
potential shares issuable under share options	<b>605</b>	558

Weighted average number of issued and potential shares assuming full conversion	<b>443,854</b>	442,603
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Outstanding share options that were not included in the computation of diluted earnings per share because the share options were anti-dilutive amounted to 17,327,085 at \$2.74 to \$3.82 as at 31 December 2014 (2013: 17,783,065 at \$2.74 to \$3.82).

The average market value of the shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. Financial Risk Management

### (a) Overview

Risk is an inherent part of the Group's business activities. Managing risks is therefore integral to the Group's business strategy and continuing profitability. Where risk is assumed, it is within a calculated and controlled framework. As the business activities involve the use of financial instruments, the Group has exposure to the following risks:-

- (i) credit risk
- (ii) liquidity risk
- (iii) interest rate risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital. Details of the management of strategic and operational risks are disclosed in the Risk Management section of the Corporate Governance Report.

#### *Risk management framework*

The Board of Directors has overall responsibility for determining the type and level of business risks that the Group undertakes to achieve its corporate objectives. To assist the Board in fulfilling its duties, the Risk Management Committee ("RMC"), a dedicated risk committee at board level oversees and reports to the Board on matters relating to the risk function of the Group. The RMC reviews the adequacy and effectiveness of and approves the risk management framework, related risk management policies and systems. A risk management team is accountable to the RMC for maintaining an effective control environment that reflects established risks appetite and business objectives. The risk management team is independent of the business units, and performs the role of reviewing and implementing risk management policies and procedures.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits by means of reliable information systems. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered, and emerging best practices. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee reviews the effectiveness of the financial reporting process and material internal controls as well as risk management policies and systems with the assistance of internal audit and other parties.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. Financial Risk Management (continued)

### (b) Credit risk

Credit risk is the potential financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers. Other than loans and advances, the Group's investment in debt securities comprises Singapore Government securities, which are held to meet liquidity and statutory reserve requirements. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure. Credit risk concentration is addressed by setting appropriate credit portfolio limits and monitoring its exposures against the limits on a regular basis.

#### *Management of credit risk*

The Group has clearly defined credit guidelines for the approval and management of credit risk. Credit risk is managed to achieve sustainable and superior risk-reward performance whilst maintaining exposures within acceptable risk appetite parameters. Credit risk analysis focuses on ensuring that credit risks are identified in order that a balanced assessment can be made accordingly.

The Board of Directors has delegated responsibility for the management of credit risk oversight to its RMC whilst reserving for itself and various committees approval authority for exposures exceeding pre-set limits. A separate Risk Management and Credit Control department is responsible for management of the Group's credit risk, including:-

- (i) Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- (ii) Monitoring the Group's loans portfolio and concentration risk exposures.
- (iii) Reviewing and assessing credit risk.
- (iv) Maintaining the Group's risk gradings.
- (v) Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Credit stress testing forms an integral part of the credit portfolio analysis. It is conducted periodically to determine the impact of security values and other stress parameters on the loan portfolio. This allows the Group to assess the potential financial impact of losses arising from unlikely but plausible adverse events.

#### *Exposure to credit risk*

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. Financial Risk Management (continued)

### (b) Credit risk (continued)

Loans and advances to customers can be analysed as follows:-

	<b>Group and Company</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Performing accounts that are		
– neither past due nor impaired	<b>9,447,086</b>	8,921,944
– past due but not impaired	<b>167,021</b>	198,334
Gross amount	<b>9,614,107</b>	9,120,278
Collective allowances	<b>(96,790)</b>	(91,806)
Carrying amount	<b>9,517,317</b>	9,028,472
Individually impaired		
– Substandard (payment not kept current for 90 days but fully secured)	<b>65,223</b>	59,500
– Loss (fully provided for)	<b>8,432</b>	8,895
Gross amount	<b>73,655</b>	68,395
Specific allowances	<b>(8,432)</b>	(8,895)
Carrying amount	<b>65,223</b>	59,500
Total carrying amount	<b>9,582,540</b>	9,087,972

There are no loans and advances graded as doubtful as at 31 December 2014 and 2013.

*Impaired:* when the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the transaction.

*Past due but not impaired:* when contractual interest or principal payments are past due by not more than three months and the Group believes that specific impairment is not appropriate on the basis of the security available and/or the stage of collection. Collective allowances have been set aside on a portfolio basis.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. Financial Risk Management (continued)

### (b) Credit risk (continued)

*Allowances for doubtful debts:* represents the Group's estimate of incurred losses in its loan portfolio, and comprises principally a specific loss component relating to individually significant exposures and a collective loss component established for groups of homogeneous assets not subject to individual assessment for impairment.

*Write-off policy:* The Group writes off wholly or partially loan balances (together with any related allowances for doubtful debts) when the Group determines that they are uncollectible. This determination is reached after considering information such as the occurrence of a deterioration in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to repay the entire exposure.

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

	Gross amount \$'000	Amount net of individual allowances \$'000
31 December 2014		
Substandard	65,223	65,223
Loss	8,432	-
Total	<b>73,655</b>	<b>65,223</b>
31 December 2013		
Substandard	59,500	59,500
Loss	8,895	-
Total	<b>68,395</b>	<b>59,500</b>

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

An estimate of the financial effect of collateral and other security enhancements held against loans and advances to customers on maximum credit risk exposure amounted to \$9,477,363,000 (2013: \$8,972,951,000). The Group's claim against such collateral has been limited to the obligations of the respective obligors.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. Financial Risk Management (continued)

### (b) Credit risk (continued)

The nature and carrying amount of collateral held against financial assets, obtained by taking possession of the collateral held as security, which remain held at the reporting date are as follows. Claims against such collateral are limited to the outstanding obligations.

	<b>Group and Company</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Motor vehicles	<b>174</b>	598
Property	<b>-</b>	400
Total	<b>174</b>	998

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

	<b>Loans and advances to customers</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Gross carrying amount	<b>9,687,762</b>	9,188,673
Concentration by sector		
Hire purchase/block discounting	<b>1,229,864</b>	1,373,649
Housing loans secured by property under finance	<b>1,304,478</b>	1,261,116
Other loans and advances:-		
Manufacturing	<b>74,566</b>	26,874
Building and construction	<b>4,125,737</b>	3,985,372
General commerce	<b>87,864</b>	78,163
Transport, storage and communication	<b>82,579</b>	75,621
Investment and holding companies	<b>829,625</b>	641,101
Professional and private individuals	<b>477,518</b>	465,079
Others (including hotels, associations and charitable organisations)	<b>1,475,531</b>	1,281,698
Total	<b>9,687,762</b>	9,188,673

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

Financial guarantees comprising guarantees issued by the Company to third parties on behalf of customers amounted to \$10,904,000 as at 31 December 2014 (2013: \$7,286,000). At the reporting date, the Company does not consider it probable that claims will be made against the Company under the guarantees.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. Financial Risk Management (continued)

### (c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations and commitments resulting from its financial liabilities, or can only access these cash flow needs at excessive cost. The most common sources of liquidity risk arise from mismatches in the timing and value of cash inflows and outflows from the Group's balance sheet exposures.

#### *Management of liquidity risk*

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This approach is established to meet the Group's current and prospective commitments in normal business conditions, and to maintain soundness in times of stress.

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

Liquidity risk is managed in accordance with the Group's liquidity framework of policies, contingency funding plan, controls and limits approved by the RMC. This framework ensures that liquidity risk is monitored and managed in a manner that ensures sufficient sources of funds are available over a range of market conditions. Stress testing is conducted to assess and plan for the impact of the scenarios which may put the Group's liquidity at risk.

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

Contingency funding plans are in place to address potential liquidity crises using early warning indicators. Crisis escalation procedures and various strategies including funding, communication and courses of action to be taken have been developed to minimise the impact of any liquidity crunch.

#### *Exposure to liquidity risk*

The Company monitors the liquidity limit, being a ratio of liquid assets (comprising cash balances with the Monetary Authority of Singapore and reserve assets principally comprising Singapore Government securities) to net liabilities as at the reporting date and during the reporting period. Details of the ratio of liquid assets to net liabilities at the reporting date and during the reporting period were as follows:-

	Company	
	2014	2013
At 31 December	<b>16.39%</b>	16.80%
Average for the period	<b>16.70%</b>	16.76%
Maximum for the period	<b>18.13%</b>	18.34%
Minimum for the period	<b>16.31%</b>	16.25%

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. Financial Risk Management (continued)

### (c) Liquidity risk (continued)

The table below shows the remaining contractual undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments could vary significantly from this analysis. In particular, the carrying amount of deposits from customers is expected to remain stable; not all undrawn loan commitments are available to be drawn down immediately upon finalisation of legal documentation, due to factors like the progressive nature of the facility to be based on the stage of completion of work in progress.

	Carrying amount \$'000	Gross nominal outflow \$'000	Up to 1 month \$'000	Over 1 month to 3 months \$'000	Over 3 months to 1 year \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000
<b>Group</b>							
<b>31 December 2014</b>							
<i>Non-derivative financial liabilities</i>							
Deposits and balances of customers	10,468,530	(10,531,822)	(2,653,863)	(1,532,344)	(5,074,341)	(1,271,274)	-
Amount due to SPRING Singapore	2,756	(2,784)	(298)	(172)	(700)	(1,614)	-
Other liabilities	43,979	(43,979)	(22,161)	(488)	(20,251)	(194)	(885)
	10,515,265	(10,578,585)	(2,676,322)	(1,533,004)	(5,095,292)	(1,273,082)	(885)
Financial guarantees	-	(10,904)	(10,904)	-	-	-	-
	10,515,265	(10,589,489)	(2,687,226)	(1,533,004)	(5,095,292)	(1,273,082)	(885)
Undrawn loan commitments	-	(2,197,692)	(1,835,225)	(362,467)	-	-	-
	10,515,265	(12,787,181)	(4,522,451)	(1,895,471)	(5,095,292)	(1,273,082)	(885)
<b>31 December 2013</b>							
<i>Non-derivative financial liabilities</i>							
Deposits and balances of customers	9,905,800	(9,963,573)	(2,515,081)	(1,859,215)	(4,851,961)	(737,316)	-
Amount due to SPRING Singapore	3,589	(3,619)	(333)	(281)	(927)	(2,078)	-
Other liabilities	41,315	(41,315)	(15,916)	(396)	(23,558)	(824)	(621)
	9,950,704	(10,008,507)	(2,531,330)	(1,859,892)	(4,876,446)	(740,218)	(621)
Financial guarantees	-	(7,286)	(7,286)	-	-	-	-
	9,950,704	(10,015,793)	(2,538,616)	(1,859,892)	(4,876,446)	(740,218)	(621)
Undrawn loan commitments	-	(2,501,668)	(2,240,184)	(261,484)	-	-	-
	9,950,704	(12,517,461)	(4,778,800)	(2,121,376)	(4,876,446)	(740,218)	(621)

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. Financial Risk Management (continued)

### (c) Liquidity risk (continued)

	Carrying amount \$'000	Gross nominal outflow \$'000	Up to 1 month \$'000	Over 1 month to 3 months \$'000	Over 3 months to 1 year \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000
<b>Company</b>							
<b>31 December 2014</b>							
<i>Non-derivative financial liabilities</i>							
Deposits and balances of customers	10,472,491	(10,535,797)	(2,654,180)	(1,532,344)	(5,077,999)	(1,271,274)	-
Amount due to SPRING Singapore	2,756	(2,784)	(298)	(172)	(700)	(1,614)	-
Other liabilities	42,670	(42,670)	(20,876)	(481)	(20,234)	(194)	(885)
	<b>10,517,917</b>	<b>(10,581,251)</b>	<b>(2,675,354)</b>	<b>(1,532,997)</b>	<b>(5,098,933)</b>	<b>(1,273,082)</b>	<b>(885)</b>
Financial guarantees	-	(10,904)	(10,904)	-	-	-	-
	<b>10,517,917</b>	<b>(10,592,155)</b>	<b>(2,686,258)</b>	<b>(1,532,997)</b>	<b>(5,098,933)</b>	<b>(1,273,082)</b>	<b>(885)</b>
Undrawn loan commitments	-	(2,197,692)	(1,835,225)	(362,467)	-	-	-
	<b>10,517,917</b>	<b>(12,789,847)</b>	<b>(4,521,483)</b>	<b>(1,895,464)</b>	<b>(5,098,933)</b>	<b>(1,273,082)</b>	<b>(885)</b>
<b>31 December 2013</b>							
<i>Non-derivative financial liabilities</i>							
Deposits and balances of customers	9,909,716	(9,967,506)	(2,515,744)	(1,859,215)	(4,855,231)	(737,316)	-
Amount due to SPRING Singapore	3,589	(3,619)	(333)	(281)	(927)	(2,078)	-
Other liabilities	40,010	(40,010)	(14,636)	(388)	(23,541)	(824)	(621)
	<b>9,953,315</b>	<b>(10,011,135)</b>	<b>(2,530,713)</b>	<b>(1,859,884)</b>	<b>(4,879,699)</b>	<b>(740,218)</b>	<b>(621)</b>
Financial guarantees	-	(7,286)	(7,286)	-	-	-	-
	<b>9,953,315</b>	<b>(10,018,421)</b>	<b>(2,537,999)</b>	<b>(1,859,884)</b>	<b>(4,879,699)</b>	<b>(740,218)</b>	<b>(621)</b>
Undrawn loan commitments	-	(2,501,668)	(2,240,184)	(261,484)	-	-	-
	<b>9,953,315</b>	<b>(12,520,089)</b>	<b>(4,778,183)</b>	<b>(2,121,368)</b>	<b>(4,879,699)</b>	<b>(740,218)</b>	<b>(621)</b>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. Financial Risk Management (continued)

### (d) Interest rate risk

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

#### *Management of interest rate risk*

The overall objective of interest rate risk management is to manage current and future earnings sensitivity arising from various interest rate exposures and to secure stable and optimal net interest income over the short term and long term within acceptable parameters. Interest rate risk exposures are measured and monitored using a combination of repricing gap, present value of 1 basis point reports and simulation modeling. The RMC approves policies, strategies and limits in the management of interest rate risk.

#### *Exposure to interest rate risk*

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

Besides Singapore Government securities intended to be held to maturity, the Group's exposure to interest rate risk relates primarily to the Group's loan portfolio, deposit liabilities and any interest-bearing borrowings. Interest rate risk will arise when these assets and liabilities mature or reprice at different times or in differing amounts, or when market conditions dictate the extent of repricing possible. The Group manages this risk through diversity in its loan portfolio and to a lesser extent in its deposit portfolio, and maintains a capital adequacy ratio in excess of statutory requirements.

#### *Repricing analysis*

The following table indicates the periods in which the financial instruments reprice or contractually mature, whichever is the earlier.

Actual repricing dates may differ from contractual repricing dates due to prepayment of loans or early withdrawal of deposits.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. Financial Risk Management (continued)

### (d) Interest rate risk (continued)

			Group			
	Note	Carrying amount \$'000	Up to 1 year \$'000	Over 1 to 5 years \$'000	After 5 years \$'000	Non- interest bearing \$'000
<b>31 December 2014</b>						
<b>Financial assets</b>						
Loans, advances and receivables	11	9,582,540	8,066,769	1,444,197	71,574	-
Singapore Government securities	10	1,258,688	85,025	636,049	537,614	-
Cash at banks and in hand	9	1,082,543	1,071,391	-	-	11,152
Statutory deposit with the Monetary Authority of Singapore	9	282,905	-	-	-	282,905
Other assets		22,168	-	-	-	22,168
Investments (long term)	14	546	-	-	-	546
<b>Financial liabilities</b>						
Deposits and balances of customers	6	10,468,530	9,048,484	1,263,372	-	156,674
Amount due to SPRING Singapore		2,756	1,158	1,598	-	-
Other liabilities		115,924	-	-	-	115,924
<b>31 December 2013</b>						
<b>Financial assets</b>						
Loans, advances and receivables	11	9,087,972	7,658,084	1,301,269	128,619	-
Singapore Government securities	10	1,201,651	215,084	504,934	481,633	-
Cash at banks and in hand	9	1,081,566	1,070,298	-	-	11,268
Statutory deposit with the Monetary Authority of Singapore	9	261,535	-	-	-	261,535
Other assets		19,303	-	-	-	19,303
Investments (long term)	14	546	-	-	-	546
<b>Financial liabilities</b>						
Deposits and balances of customers	6	9,905,800	8,919,415	732,830	-	253,555
Amount due to SPRING Singapore		3,589	1,528	2,061	-	-
Other liabilities		105,334	-	-	-	105,334

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. Financial Risk Management (continued)

### (d) Interest rate risk (continued)

			Company			
		Carrying amount \$'000	Up to 1 year \$'000	Over 1 to 5 years \$'000	After 5 years \$'000	Non- interest bearing \$'000
	Note					

### 31 December 2014

#### Financial assets

Loans, advances and receivables	11	9,582,540	8,066,769	1,444,197	71,574	-
Singapore Government securities	10	1,258,688	85,025	636,049	537,614	-
Cash at banks and in hand		1,081,737	1,070,585	-	-	11,152
Statutory deposit with the Monetary Authority of Singapore		282,905	-	-	-	282,905
Other assets		22,168	-	-	-	22,168
Investments (long term)	14	546	-	-	-	546

#### Financial liabilities

Deposits and balances of customers	6	10,472,491	9,052,445	1,263,372	-	156,674
Amount due to SPRING Singapore		2,756	1,158	1,598	-	-
Other liabilities		114,629	-	-	-	114,629

### 31 December 2013

#### Financial assets

Loans, advances and receivables	11	9,087,972	7,658,084	1,301,269	128,619	-
Singapore Government securities	10	1,201,651	215,084	504,934	481,633	-
Cash at banks and in hand		1,080,832	1,069,564	-	-	11,268
Statutory deposit with the Monetary Authority of Singapore		261,535	-	-	-	261,535
Other assets		19,303	-	-	-	19,303
Investments (long term)	14	546	-	-	-	546

#### Financial liabilities

Deposits and balances of customers	6	9,909,716	8,923,331	732,830	-	253,555
Amount due to SPRING Singapore		3,589	1,528	2,061	-	-
Other liabilities		104,046	-	-	-	104,046

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. Financial Risk Management (continued)

### (d) Interest rate risk (continued)

#### *Sensitivity analysis*

Interest rate sensitivity analyses are performed under various interest rate scenarios using simulation modeling where the sensitivity of projected net interest income is measured against changes in market interest rates. The projected impact on future net interest income before tax over the next twelve months from the close of the year resulting from a 100 basis points parallel shift in the yield curves applied to the year end position is a gain/(loss) of:-

	<b>Group</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
+ 100 basis points parallel shift in yield curves	<b>28,111</b>	21,217
- 100 basis points parallel shift in yield curves	<b>(16,431)</b>	(9,448)

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

### (e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, customer and market confidence and to sustain future development of the business. The Assets and Liabilities Committee reviews the adequacy of capital by monitoring the levels of major assets and liabilities taking into account the underlying risks of the Group's business and compliance with regulatory capital requirements. The Board of Directors monitors the level of dividends to shareholders.

#### *Regulatory capital*

The Group maintains a capital adequacy ratio in excess of the prescribed ratio, expressed as a percentage of total capital to total risk-weighted assets.

The Group's regulatory capital includes share capital, accumulated profits, statutory reserve, capital reserve and share option reserve. Risk-weighted assets are determined according to regulatory requirements that reflect the varying levels of risk attached to assets and off-balance sheet exposures.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. Financial Risk Management (continued)

### (e) Capital management (continued)

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

	2014 \$'000	2013 \$'000
Share capital	878,664	876,389
Accumulated profits	168,012	173,982
Statutory reserve	601,809	586,109
Capital reserve	2,307	2,307
Share option reserve	7,776	7,484
<b>Regulatory capital</b>	<b>1,658,568</b>	<b>1,646,271</b>
<b>Risk-weighted assets</b>	<b>10,098,506</b>	<b>9,663,846</b>
<b>Capital adequacy ratio</b>	<b>16.4%</b>	<b>17.0%</b>

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

## 25. Financial Instruments

Accounting classifications and fair values

### (a) Loans, advances and receivables and deposits and balances of customers

The fair value of fixed rate loans, advances and receivables and deposits and balances of customers, which will mature and reprice more than six months after the reporting date, has been determined by discounting the relevant cash flows using current interest rates for similar instruments at the reporting date. The carrying amounts of financial assets and financial liabilities with a maturity of six months or less (including other loans, advances and receivables, and other deposits/savings accounts) approximate their fair values.

### (b) Singapore Government securities

Fair value is based on quoted market bid prices at the reporting date.

### (c) Other financial assets and financial liabilities

The carrying amounts of other financial assets and financial liabilities with a maturity of less than one year (including other receivables, other deposits, cash, trade payables and other payables) are estimated to approximate their fair values in view of the short period to maturity.

There are no financial assets and financial liabilities classified as held for trading.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 25. Financial Instruments (continued)

In accordance with the accounting policy on Financial Instruments and pursuant to FRS 39, certain financial assets and financial liabilities are not carried at fair value in the statements of financial position as at 31 December. The aggregate net fair values of these financial assets and financial liabilities are disclosed in the following table:-

		Group			
		Carrying amount 2014 \$'000	Fair value 2014 \$'000	Carrying amount 2013 \$'000	Fair value 2013 \$'000
	Note				
<b>Financial assets</b>					
Loans, advances and receivables	11	9,582,540	9,590,931	9,087,972	9,092,283
Singapore Government securities	10	1,258,688	1,245,813	1,201,651	1,182,473
		<b>10,841,228</b>	<b>10,836,744</b>	10,289,623	10,274,756

### Financial liabilities

Deposits and balances of customers	6	(10,468,530)	(10,501,946)	(9,905,800)	(9,929,202)
Net financial assets		<b>372,698</b>	<b>334,798</b>	383,823	345,554
Unrecognised loss			<b>(37,900)</b>		<b>(38,269)</b>

		Company			
		Carrying amount 2014 \$'000	Fair Value 2014 \$'000	Carrying amount 2013 \$'000	Fair value 2013 \$'000
	Note				

### Financial assets

Loans, advances and receivables	11	9,582,540	9,590,931	9,087,972	9,092,283
Singapore Government securities	10	1,258,688	1,245,813	1,201,651	1,182,473
		<b>10,841,228</b>	<b>10,836,744</b>	10,289,623	10,274,756

### Financial liabilities

Deposits and balances of customers	6	(10,472,491)	(10,505,921)	(9,909,716)	(9,933,130)
Net financial assets		<b>368,737</b>	<b>330,823</b>	379,907	341,626
Unrecognised loss			<b>(37,914)</b>		<b>(38,281)</b>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 25. Financial Instruments (continued)

### *Fair value hierarchy*

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: unobservable inputs for the asset or liability including prices of an item that is not identical.

### *Group financial assets and financial liabilities not carried at fair value but for which fair values are disclosed\**

The fair value of the portion of loans, advances and receivables being Level 3 instruments amounts to \$2.17 billion (2013: \$2.24 billion) against a carrying value of \$2.166 billion (2013: \$2.236 billion). Singapore Government securities are Level 1 instruments with fair value of \$1.25 billion (2013: \$1.18 billion). The portion of deposits and balances of customers being Level 2 instruments have a fair value of \$8.49 billion (2013: \$8.08 billion) against a carrying value of \$8.46 billion (2013: \$8.06 billion).

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

## 26. Commitments

### (a) Operating lease commitments

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

	<b>Group and Company</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Within 1 year	<b>6,638</b>	5,232
After 1 year but within 5 years	<b>17,633</b>	5,975
After 5 years	<b>266</b>	1,039
	<b>24,537</b>	12,246

The Group leases office premises, residential premises and motor vehicles under operating leases. The length of the leases ranges from two to ten years, with options to renew the leases. None of the leases include contingent rentals.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 26. Commitments (continued)

### (b) Capital commitments

At 31 December, the Group and the Company had outstanding capital commitments in respect of contracts to purchase property, plant and equipment amounting to \$2,037,000 (2013: \$12,000).

### (c) Undrawn loan commitments

Undrawn loan commitments comprise contractual obligations to provide credit facilities to customers which can either be for a fixed period or have no specific maturity but are cancellable by the Group subject to notice requirements.

At 31 December, the Group and the Company had undrawn loan commitments amounting to \$2,197,692,000 (2013: \$2,501,668,000).

## 27. Related Party Transactions

The Company is considered to be a subsidiary of Hong Leong Investment Holdings Pte. Ltd. Transactions entered into by the Group and the Company with related parties (including members of the Hong Leong Investment Holdings Pte. Ltd. group) incurred in the ordinary course of business from time to time and at market value, primarily comprise loans, deposits, provision of corporate advisory services, insurance transactions, property-related transactions, purchase/sale of property, management services, incidental expenses and/or other transactions relating to the business of the Group and the Company.

### *Key Management Personnel Compensation*

Key management personnel compensation comprised:-

	<b>Group</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Short-term employee benefits	<b>2,593</b>	2,644
CPF contributions to defined contribution plans	<b>6</b>	6
Depreciation of motor vehicles	<b>10</b>	4
Other operating expenses including principally directors' fees	<b>1,129</b>	854
Share-based payments	<b>74</b>	72
	<b>3,812</b>	3,580

Directors' remuneration (inclusive of fees) included in key management personnel compensation amounted to \$2,944,000 (2013: \$2,693,000).

Key management personnel of the Company participate in the Share Option Scheme as described in Note 5. During the year, options to 205,000 (2013: 205,000) shares were granted to key management personnel. These share options are subject to a vesting schedule.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 27. Related Party Transactions (continued)

For key management personnel appointed during the year, compensation and grant of share options are included from the date of appointment.

Options held by key management personnel at the end of the year (including options granted prior to their appointment as key management personnel) are as follows:-

	2014	2013
Granted on		
28.9.2004	–	360,000
28.9.2005	<b>661,000</b>	540,000
28.9.2006	<b>486,600</b>	377,600
19.9.2007	<b>694,500</b>	567,000
30.9.2008	<b>732,000</b>	567,000
29.9.2009	<b>687,000</b>	530,000
28.9.2010	<b>762,000</b>	590,000
29.9.2011	<b>663,190</b>	520,000
14.9.2012	<b>511,000</b>	384,000
25.9.2013	<b>281,000</b>	205,000
25.9.2014	<b>281,000</b>	–

Options held by an Executive Director included in key management personnel at the end of the year are as follows:-

	2014	2013
Granted on		
28.9.2004	–	360,000
28.9.2005	<b>360,000</b>	360,000
28.9.2006	<b>324,000</b>	324,000
19.9.2007	<b>378,000</b>	378,000
30.9.2008	<b>378,000</b>	378,000
29.9.2009	<b>360,000</b>	360,000
28.9.2010	<b>400,000</b>	400,000
29.9.2011	<b>360,000</b>	360,000
14.9.2012	<b>256,000</b>	256,000
25.9.2013	<b>160,000</b>	160,000
25.9.2014	<b>160,000</b>	–

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 27. Related Party Transactions (continued)

### *Other Related Party Transactions*

Related party balances as at the reporting date and transactions during the financial year are as follows:-

		<b>Group</b>	
	Holding Company \$'000	Fellow Subsidiaries and Associates of Holding Company \$'000	Key Management Personnel* \$'000
(a) Secured loans, advances and hire purchase receivables			
Outstanding balances:			
As at 1 January 2013	–	5,418	223,573
Increase	–	–	11,306
(Decrease)	–	(1,179)	(37,274)
As at 31 December 2013	–	4,239	197,605
Increase	–	<b>1,220</b>	<b>514</b>
(Decrease)	–	<b>(1,179)</b>	<b>(9,324)</b>
As at 31 December 2014	–	<b>4,280</b>	<b>188,795</b>
Undrawn loan commitments:			
As at 1 January 2013	20,000	30,992	89,543
Increase	–	–	26,000
(Decrease)	–	(30,992)	(10,250)
As at 31 December 2013	20,000	–	105,293
Increase	–	<b>4,729</b>	<b>449</b>
(Decrease)	–	–	<b>(28,039)</b>
As at 31 December 2014	<b>20,000</b>	<b>4,729</b>	<b>77,703</b>
(b) Specific allowances for doubtful debts			
As at 31 December 2013	–	–	–
As at 31 December 2014	–	–	–
(c) Other receivables, deposits and prepayment			
Outstanding balances:			
As at 1 January 2013	–	1,040	–
Increase	–	–	–
(Decrease)	–	(3)	–
As at 31 December 2013	–	1,037	–
Increase	–	<b>254</b>	–
(Decrease)	–	<b>(179)</b>	–
As at 31 December 2014	–	<b>1,112</b>	–

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 27. Related Party Transactions (continued)

	Holding Company \$'000	Group Fellow Subsidiaries and Associates of Holding Company \$'000	Key Management Personnel* \$'000
(d) Deposits and balances of customers			
Outstanding balances:			
As at 1 January 2013	134,347	213,210	56,617
Increase	–	95,871	4,180
(Decrease)	(34,423)	(35,112)	(11,264)
As at 31 December 2013	99,924	273,969	49,533
Increase	<b>39,896</b>	<b>88,069</b>	<b>4,896</b>
(Decrease)	–	<b>(23,504)</b>	<b>(7,143)</b>
As at 31 December 2014	<b>139,820</b>	<b>338,534</b>	<b>47,286</b>
(e) Trade and other payables			
Outstanding balances:			
As at 1 January 2013	301	632	214
Increase	–	498	2
(Decrease)	(58)	(183)	(65)
As at 31 December 2013	243	947	151
Increase	<b>24</b>	<b>166</b>	<b>48</b>
(Decrease)	–	<b>(290)</b>	<b>(97)</b>
As at 31 December 2014	<b>267</b>	<b>823</b>	<b>102</b>
(f) Lease commitments			
Operating lease commitments			
As at 31 December 2013	–	8,262	–
As at 31 December 2014	–	<b>21,930</b>	–

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 27. Related Party Transactions (continued)

	Holding Company \$'000	Group Fellow Subsidiaries and Associates of Holding Company \$'000	Key Management Personnel* \$'000
(g) Profit and loss transactions			
Year ended 31 December 2014			
- Interest income on loans and advances and hiring charges in respect of hire purchase receivables	-	111	4,009
- Interest expense on deposits	(1,198)	(2,913)	(409)
- Fee, commission and other income	2	-	59
- Other operating expenses	-	(4,960)	-
- Specific allowances for bad and doubtful debts	-	-	-
Year ended 31 December 2013			
- Interest income on loans and advances and hiring charges in respect of hire purchase receivables	-	126	4,341
- Interest expense on deposits	(1,209)	(1,894)	(452)
- Fee, commission and other income	2	-	145
- Other operating expenses	-	(4,727)	-
- Specific allowances for bad and doubtful debts	-	-	-
(h) Expenses incurred on account of customers for professional services			
Year ended 31 December 2014	-	-	(6)
Year ended 31 December 2013	-	-	(6)

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 27. Related Party Transactions (continued)

		Company			
		Holding Company \$'000	Fellow Subsidiaries and Associates of Holding Company \$'000	Key Management Personnel* \$'000	Subsidiaries \$'000
(a)	Secured loans, advances and hire purchase receivables				
	Outstanding balances:				
	As at 1 January 2013	-	5,418	223,573	-
	Increase	-	-	11,306	-
	(Decrease)	-	(1,179)	(37,274)	-
	As at 31 December 2013	-	4,239	197,605	-
	Increase	-	<b>1,220</b>	<b>514</b>	-
	(Decrease)	-	<b>(1,179)</b>	<b>(9,324)</b>	-
	As at 31 December 2014	-	<b>4,280</b>	<b>188,795</b>	-
	Undrawn loan commitments:				
	As at 1 January 2013	20,000	30,992	89,543	-
	Increase	-	-	26,000	-
	(Decrease)	-	(30,992)	(10,250)	-
	As at 31 December 2013	20,000	-	105,293	-
	Increase	-	<b>4,729</b>	<b>449</b>	-
	(Decrease)	-	-	<b>(28,039)</b>	-
	As at 31 December 2014	<b>20,000</b>	<b>4,729</b>	<b>77,703</b>	-
(b)	Specific allowances for doubtful debts				
	As at 31 December 2013	-	-	-	-
	As at 31 December 2014	-	-	-	-
(c)	Other receivables, deposits and prepayment				
	Outstanding balances:				
	As at 1 January 2013	-	1,040	-	-
	Increase	-	-	-	-
	(Decrease)	-	(3)	-	-
	As at 31 December 2013	-	1,037	-	-
	Increase	-	<b>254</b>	-	-
	(Decrease)	-	<b>(179)</b>	-	-
	As at 31 December 2014	-	<b>1,112</b>	-	-



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 27. Related Party Transactions (continued)

		Company			
		Holding Company \$'000	Fellow Subsidiaries and Associates of Holding Company \$'000	Key Management Personnel* \$'000	Subsidiaries \$'000
(d)	Deposits and balances of customers				
	Outstanding balances:				
	As at 1 January 2013	134,347	213,210	56,617	3,858
	Increase	–	95,871	4,180	58
	(Decrease)	(34,423)	(35,112)	(11,264)	–
	As at 31 December 2013	99,924	273,969	49,533	3,916
	Increase	<b>39,896</b>	<b>88,069</b>	<b>4,896</b>	<b>45</b>
	(Decrease)	–	<b>(23,504)</b>	<b>(7,143)</b>	–
	As at 31 December 2014	<b>139,820</b>	<b>338,534</b>	<b>47,286</b>	<b>3,961</b>
(e)	Trade and other payables				
	Outstanding balances:				
	As at 1 January 2013	301	628	214	57
	Increase	–	494	2	–
	(Decrease)	(58)	(183)	(65)	(25)
	As at 31 December 2013	243	939	151	32
	Increase	<b>24</b>	<b>166</b>	<b>48</b>	–
	(Decrease)	–	<b>(290)</b>	<b>(97)</b>	<b>(4)</b>
	As at 31 December 2014	<b>267</b>	<b>815</b>	<b>102</b>	<b>28</b>
(f)	Lease commitments				
	Operating lease commitments				
	As at 31 December 2013	–	8,262	–	–
	As at 31 December 2014	–	<b>21,930</b>	–	–

\* Key Management Personnel relate to key management personnel of the Group and the Company and of the holding company of the Company and their close family members.

Loans and deposits transactions with related parties are conducted at arm's length in the ordinary course of business. Credit facilities granted are subject to the Company's normal credit evaluation, approval, monitoring and reporting processes. Loans and advances are secured on equity securities or property, plant and equipment.

No impairment losses have been recorded against balances outstanding during the financial year with related parties, and no specific allowance has been made for balances with related parties at the end of the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

## 28. Use of Accounting Estimates and Judgements

These disclosures supplement the commentary on financial risk management in Note 24.

Key sources of estimation uncertainty

### (a) Impairment losses on loans, advances and receivables

The Group reviews the loan portfolio to assess impairment at least on a quarterly basis. The specific counterparty component of the total allowances for doubtful debts applies to claims evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits.

Collectively assessed allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. The Group makes judgements as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows of the loan portfolio. The evidence may include observable data indicating adverse changes in the payment status of certain groups of borrowers or local economic conditions that correlate with defaults in the loan portfolio. Management uses estimates based on historical loss experience for loans, advances and receivables with credit risk characteristics and objective evidence of impairment similar to those in the loan portfolio when scheduling future cash flows. The methodology and assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between estimates and actual loss experience. Collectively assessed allowances also take into account prevailing regulatory considerations.

### (b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity. In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets to maturity. The Group does not classify any financial assets as held to maturity if during the current financial year or during the two preceding financial years, it sold or reclassified more than an insignificant amount of held-to-maturity investments before and not close to their maturity. If the conditions are not complied with, the investments will be reclassified as available-for-sale and measured at fair value. As at the end of the current financial year, had the held-to-maturity investments been classified as available-for-sale, the fair value would have decreased by \$12,875,000 (2013: \$19,178,000), with a corresponding entry in the fair value reserve in equity.

# ANALYSIS OF SHAREHOLDINGS

As at 6 March 2015

Number of Shares in Issue : 443,577,003  
 Class of Shares : Ordinary shares  
 Number of Shareholders : 11,217  
 Voting Rights : 1 vote for 1 share

Range of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	316	2.82	12,916	0.00
100 – 1,000	1,789	15.95	1,226,971	0.28
1,001 – 10,000	7,012	62.51	30,840,191	6.95
10,001 – 1,000,000	2,073	18.48	101,863,724	22.97
1,000,001 and above	27	0.24	309,633,201	69.80
	11,217	100.00	443,577,003	100.00

Based on the information available to the Company as at 6 March 2015, approximately 44.78% of the total number of issued 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.

## Major Shareholders List - Top 20 as at 6 March 2015

No.	Name	No. of Shares Held	%*
1	Hong Leong Investment Holdings Pte. Ltd.	99,608,176	22.46
2	Hong Realty (Private) Limited	23,271,370	5.25
3	DBS Nominees Pte Ltd	19,846,649	4.47
4	Hong Leong Corporation Holdings Pte Ltd	19,685,812	4.44
5	BNP Paribas Securities Services	17,042,933	3.84
6	SGL Investment Holdings Pte Ltd	16,899,187	3.81
7	Garden Estates (Pte.) Limited	16,710,670	3.77
8	Hong Leong Foundation	13,854,823	3.12
9	Citibank Nominees Singapore Pte Ltd	12,956,069	2.92
10	United Overseas Bank Nominees Pte Ltd	12,781,634	2.88
11	City Developments Limited	9,149,817	2.06
12	HSBC (Singapore) Nominees Pte Ltd	7,741,464	1.75
13	Tudor Court Gallery Pte Ltd	6,517,000	1.47
14	Hong Leong Holdings Limited	5,460,422	1.23
15	Hong Leong Enterprises Pte. Ltd.	4,485,047	1.01
16	HL Bank Nominees (S) Pte Ltd	3,866,000	0.87
17	Chng Gim Huat	3,790,000	0.86
18	DBSN Services Pte Ltd	3,120,588	0.70
19	Raffles Nominees (Pte) Ltd	2,409,053	0.54
20	OCBC Nominees Singapore Private Limited	1,658,100	0.37
		300,854,814	67.82

\* The percentage of shares held is based on the total number of issued shares of the Company as at 6 March 2015.

# ANALYSIS OF SHAREHOLDINGS

As at 6 March 2015

## Substantial Shareholders

	← No. of Shares →			
	Direct Interest	Deemed Interest	Total Interest	% *
Hong Realty (Private) Limited	23,271,370	23,678,335 <sup>(1)</sup>	46,949,705	10.58
Hong Leong Enterprises Pte. Ltd.	4,485,047	19,968,812 <sup>(2)</sup>	24,453,859	5.51
Hong Leong Investment Holdings Pte. Ltd.	99,608,176	106,252,582 <sup>(3)</sup>	205,860,758	46.41
Davos Investment Holdings Private Limited	-	205,860,758 <sup>(4)</sup>	205,860,758	46.41
Kwek Holdings Pte Ltd	-	205,860,758 <sup>(4)</sup>	205,860,758	46.41

\* The percentage of shares held is based on the total number of issued shares of the Company as at 6 March 2015.

### Notes:

- (1) Hong Realty (Private) Limited ("HR") is deemed under Section 7 of the Companies Act, Chapter 50 ("Companies Act") to have an interest in the 23,678,335 shares held directly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- (2) Hong Leong Enterprises Pte. Ltd. ("HLE") is deemed under Section 7 of the Companies Act to have an interest in the 19,968,812 shares held directly and/or indirectly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- (3) Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is deemed under Section 7 of the Companies Act to have an interest in the 106,252,582 shares held directly and/or indirectly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof, which includes (i) the 46,949,705 shares held directly and indirectly by HR and (ii) the 24,453,859 shares held directly and indirectly by HLE.
- (4) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 7 of the Companies Act, to have interests in the 205,860,758 shares held directly and/or indirectly by HLIH in which each of them is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Fifth Annual General Meeting (the "Meeting") of HONG LEONG FINANCE LIMITED (the "Company") will be held at Grand Copthorne Waterfront Hotel, Galleria Ballroom, Level 3, 392 Havelock Road, Singapore 169663, on Thursday, 23 April 2015 at 3.00 p.m. for the following purposes:

## **A) Ordinary Business:**

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December ("FY") 2014 and the Auditors' Report thereon.
2. To declare a final one-tier tax exempt dividend of 6 cents per share for FY 2014 ("Final Dividend").
3. To approve Directors' Fees of \$777,000 for FY 2014 (FY 2013: \$511,000), Fees to the Audit Committee of \$35,000 per quarter for FY 2015 (FY 2014: \$25,000 per quarter) and Fees to the Risk Management Committee of \$60,000 per quarter for FY 2015 (FY 2014: \$45,000 per quarter).
4. To re-elect the following Directors retiring by rotation in accordance with the Articles of Association of the Company and who, being eligible, offer themselves for re-election:
  - (a) Mr Kwek Leng Peck
  - (b) Mr Chng Beng Hua
  - (c) Mr Raymond Lim Siang Keat
5. To re-appoint the following Directors pursuant to Section 153(6) of the Companies Act, Chapter 50 to hold office from the date of the Meeting until the next Annual General Meeting ("AGM"):
  - (a) Mr Kwek Leng Beng
  - (b) Mr Cheng Shao Shiong @ Bertie Cheng
6. To re-appoint KPMG LLP as Auditors and to authorise the Directors to fix their remuneration.

## **B) Special Business:**

To consider and, if thought fit, to pass, with or without any modifications, the following resolutions as Ordinary Resolutions:

7. That authority be and is hereby given to the Directors to:
  - (a) (i) issue shares in the capital 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 Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution was in force,

# NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument), does not exceed 50% of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 20% of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
  - (2) (subject to such manner of calculation as may be prescribed by the 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 total number of issued shares in the capital of the Company shall be based on the total number of issued shares in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for:
    - (i) new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time this Ordinary Resolution is passed; and
    - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
  - (3) in exercising the authority conferred by this Ordinary 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 Articles of Association for the time being of the Company; and
  - (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.
8. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the Hong Leong Finance Share Option Scheme 2001 (the "SOS") to eligible participants under the SOS other than Parent Group Employees and Parent Group Non-Executive Directors (each as defined under the terms of the SOS) and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted under the SOS, provided that:
- (a) the aggregate number of shares to be issued pursuant to the SOS shall not exceed 15% of the total number of issued shares in the capital of the Company from time to time; and
  - (b) the aggregate number of shares to be issued during the entire operation of the SOS (subject to adjustments, if any, made under the SOS) shall not exceed such limits or (as the case may be) sub-limits as may be prescribed in the SOS.



# NOTICE OF ANNUAL GENERAL MEETING

## C) To Transact Any Other Ordinary Business

BY ORDER OF THE BOARD

Yeo Swee Gim, Joanne  
Company Secretary  
Singapore, 31 March 2015

### **Books Closure Date and Payment Date for Final Dividend**

Subject to the approval of the shareholders at the Meeting for the payment of the Final Dividend, the Share Transfer Books and Register of Members of the Company will be closed on 8 May 2015. Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited of 112 Robinson Road #05-01, Singapore 068902 up to 5.00 p.m. on 7 May 2015 will be registered to determine shareholders' entitlement to the Final Dividend.

The Final Dividend, if approved by the shareholders at the Meeting, will be paid on 25 May 2015.

### **Explanatory Notes:**

1. With reference to item 3 above (under the heading "Ordinary Business"), the Directors' Fees of \$777,000 for FY 2014 excludes the quarterly fees of \$25,000 and \$45,000 paid to the Audit Committee ("AC") and the Risk Management Committee ("RMC") respectively for FY 2014, which had been approved by shareholders at the 2014 AGM of the Company. The payment of the fees to the AC and RMC for FY 2015 shall be made in arrears at the end of each calendar quarter (except for the first quarter of 2015 which shall be made upon the approval by the shareholders at the Meeting).

2. With reference to item 4(a) above (under the heading "Ordinary Business"), Mr Kwek Leng Peck will, upon re-election as a Director of the Company, remain as a member and also as alternate to the chairman of the Executive Committee ("Exco"), a member of the RMC and the SOS Committee.

Key information on Mr Kwek Leng Peck, who is seeking re-election as a Director of the Company under item 4(a) above (under the heading "Ordinary Business"), is found on page 18 of the Annual Report. Mr Kwek Leng Peck is a non-executive non-independent Director of the Company. Details of his share interest in the Company and its related corporations can be found on pages 58 to 62 of the Annual Report. Mr Kwek Leng Peck is also a director and shareholder of Hong Realty (Private) Limited ("HR") and Hong Leong Investment Holdings Pte. Ltd. ("HLIH"). Each of HR and HLIH hold more than 10% direct and/or deemed interest in the Company.

3. With reference to item 4(b) above (under the heading "Ordinary Business"), Mr Chng Beng Hua will, upon re-election as a Director of the Company, remain as a member of the AC. Mr Chng is considered an independent Director of the Company.

# NOTICE OF ANNUAL GENERAL MEETING

Key information on Mr Chng is found on page 18 of the Annual Report. Mr Chng has no shareholdings in the Company and its related corporations, and has no relationships with the Company, its related corporations, its 10% shareholders or its Directors that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement with a view to the best interests of the Company.

4. With reference to item 4(c) above (under the heading “Ordinary Business”), Mr Raymond Lim will, upon re-election as a Director of the Company, remain as a member of the Exco and RMC. Mr Lim is considered an independent Director.

Key information on Mr Lim is found on page 19 of the Annual Report. Mr Lim has no shareholdings in the Company and its related corporations, and has no relationships with the Company, its related corporations, its 10% shareholders or its Directors that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement with a view to the best interests of the Company.

5. With reference to item 5(a) above (under the heading “Ordinary Business”), Mr Kwek Leng Beng will, upon re-appointment as a Director of the Company, remain as Chairman of the Board, chairman of the Exco, and a member of the NC and the RMC. Mr Kwek Leng Beng is an executive Director of the Company.

Key information on Mr Kwek Leng Beng is found on page 17 of the Annual Report. Mr Kwek Leng Beng is the brother of Mr Kwek Leng Joo. Details of Mr Kwek Leng Beng’s share interest in the Company and its related corporations can be found on pages 58 to 62 of the Annual Report. Mr Kwek Leng Beng is also a director and shareholder of HR, HLIH and Kwek Holdings Pte Ltd, each of which hold more than 10% direct and/or deemed interest in the Company.

6. With reference to item 5(b) above (under the heading “Ordinary Business”), Mr Bertie Cheng will, upon re-appointment as a Director of the Company, remain as chairman of the NC and RMC and also as a member of the Exco, RC and SOS. Mr Cheng is considered an independent Director.

Key information on Mr Cheng is found on page 18 of the Annual Report. Mr Cheng has no shareholdings in the Company and its related corporations, and has no relationships with the Company, its related corporations, its 10% shareholders or its Directors that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement with a view to the best interests of the Company.

7. The ordinary resolution set out in item 7 above (under the heading “Special Business”), if passed, will empower the Directors of the Company from the date of the Meeting until the next AGM to issue shares whether by way of rights, bonus or otherwise and/or make or grant Instruments that might require shares to be issued up to and not exceeding 50% of the Company’s total number of issued shares, with a limit of 20% of the Company’s total number of issued shares for any issue of shares not made on a *pro rata* basis to shareholders. This authority will expire at the next AGM of the Company, unless revoked or varied at a General Meeting.
8. The ordinary resolution set out in item 8 above (under the heading “Special Business”), if passed, will empower the Directors to offer and grant options in accordance with the SOS to eligible participants under the SOS other than Parent Group Employees and Parent Group Non-Executive Directors (each as defined under the terms of the SOS) and to issue from time to time such number of shares in the capital of the Company pursuant to the exercise of such options under the SOS subject to such limits or sub-limits as prescribed in the SOS. (*see note below on voting restrictions*)

# NOTICE OF ANNUAL GENERAL MEETING

## Voting restrictions pursuant to Rule 859 of the Listing Manual of the SGX-ST:

*Please note that if a shareholder is eligible to participate in the SOS (other than as a director and/or employee of HLIH and its subsidiaries (but not including the Company)), he should abstain from voting at the Meeting in respect of the ordinary resolution set out in item 8 in relation to the SOS, and should not accept nominations as proxies or otherwise for voting at the Meeting, in respect of the aforesaid ordinary resolution, unless specific instructions have been given in the proxy form on how the vote is to be cast for the aforesaid resolution.*

### **Notes:**

1. A member of the Company entitled to attend and vote at the Meeting may appoint not more than two proxies to attend and vote in his stead.
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be deposited at the Company Secretary's Office at 36 Robinson Road, #03-01 City House, Singapore 068877, not less than 48 hours before the time appointed for holding the Meeting.
4. The Chairman of the Meeting will be exercising his rights under article 71 of the Company's articles of association ("Article 71") to call for all resolutions at the Meeting and at any adjournment thereof to be put to the vote by way of poll. Accordingly, each resolution at the Meeting will be voted on by way of a poll.

Article 71 provides that a poll may be demanded by:

- (a) the Chairman of the Meeting; or
  - (b) not less than two members present in person or by proxy and entitled to vote at the Meeting; or
  - (c) a member or members present in person or by proxy and representing not less than one-twentieth of the total voting rights of all the members having the right to vote at the Meeting; or
  - (d) a member or members present in person or by proxy and holding not less than five per cent. of the total number of paid-up shares of the Company.
5. Polling will be done by way of an electronic poll voting system and shareholders present in person or represented by proxy at the Meeting will be entitled to vote on a 'one-share, one-vote' basis. The detailed procedures for the electronic poll voting will be explained at the Meeting.

### **Personal Data Privacy:**

By submitting an instrument appointing proxy(ies) or representative to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

- (a) 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 Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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, regulations and/or guidelines (collectively, the "Purposes"),
- (b) warrants that where the member discloses the personal data of the member's proxy(ies) or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) 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) or representative(s) for the Purposes, and
- (c) 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.

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# HONG LEONG FINANCE LIMITED

Co. Reg. No. 196100003D

(Incorporated in the Republic of Singapore)

## PROXY FORM

for Annual General Meeting

### IMPORTANT:

1. For investors who have used their CPF monies to buy Hong Leong Finance Limited's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominee and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the 55<sup>th</sup> Annual General Meeting as OBSERVERS must submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company Secretary of Hong Leong Finance Limited. (Agent Banks: Please see note 8 on required format.)

### Personal Data Privacy

By submitting an instrument appointing proxy(ies) or representative, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 31 March 2015.

\*I/We, \_\_\_\_\_ with NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_

being \*a member/members of HONG LEONG FINANCE LIMITED (the "Company"), hereby appoint

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of shares	%
Address			

\* and/or

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of shares	%
Address			

as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf at the 55<sup>th</sup> Annual General Meeting of the Company (the "AGM") to be held at Grand Copthorne Waterfront Hotel, Galleria Ballroom, Level 3, 392 Havelock Road, Singapore 169663 on Thursday, 23 April 2015 at 3.00 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 AGM as indicated with an "X" in the spaces provided 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 AGM.

No.	Resolutions	For	Against
<b>A)</b>	<b>ORDINARY BUSINESS:</b>		
1.	Adoption of Reports and Financial Statements		
2.	Declaration of Final Dividend		
3.	Approval of Directors' Fees, Audit Committee Fees and Risk Management Committee Fees		
4.	Re-election of Directors under the Articles of Association:		
	(a) Mr Kwek Leng Peck		
	(b) Mr Chng Beng Hua		
	(c) Mr Raymond Lim Siang Keat		
5.	Re-appointment of Directors under Section 153(6) of the Companies Act, Chapter 50:		
	(a) Mr Kwek Leng Beng		
	(b) Mr Cheng Shao Shiong @ Bertie Cheng		
6.	Re-appointment of KPMG LLP as Auditors		
<b>B)</b>	<b>SPECIAL BUSINESS:</b>		
7.	Authority for Directors to issue shares and/or make or grant offers, agreements or options pursuant to Section 161 of the Companies Act, Chapter 50 and the Listing Manual of Singapore Exchange Securities Trading Limited		
8.	Authority for Directors to offer and grant options to eligible participants under the Hong Leong Finance Share Option Scheme 2001 (the "SOS") other than Parent Group Employees and Parent Group Non-Executive Directors and to issue shares in accordance with the provisions of the SOS		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

Total No. of Shares Held

Signature(s) of member(s)/Common Seal

\* Delete accordingly

NOTES: SEE OVERLEAF

**Notes:**

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by you.
4. This instrument appointing a proxy or proxies must be signed by the appointor or 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.
5. 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 AGM in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. This instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof), must be deposited at the Company Secretary's Office at 36 Robinson Road, #03-01 City House, Singapore 068877, not less than 48 hours before the time fixed for holding the AGM.
7. The Company shall be entitled to reject an instrument appointing a proxy or proxies if it 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. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.
8. Agent Banks acting on the request of CPF Investors who wish to attend the AGM as Observers are required to submit in writing, a list with details of the investor's name, NRIC/Passport Number, addresses and number of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company Secretary, at her office at 36 Robinson Road, #03-01 City House, Singapore 068877, not less than 48 hours before the time fixed for holding the AGM.

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**PROXY FORM**

Affix  
Postage  
Stamp

The Company Secretary  
**HONG LEONG FINANCE LIMITED**  
36 Robinson Road, #03-01 City House  
Singapore 068877

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# BRANCHES AND SME CENTRES

## Main Branch

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16 Raffles Quay  
#01-05 Hong Leong Building  
Singapore 048581  
Tel : 6415 9118  
Fax : 6222 8790

## Branches

---

**Ang Mo Kio Ave 1**  
Blk 338 Ang Mo Kio Ave 1  
#01-1641  
Singapore 560338  
Tel : 6452 8735  
Fax : 6454 3524

**Ang Mo Kio Ave 4**  
Blk 157 Ang Mo Kio Ave 4  
#01-564  
Singapore 560157  
Tel : 6458 8030  
Fax : 6458 8186

**Balestier**  
288 Balestier Road  
#01-02 Balestier 288  
Singapore 329731  
Tel : 6250 1083  
Fax : 6254 8801

**Bedok**  
Blk 203 Bedok North Street 1  
#01-451  
Singapore 460203  
Tel : 6449 0601  
Fax : 6444 3827

**Bukit Batok Central**  
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Fax : 6564 9643

**Bukit Merah**  
Blk 125 Bukit Merah Lane 1  
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Fax : 6272 7158

**City Plaza**  
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#01-111/114 City Plaza  
Singapore 409286  
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Fax : 6748 2422

**City Square Mall**  
180 Kitchener Road  
#B2-41 City Square Mall  
Singapore 208539  
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Fax : 6509 8100

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Blk 725 Clementi West Street 2  
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Singapore 120725  
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Fax : 6775 2751

**Ghim Moh**  
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#01-209/211  
Singapore 270021  
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Fax : 6468 3273

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#01-351  
Singapore 270045  
Tel : 6778 4169  
Fax : 6775 2836

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#01-50 Hong Lim Complex  
Singapore 050531  
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Fax : 6534 5868

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#01-211/213  
Singapore 530208  
Tel : 6288 2396  
Fax : 6281 3046

**Joo Chiat**  
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Tel : 6344 8842  
Fax : 6440 2864

**Jurong East**  
Blk 134 Jurong Gateway Road  
#01-313  
Singapore 600134  
Tel : 6564 3880  
Fax : 6564 3787

**Jurong West**  
Blk 504 Jurong West Street 51  
#01-211  
Singapore 640504  
Tel : 6569 0361  
Fax : 6569 5918

**Kallang Bahru**  
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#01-521  
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Fax : 6294 2907

**Marine Parade**  
Blk 80 Marine Parade Central  
#01-790  
Singapore 440080  
Tel : 6346 2036  
Fax : 6346 2035

**Redhill (Jln Tiong)**  
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#01-100  
Singapore 154075  
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Fax : 6479 0218

**Rivervale Mall**  
11 Rivervale Crescent  
#01-07/08 Rivervale Mall  
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Fax : 6489 0503

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8 Kensington Park Road  
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Singapore 557260  
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**Tampines Grande**  
9 Tampines Grande  
#01-12  
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**Toa Payoh**  
Blk 520 Lorong 6 Toa Payoh  
#02-54 HDB HUB  
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Fax : 6256 5676

**Upper Bukit Timah**  
140 Upper Bukit Timah Road  
#01-19/21 Beauty World Plaza  
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Tel : 6469 7438  
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**Upper Thomson**  
219 Upper Thomson Road  
Singapore 574351  
Tel : 6453 3266  
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**Woodlands**  
Blk 306 Woodlands Street 31  
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