

Financial Statements and Related Announcement::Full Yearly Results

Issuer & Securities

Issuer/ Manager	HONG LEONG FINANCE LIMITED
Securities	HONG LEONG FINANCE LIMITED - SG1M04001939 - S41
Stapled Security	No

Announcement Details

Announcement Title	Financial Statements and Related Announcement
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Designation	Company Secretary
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Additional Details

For Financial Period Ended	31/12/2015
Attachments	FY2015_Results.pdf FY2015_Chairman_Statement.pdf Total size =1088K

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HONG LEONG FINANCE

Full Year Financial Statements And Related Announcement

Full year financial statements on consolidated results for the year ended 31 December 2015. These figures have been audited in accordance with Singapore Standards on Auditing.

1(a). Audited Group Statement of Comprehensive Income For The Year Ended 31 December 2015

	2015	2014	+ / (-)
	\$'000	\$'000	%
Profit and loss account:			
Interest on loans	235,175	196,729	19.5
Hiring charges	33,686	36,056	(6.6)
Other interest income	27,509	21,858	25.9
Interest income/hiring charges	296,370	254,643	16.4
Less: Interest expense	134,266	105,652	27.1
Net interest income/hiring charges	162,104	148,991	8.8
Fee and commission income	12,490	12,293	1.6
Other operating income	377	199	89.4
Income before operating expenses	174,971	161,483	8.4
Less: Staff costs	65,454	61,695	6.1
Depreciation of property, plant and equipment	4,344	2,727	59.3
Other operating expenses	22,037	19,291	14.2
Profit from operations before allowances/provision	83,136	77,770	6.9
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	3,642	(2,024)	(279.9)
Profit before tax	86,778	75,746	14.6
Less: Income tax expense	13,922	12,949	7.5
Profit for the year/Comprehensive income attributable to owners of the Company	72,856	62,797	16.0
Earnings per share (cents):			
- Basic	16.42	14.17	
- Diluted	16.41	14.15	

1(b). Other Information

- (i) Profit after tax
- first half year
- second half year

2015	2014	+ / (-)
\$'000	\$'000	%
29,525	28,498	3.6
43,331	34,299	26.3

The increase in the profit after tax for the second half of 2015 when compared to the same period in 2014 was principally attributable to a reversal of provision for settlements and costs relating to wealth management products distributed and to recovery of doubtful debts net of top up of general allowances amounting to \$7,028,000, compared against additional net allowances of \$33,000 in the second half of 2014. The aforementioned reversal of provision includes a settlement amount arising from a legal action more fully described in paragraph 5 below.

- (ii) Other operating income includes gain on disposal of plant and equipment amounting to \$155,000 (2014 : loss on disposal of plant and equipment of \$23,000).
- (iii) (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 includes impairment losses of other assets (property, plant and equipment) amounting to \$Nil (2014 : \$186,000).
- (iv) The Group operates in only one segment. Its activities relate to financing business augmented by secondary non-lending activities. All activities are carried out in the Republic of Singapore. Fee and commission income in paragraph 1(a) above includes fee and commission income from non-lending activities amounting to \$1,148,000 (2014 : \$2,423,000).

2(a). Summarised Statements of Financial Position

	Group		Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Number of shares in issue	443,784,033	443,546,503	443,784,033	443,546,503
	\$'000	\$'000	\$'000	\$'000
Share capital	879,279	878,664	879,279	878,664
Reserves	629,821	611,892	629,821	611,892
Accumulated profits	179,011	168,012	175,979	165,081
Equity attributable to owners of the Company	1,688,111	1,658,568	1,685,079	1,655,637
Liabilities				
Deposits and balances of customers	11,443,999	10,468,530	11,448,002	10,472,491
Trade and other payables	139,848	118,680	138,540	117,385
Current tax payable	15,171	16,269	15,165	16,262
Total liabilities	11,599,018	10,603,479	11,601,707	10,606,138
Total equity and liabilities	13,287,129	12,262,047	13,286,786	12,261,775
Assets				
Cash at banks and in hand	1,495,006	1,082,543	1,494,129	1,081,737
Statutory deposit with the Monetary Authority of Singapore	300,979	282,905	300,979	282,905
Singapore Government securities	1,333,205	1,258,688	1,333,205	1,258,688
Hire purchase receivables	1,343,363	1,229,864	1,343,363	1,229,864
Loans, advances and factoring receivables	8,856,287	8,457,898	8,856,287	8,457,898
	10,199,650	9,687,762	10,199,650	9,687,762
Allowances for doubtful debts	(108,557)	(105,222)	(108,557)	(105,222)
	10,091,093	9,582,540	10,091,093	9,582,540
Other receivables, deposits and prepayments	37,478	23,686	37,477	23,685
Subsidiaries and long term investments	546	546	1,081	1,081
Property, plant and equipment	27,897	27,553	27,897	27,553
Deferred tax assets	925	3,586	925	3,586
Total assets	13,287,129	12,262,047	13,286,786	12,261,775
Acceptances, guarantees and other obligations on behalf of customers	14,026	11,174	14,026	11,174

2(b). Net Asset Value

Net asset value per share (\$)	3.80	3.74	3.80	3.73
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2(c). There are no outstanding borrowings and debt securities as at 31 December 2015 (31 December 2014 : \$Nil) for the Group and the Company.

3. Consolidated Statement of Cash Flows

	2015 \$'000	2014 \$'000
Operating activities		
Profit for the year	72,856	62,797
Adjustments for:		
Impact of accrual of interest income	(821)	1,198
Impact of accrual of interest expense	26,727	5,517
Allowances for doubtful debts and receivables	6,438	6,530
Depreciation of property, plant and equipment	4,344	2,727
(Gain)/loss on disposal of property, plant and equipment	(155)	23
Impairment losses of other assets	-	186
Value of employee services received for issue of share options	513	685
Income tax expense	13,922	12,949
	123,824	92,612
Changes in working capital:		
Loans, advances and receivables	(515,023)	(501,072)
Other receivables, deposits and prepayments	(12,939)	(4,428)
Singapore Government securities	(74,517)	(57,037)
Deposits and balances of customers	975,469	562,730
Trade and other payables	(5,559)	4,240
Cash generated from operations	491,255	97,045
Income taxes paid	(12,359)	(11,143)
Cash flows from operating activities	478,896	85,902
Investing activities		
Purchase of property, plant and equipment	(4,699)	(12,371)
Proceeds from disposal of property, plant and equipment	166	1
Cash flows used in investing activities	(4,533)	(12,370)
Financing activities		
Proceeds from exercise of share options	548	2,017
Dividends paid	(44,374)	(53,202)
Cash flows used in financing activities	(43,826)	(51,185)
Net increase in cash and cash equivalents	430,537	22,347
Cash and cash equivalents at beginning of year	1,365,448	1,343,101
Cash and cash equivalents at end of year	1,795,985	1,365,448

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	31 December 2015 \$'000	31 December 2014 \$'000
Cash at banks and in hand	1,495,006	1,082,543
Statutory deposit with the Monetary Authority of Singapore	300,979	282,905
Cash and cash equivalents at end of year	1,795,985	1,365,448

In addition to the cash and cash equivalents above, marketable Singapore Government securities amounted to \$1,333,205,000 (31 December 2014 : \$1,258,688,000) for the Group.

4. Statements of Changes in Equity

Group	Share capital \$'000	Statutory reserve \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated profits \$'000	Total \$'000
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
At 1 January 2015	878,664	601,809	2,307	7,776	168,012	1,658,568
Issue of shares under share option scheme	548					548
Value of employee services received for issue of share options				513		513
Value of employee services transferred for share options exercised or lapsed	67			(799)	732	-
Final dividend paid of 6 cents per share (tax exempt one-tier) in respect of year 2014					(26,623)	(26,623)
Interim dividend paid of 4 cents per share (tax exempt one-tier) in respect of year 2015					(17,751)	(17,751)
Comprehensive income for the year					72,856	72,856
Transfer to Statutory reserve		18,215			(18,215)	-
At 31 December 2015	879,279	620,024	2,307	7,490	179,011	1,688,111
Company						
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
At 1 January 2015	878,664	601,809	2,307	7,776	165,081	1,655,637
Issue of shares under share option scheme	548					548
Value of employee services received for issue of share options				513		513
Value of employee services transferred for share options exercised or lapsed	67			(799)	732	-
Final dividend paid of 6 cents per share (tax exempt one-tier) in respect of year 2014					(26,623)	(26,623)
Interim dividend paid of 4 cents per share (tax exempt one-tier) in respect of year 2015					(17,751)	(17,751)
Comprehensive income for the year					72,755	72,755
Transfer to Statutory reserve		18,215			(18,215)	-
At 31 December 2015	879,279	620,024	2,307	7,490	175,979	1,685,079

5. Review Of The Performance Of The Group

Net loan assets including hire purchase receivables (net of allowances) stood at \$10,091 million at the end of the year. This was an increase of 5.3% or \$508 million over the previous year's base of \$9,583 million as at 31 December 2014.

Deposits and balances of customers amounted to \$11,444 million as at 31 December 2015. This was an increase of 9.3% or \$975 million over the previous year's base as at 31 December 2014. Cash and cash equivalents (including balances with the Monetary Authority of Singapore) together with Singapore Government securities held as liquid assets amounted to \$3,129 million as at 31 December 2015.

The Group recorded profit from operations before allowances/provision of \$83.1 million for the year ended 31 December 2015, an increase of 6.9% from \$77.8 million for the previous year. Whilst non-performing loans remain low and are substantially secured, the Group maintains a general provision pegged to the size of its loan portfolio. Group profit before tax for the year ended 31 December 2015 was arrived at after writing back provision/recoveries (net of top up of provision) amounting to \$3.6 million against an additional net allowance of \$2.0 million in 2014. Accordingly, Group profit after tax for the year registered an increase of \$10.1 million or 16.0% over the previous year. The Group continues to maintain adequate individual and collective provisions in respect of its loan portfolio.

In December 2015, the Company through mediation reached a confidential settlement in respect of legal action it had commenced earlier in the United States. Accordingly, the legal action has since been withdrawn. The settlement together with provision for legal expenses in the matter no longer required has been included in 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.

Total interest income/hiring charges for the year ended 31 December 2015 increased by 16.4% due to the increase in loan base and a higher loan yield. Interest expense for the year registered an increase of \$28.6 million or 27.1% over the previous year. This was due to a higher interest payable on deposits resulting from a combination of higher prevailing interest rates and a larger deposits base. Net interest income/hiring charges for the year increased 8.8% mainly due to higher loan base and loan yield.

Fee and commission income increased by 1.6% to \$12.5 million with higher fee income from some lending products offset by a decrease in non-lending fee income. Staff costs for the year rose by 6.1% due to salary increment and provision for bonus. Higher depreciation on computer equipment accounted for the increase in depreciation on property, plant and equipment with the successful implementation of a technology refresh of the host computer systems during the year. An increase of 14.2% in other operating expenses to \$22.0 million was due mainly to increased business promotion expenses and operating lease premises expenses.

Group shareholders' funds as at 31 December 2015 totalled \$1,688 million (31 December 2014 : \$1,659 million) amounting to \$3.80 per share (31 December 2014 : \$3.74 per share).

There has been no forecast or prospect statement previously disclosed to shareholders in respect of the year ended 31 December 2015.

6. Commentary On Significant Trends and Competitive Conditions In The Industry

Statistics from the Ministry of Trade and Industry ("MTI") showed that in the fourth quarter of 2015, the Singapore economy grew by 1.8% on a year-on-year basis, unchanged from the revised 1.8% growth in the third quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the growth translated to 6.2%.

For the whole year of 2015, the economy grew by 2.0%, in line with the earlier announced GDP growth forecast of close to 2% by MTI, but one of the weakest growth rates since 2009.

Many world economies are stuck with poor growth, with some overly dependent on commodities or oil moving towards recession.

Our domestic economy continues to be restructured and its productivity still remains low. The SMEs especially are challenged by high rental and operating costs, labour shortages and difficult business conditions. As in past years we will continue to assist them with relevant products and services, on both the lending and deposit sides. Our network of SME Centre @ Hong Leong Finance is specifically located at various branches within HDB estates to provide them with one stop assistance and convenience.

7. Dividends

A Final Dividend of 7 cents per share (tax exempt one-tier) is recommended by the directors for approval by shareholders in respect of the year ended 31 December 2015. Subject to shareholders' approval at the Annual General Meeting to be held on 21 April 2016, the dividend will be payable on 23 May 2016.

Latest Year

(i)	Name of Dividend	Final (Proposed)
	Dividend Type	Cash
	Dividend Rate	7 cents per share
	Total Dividend	\$31,065,000*
	Tax Rate	Tax exempt one-tier
(ii)	Name of Dividend	Interim (Paid on 9 September 2015)
	Dividend Type	Cash
	Dividend Rate	4 cents per share
	Total Dividend	\$17,751,000
	Tax Rate	Tax exempt one-tier

7. Dividends (continued)

Previous Year

(i)	Name of Dividend	Final (Paid on 25 May 2015)
	Dividend Type	Cash
	Dividend Rate	6 cents per share
	Total Dividend	\$26,623,000
	Tax Rate	Tax exempt one-tier
(ii)	Name of Dividend	Interim (Paid on 15 September 2014)
	Dividend Type	Cash
	Dividend Rate	4 cents per share
	Total Dividend	\$17,742,000
	Tax Rate	Tax exempt one-tier

* The amount of dividend is computed on the shares in issue as at the reporting date. This amount is subject to change arising from the issue of shares upon exercise of options, if any, under the Hong Leong Finance Share Option Scheme 2001 ("Share Option Scheme") between the reporting date and the last day for exercise of options to determine shareholders' entitlement to the dividend.

8. Shares Issued and Outstanding Convertibles

Since the end of the previous quarter,

- (i) options to 48,700 shares under the Share Option Scheme lapsed upon cessation of employment of participants; and
- (ii) options to 25,500 shares under the Share Option Scheme to subscribe for shares granted on 23 September 2015 were not accepted.

As at the end of the year, unissued shares of the Company under option amounted to 22,429,395 shares (31 December 2014 : 23,107,955 shares).

Pursuant to the Finance Companies Act, Chapter 108, the Company does not hold treasury shares and accordingly there are no treasury shares held during or at the end of the current year.

9. Accounting Policies

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

As previously announced, the adoption of the FRSs which came into effect for the current year ended 31 December 2015 does not have a material impact on the audited financial statements. Save as disclosed, accounting policies and methods of computation used in the audited financial statements for the year ended 31 December 2015 are consistent with those applied in the audited financial statements for the year ended 31 December 2014.

10. Closure of Books

Notice is hereby given that, subject to shareholders' approval of the payment of a final dividend of 7 cents per share in respect of the year ended 31 December 2015 at the Annual General Meeting to be held on 21 April 2016, the Share Transfer Books and Register of Members of the Company will be closed on 6 May 2016. Duly completed registrable transfers received by the Company's Registrar, M & C Services Private Limited of 112 Robinson Road #05-01, Singapore 068902 up to 5.00 p.m. on 5 May 2016 will be registered to determine shareholders' entitlement to the dividend. In respect of shares in the securities accounts with The Central Depository (Pte) Limited ("CDP"), the said dividend will be paid by the Company to CDP which will distribute the said dividend to holders of the securities accounts.

11. Shareholders' Mandate for Interested Person Transactions

The Company has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Listing Rules").

12. Disclosure of person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company pursuant to Rule 704(13) of the Listing Rules

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Kwek Leng Beng	75	Cousin of Mr Kwek Leng Peck and Mr Kwek Leng Kee.	Chairman/Managing Director Full responsibilities as Chief Executive Officer. Managing Director of the Company since March 1979. Chairman of the Company since 1984.	-

BY ORDER OF THE BOARD
YEO SWEE GIM, JOANNE
COMPANY SECRETARY

Dated this 25th day of February 2016

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 2015, 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.

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 financial statements 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 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations 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

25 February 2016



HONG LEONG FINANCE

Chairman's Statement

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 2015.

FINANCIAL OVERVIEW

Group profit after tax attributable to shareholders for the year ended 31 December 2015 amounted to \$72.9 million, equivalent to 16.4 cents per share. The results for the year were arrived at after writing back provision/recoveries (net of top up of provision) amounting to \$3.6 million against an additional net charge of \$2.0 million in 2014.

The Group achieved steady growth in its core activities during the year. Loans and advances (before allowances) rose to \$10.20 billion from \$9.69 billion in 2014, an increase of 5.3% over the previous year. Deposits and balances of customers registered an increase of 9.3%, closing at \$11.44 billion as at 31 December 2015. There are no bank borrowings outstanding.

At the end of the financial year, Group shareholders' funds totalled \$1.69 billion, equivalent to \$3.80 per share. The Group continues to maintain a strong capital adequacy ratio of 15.1% as at 31 December 2015, higher than the prescribed requirement.

An interim dividend of 4 cents per share (tax exempt one-tier) was paid on 9 September 2015. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Board is proposing the payment of a final dividend of 7 cents per share (tax exempt one-tier) in respect of 2015. The aggregate distribution for the year will amount to approximately \$49 million, compared to \$44 million for 2014.

OPERATING PERFORMANCE

While the advanced economies were recovering, the slowdown in emerging market economies, led by China, put a drag on the global economic output during the year.

Singapore was faced with additional domestic structural challenges including a tight labour market and negative inflation. This put pressure on growth in the Singapore economy which moderated from 2.7% (revised) in the first quarter to 1.7%, 1.8% (revised) and 1.8% in the subsequent three quarters. The softer economy and labour constraints weighed down on businesses particularly those in manufacturing, wholesale and rig building activities as well as labour-intensive sectors. Many SMEs attempted to remodel and refocus their businesses to enhance cost efficiency and target higher growth niches.

Hong Leong Finance actively engaged and assisted these SMEs in their transitions. Besides providing them financial support, we also offered advisory services and took the extra mile in connecting them with our wide network of partners and customers to build relationships for mutually beneficial gains.

Continued rapid changes of business environment drove Hong Leong Finance to innovate and invest in infrastructure and technology to meet changing customer needs. With increased deployment of resources in expanding the SME Centre @ Hong Leong Finance network we have achieved excellent results. This year, we added two more SME Centres, bringing the count to ten to provide greater convenience of one-stop financial services to SMEs.

Hong Leong Finance also took customer engagement to a higher level with the unveiling of a modernised branch at Jurong East. The expanded branch was complete with a new digital space equipped with convenient self-service terminals for customers to make loan applications and related computations. To interact with customers more effectively during financial consultation, tablets were deployed for use by our relationship managers.

Further, a host system technology refresh initiative was launched to enhance the capacities and capabilities of our internal systems and processes to enable faster and more flexible ways of doing things.

The company website was also revamped to adopt a more responsive and interactive interface to target the busy and digitally-savvy customers. In addition to being mobile- and tablet-friendly, the new website offered intuitive suggestions to users based on the products or services they looked at. Predictive search function to help users learn more about Hong Leong Finance's products and services and state-of-the-art calculators to obtain real time deposit interest and loan instalment computation results were some of the latest features added.

On the vehicle market, sales were brisk in 2015 for new vehicles due to higher supply of COE following an increase in car deregistration. However competition for car loan business intensified with new entrants such as credit companies. Our counter measure of building strong strategic alliances with our car dealer partners served us well in sustaining our pipeline of new car loans.

The unrelenting property cooling measures continued to negatively impact on property purchases. Lower numbers of new Singapore permanent residents (SPR) combined with tighter SPR eligibility criteria to purchase HDB homes caused a further drop in HDB purchasers. Increase in Build-To-Order launches and higher income ceiling eligibility for loans from HDB shifted some demand away from resale to new build HDB purchases. The proportion of new HDB purchasers taking up loans from HDB rose taking business away from financial institutions. We focused on encouraging HDB home loan borrowers at other financial institutions to refinance with us by offering fixed rate loans to protect against rising interest rate risk, and achieved good success with loans demand and acquisitions outpacing our expectations. For private home loans, we wrote loans selectively in view of the uncertain private residential market.

The volatile local capital market and weak sentiments led to fewer corporate listings. Hong Leong Finance remained committed in helping SMEs with listing potential. We provided advisory services to them and acted as their Catalyst Sponsor, Issue Manager, Underwriter and Placement Agent. Since entering the market with the first Catalyst Initial Public Offering on the Stock Exchange of Singapore three years ago, we have grown and now act as Continuing Sponsor for seven Catalyst companies.

With the rising interest rate environment contributed by the US interest rate hike and ongoing implementation of the Basel III liquidity requirements, competition by banks for deposits to build up their bases has been keen. Issuance of retail corporate bonds and the launch of the government's Singapore Savings Bond in the second half of 2015 further added pressure on market liquidity and raised deposit interest rates. To defend our deposit portfolio and grow it in tandem to support our loan growth, Hong Leong Finance launched a series of deposits promotions with varied tenures to appeal to different customers, catering to their different needs. Loan-to-deposit ratio was carefully managed to optimise loan funding cost.

Our staff did us proud again with their exemplary customer service. At the Excellent Service Awards Ceremony organised by Spring Singapore and administered by the Association of Banks in Singapore, May Lim Guek Eng a customer services officer at our Jurong East branch was accorded the Service Excellence Silver Award.

Hong Leong Finance was also honoured to be bestowed the ASEAN Finance Company of the Year award for the second time at the Asian Banking and Finance Retail Banking Awards in recognition of our excellence and innovation in financial products and services.

OUTLOOK

We are cautious of the Singapore economy's growth prospects next year. There are several headwinds including the slowdown in global economies, increased tension in the Middle East and domestic structural challenges.

Our strategic priorities continue to expand selectively, deepen customer relationships, strengthen partnerships with our business alliances, increase interest and fee income and improve operating results. These are crucial in attaining sustainable growth and long-term value for our shareholders.

Our focus will be on specific high-yield products and robust growth sectors, to cultivate relationships we already enjoy with our existing customers in order to gain market share through cross-selling and to build on the strong connections that we have established with our business partners and grow the network for more referrals. The future is poised for even greater interdependence.

Amidst the increasingly demanding regulatory and compliance framework, Hong Leong Finance will continue to be prudent and responsible in all our lending. Achieving excellence in service delivery and customer experience remains our cornerstone to winning over and keeping our customers.

At the same time, we will take all necessary steps to keep the level of non-performing loans low by controlling concentration and ensuring compliance with our internal credit processes.

CORPORATE RESPONSIBILITIES

Hong Leong Finance has zero tolerance towards bribery, fraud and corruption, regardless of the identity or position of the originator or recipient of the bribe. The Company expects all staff to conduct business in accordance with the highest standards of ethical behaviour and honesty. This also means that we are committed to the prevention, deterrence and detection of bribery, fraud and corruption.

All staff have to observe a Code of Conduct which sets out the principles and standards of behaviour when dealing with customers, business associates, regulators and colleagues. The principles covered in the Code of Conduct include areas like confidentiality, conflicts of interest, professional integrity, fair dealings with customers, whistle blowing and competency of staff.

To attract and retain good staff, Hong Leong Finance regularly reviews our employees' remuneration to ensure competitiveness and alignment with the marketplace. To draw young and promising talents, the company offers internship placements for selected students in polytechnics and universities to gain their mind share in the career choices upon graduation.

As an employer of choice, we are committed to the learning and career development of our employees. Besides sponsoring staff for professional courses that are related to their work, there are award incentives to those who pursue and complete courses of their own choice under our Professional Education Incentive Scheme. Furthermore, individuals and teams with outstanding achievements and contributions are recognised with Star Service Awards. We also understand the importance of work-life integration and employee relations. Employees who have strong family demands have the flexibility to work on a part-time basis, subject to exigencies of service.

Hong Leong Finance also has in-place policies on Fraud and Whistleblowing, which define the processes and procedures for the escalation, investigation and follow-up of any reported wrong-doing by staff, customer, vendor or third party. The policies provide for any individual to report in good faith, without fear of reprisal, any suspected wrongdoing to the Head of Internal Audit, Head of Human Resources or Chairman of the Audit Committee.

All staff are required to read and acknowledge the Code of Conduct. Members of the public may also access the Whistleblowing policy on the company's website.

Hong Leong Finance has an established formal risk management framework to enable significant business risks to be identified, assessed, managed and reviewed regularly. More information can be found in the forthcoming Annual Report.

In addition, Hong Leong Finance practises disciplined adherence to our credit risk policies and management. Deep understanding and knowledge of customers and their associated credit risk are established for every new customer relationship acquired. Strategy is also in place to strengthen existing relationships with customers who started with a single loan or deposit account but have come to trust us as their financial partners.

Hong Leong Finance integrates responsible financing practices into our business model. As a financier, we recognise that we play an important influential role towards our employees and customers to take responsible actions. Our practices are aligned with the guidelines issued by the Association of Banks in Singapore.

The company uses the Workplace Safety & Health Act framework to promote strong safety culture in the workplace. We provide a safe work environment for our people and actively promote awareness on workplace occupational health. During the haze crisis, preparedness measures were implemented to protect our staff and customers. Employees were advised to minimise outdoor activities and given N95 masks to use in case air quality reached hazardous level. Air filters were installed at all our customer touchpoints to ensure our customers' health safety.

For our efforts in reducing environment footprint by saving energy at our offices such as at the eco-friendly Tampines Grande, Hong Leong Finance was conferred BCA Green Mark Certified Award under BCA Green Mark for Office Interior Scheme.

At Hong Leong Finance, we believe in paying it forward as a company and as individuals. As an ardent promoter of entrepreneurship, we have been a Gold Sponsor for the Annual SMEs Conference and Infocomm Commerce Conference year after year.

We also contributed to social causes relating to needy children, the elderly and disabled, and supported young adults to embrace the spirit of social responsibility and compassion. Our staff did their part as individuals by actively volunteering and serving the underprivileged through the charity activities organised by Hong Leong Foundation which touched the lives of many. More information can be found in the forthcoming Annual Report.

APPRECIATION

Our Board of Directors, management and employees were deeply saddened by the demise of Mr Kwek Leng Joo, non-Executive and non-Independent Director, in November 2015. The Board sincerely appreciates Mr Kwek's dedicated service over the years.

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 2015.

KWEK LENG BENG

Chairman

25 February 2016