



## HONG LEONG FINANCE

### Full Year Financial Statements And Related Announcement

Full year financial statements on consolidated results for the year ended 31 December 2017. 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 2017

	2017	2016	+ / (-)
	\$'000	\$'000	%
Profit and loss account:			
Interest on loans	<b>223,932</b>	237,795	(5.8)
Hiring charges	<b>48,423</b>	38,749	25.0
Other interest income	<b>29,431</b>	30,661	(4.0)
Interest income/hiring charges	<b>301,786</b>	307,205	(1.8)
Less: Interest expense	<b>126,384</b>	170,536	(25.9)
Net interest income/hiring charges	<b>175,402</b>	136,669	28.3
Fee and commission income	<b>13,681</b>	12,538	9.1
Other operating income	<b>490</b>	214	129.0
Income before operating expenses	<b>189,573</b>	149,421	26.9
Less: Staff costs	<b>59,258</b>	59,212	0.1
Depreciation of property, plant and equipment	<b>3,720</b>	4,102	(9.3)
Other operating expenses	<b>19,836</b>	20,978	(5.4)
Profit from operations before allowances/provision	<b>106,759</b>	65,129	63.9
Less: Allowances for doubtful debts net of reversal or recovery of doubtful debts and provision for settlements and costs relating to distribution of wealth management products	<b>3,819</b>	1,108	244.7
Profit before tax	<b>102,940</b>	64,021	60.8
Less: Income tax expense	<b>17,255</b>	10,955	57.5
Profit for the year/Comprehensive income attributable to owners of the Company	<b>85,685</b>	53,066	61.5
Earnings per share (cents):			
- Basic	<b>19.27</b>	11.96	
- Diluted	<b>19.24</b>	11.96	

1(b). Other Information

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

<b>2017</b>	2016	+ / (-)
<b>\$'000</b>	\$'000	%
<b>37,331</b>	25,584	45.9
<b>48,354</b>	27,482	75.9

The increase in the profit after tax for the second half of 2017 when compared to the same period in 2016 was principally attributable to an increase in net interest income, partially offset by additional net allowances for doubtful debts of \$4,061,000 compared to \$55,000 in the second half of 2016.

- (ii) Other operating income includes:
- (a) loss on disposal of plant and equipment amounting to \$2,000 (2016: \$3,000);
  - (b) loss on disposal of Singapore Government securities close to their maturity amounting to \$7,000 (2016: \$Nil); and
  - (c) gain on liquidation of investments (long-term) amounting to \$258,000 (2016: \$Nil).
- (iii) 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 \$1,788,000 (2016: \$1,943,000).



2(a). Summarised Statements of Financial Position

	Group		Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Number of shares in issue	<b>445,173,033</b>	443,784,033	<b>445,173,033</b>	443,784,033
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Share capital	<b>882,829</b>	879,279	<b>882,829</b>	879,279
Reserves	<b>662,574</b>	642,622	<b>662,574</b>	642,622
Accumulated profits	<b>196,449</b>	175,207	<b>193,235</b>	172,072
Equity attributable to owners of the Company	<b>1,741,852</b>	1,697,108	<b>1,738,638</b>	1,693,973
Liabilities				
Deposits and balances of customers	<b>10,658,850</b>	10,441,758	<b>10,662,965</b>	10,445,816
Trade and other payables	<b>123,862</b>	162,075	<b>122,548</b>	160,765
Current tax payable	<b>18,322</b>	12,159	<b>18,317</b>	12,155
Total liabilities	<b>10,801,034</b>	10,615,992	<b>10,803,830</b>	10,618,736
Total equity and liabilities	<b>12,542,886</b>	12,313,100	<b>12,542,468</b>	12,312,709
Assets				
Cash at banks and in hand	<b>1,088,908</b>	1,207,113	<b>1,087,956</b>	1,206,188
Statutory deposit with the Monetary Authority of Singapore	<b>285,467</b>	278,099	<b>285,467</b>	278,099
Singapore Government securities	<b>1,248,850</b>	1,258,398	<b>1,248,850</b>	1,258,398
Hire purchase receivables	<b>1,626,849</b>	1,545,273	<b>1,626,849</b>	1,545,273
Loans, advances and factoring receivables	<b>8,362,366</b>	8,080,517	<b>8,362,366</b>	8,080,517
	<b>9,989,215</b>	9,625,790	<b>9,989,215</b>	9,625,790
Allowances for doubtful debts	<b>(112,636)</b>	(110,863)	<b>(112,636)</b>	(110,863)
	<b>9,876,579</b>	9,514,927	<b>9,876,579</b>	9,514,927
Other receivables, deposits and prepayments	<b>21,230</b>	29,161	<b>21,229</b>	29,160
Subsidiaries and long-term investments	-	546	<b>535</b>	1,081
Property, plant and equipment	<b>21,324</b>	24,530	<b>21,324</b>	24,530
Deferred tax assets	<b>528</b>	326	<b>528</b>	326
Total assets	<b>12,542,886</b>	12,313,100	<b>12,542,468</b>	12,312,709
Acceptances, guarantees and other obligations on behalf of customers	<b>16,531</b>	15,645	<b>16,531</b>	15,645

2(b). Net Asset Value

Net asset value per share (\$)	<b>3.91</b>	3.82	<b>3.91</b>	3.82
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2(c). There are no outstanding borrowings and debt securities as at 31 December 2017 (31 December 2016: \$Nil) for the Group and the Company.

### 3. Consolidated Statement of Cash Flows

	<b>2017</b> <b>\$'000</b>	2016 \$'000
Operating activities		
Profit for the year	<b>85,685</b>	53,066
Adjustments for:		
Impact of accrual of interest income	<b>(877)</b>	1,122
Impact of accrual of interest expense	<b>(40,220)</b>	24,224
Allowances for doubtful debts	<b>4,945</b>	6,088
Depreciation of property, plant and equipment	<b>3,720</b>	4,102
Loss on disposal of property, plant and equipment	<b>2</b>	3
Gain on liquidation of investments (long-term)	<b>(258)</b>	-
Value of employee services received for issue of share options	<b>261</b>	310
Income tax expense	<b>17,255</b>	10,955
	<b>70,513</b>	99,870
Changes in working capital:		
Loans, advances and receivables	<b>(366,597)</b>	570,078
Other receivables, deposits and prepayments	<b>8,808</b>	7,195
Singapore Government securities	<b>9,548</b>	74,807
Deposits and balances of customers	<b>217,092</b>	(1,002,241)
Trade and other payables	<b>2,007</b>	(1,997)
Cash used in operations	<b>(58,629)</b>	(252,288)
Income taxes paid	<b>(11,294)</b>	(13,368)
Cash flows used in operating activities	<b>(69,923)</b>	(265,656)
Investing activities		
Purchase of property, plant and equipment	<b>(516)</b>	(741)
Proceeds from disposal of property, plant and equipment	-	3
Proceeds from liquidation of investments (long-term)	<b>804</b>	-
Cash flows from/(used in) investing activities	<b>288</b>	(738)
Financing activities		
Proceeds from exercise of share options	<b>3,266</b>	-
Dividends paid	<b>(44,468)</b>	(44,379)
Cash flows used in financing activities	<b>(41,202)</b>	(44,379)
Net decrease in cash and cash equivalents	<b>(110,837)</b>	(310,773)
Cash and cash equivalents at beginning of year	<b>1,485,212</b>	1,795,985
Cash and cash equivalents at end of year	<b>1,374,375</b>	1,485,212

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

	<b>31 December</b> <b>2017</b> <b>\$'000</b>	31 December 2016 \$'000
Cash at banks and in hand	<b>1,088,908</b>	1,207,113
Statutory deposit with the Monetary Authority of Singapore	<b>285,467</b>	278,099
Cash and cash equivalents	<b>1,374,375</b>	1,485,212

In addition to the cash and cash equivalents above, marketable Singapore Government securities amounted to \$1,248,850,000 (31 December 2016: \$1,258,398,000) for the Group.



#### 4. Statements of Changes in Equity

	Share capital \$'000	Statutory reserve \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated profits \$'000	Total \$'000
<b>Group</b>						
At 1 January 2016	879,279	620,024	2,307	7,490	179,011	1,688,111
Value of employee services received for issue of share options				310		310
Value of employee services transferred for share options exercised or lapsed				(776)	776	-
Final dividend paid of 7 cents per share (tax exempt one-tier) in respect of year 2015					(31,065)	(31,065)
Interim dividend paid of 3 cents per share (tax exempt one-tier) in respect of year 2016					(13,314)	(13,314)
Comprehensive income for the year					53,066	53,066
Transfer to Statutory reserve		13,267			(13,267)	-
At 31 December 2016	879,279	633,291	2,307	7,024	175,207	1,697,108
At 1 January 2017	879,279	633,291	2,307	7,024	175,207	1,697,108
Issue of shares under share option scheme	3,266					3,266
Value of employee services received for issue of share options				261		261
Value of employee services transferred for share options exercised or lapsed	284			(1,731)	1,447	-
Final dividend paid of 6 cents per share (tax exempt one-tier) in respect of year 2016					(26,677)	(26,677)
Interim dividend paid of 4 cents per share (tax exempt one-tier) in respect of year 2017					(17,791)	(17,791)
Comprehensive income for the year					85,685	85,685
Transfer to Statutory reserve		21,422			(21,422)	-
At 31 December 2017	882,829	654,713	2,307	5,554	196,449	1,741,852
<b>Company</b>						
At 1 January 2016	879,279	620,024	2,307	7,490	175,979	1,685,079
Value of employee services received for issue of share options				310		310
Value of employee services transferred for share options exercised or lapsed				(776)	776	-
Final dividend paid of 7 cents per share (tax exempt one-tier) in respect of year 2015					(31,065)	(31,065)
Interim dividend paid of 3 cents per share (tax exempt one-tier) in respect of year 2016					(13,314)	(13,314)
Comprehensive income for the year					52,963	52,963
Transfer to Statutory reserve		13,267			(13,267)	-
At 31 December 2016	879,279	633,291	2,307	7,024	172,072	1,693,973
At 1 January 2017	879,279	633,291	2,307	7,024	172,072	1,693,973
Issue of shares under share option scheme	3,266					3,266
Value of employee services received for issue of share options				261		261
Value of employee services transferred for share options exercised or lapsed	284			(1,731)	1,447	-
Final dividend paid of 6 cents per share (tax exempt one-tier) in respect of year 2016					(26,677)	(26,677)
Interim dividend paid of 4 cents per share (tax exempt one-tier) in respect of year 2017					(17,791)	(17,791)
Comprehensive income for the year					85,606	85,606
Transfer to Statutory reserve		21,422			(21,422)	-
At 31 December 2017	882,829	654,713	2,307	5,554	193,235	1,738,638

## 5. Review Of The Performance Of The Group

Net loan assets including hire purchase receivables (net of allowances) stood at \$9,877 million at the end of the year. This was an increase of 3.8% or \$362 million over the previous year's base of \$9,515 million as at 31 December 2016.

In line with higher funding requirements, deposits and balances of customers closed at \$10,659 million as at 31 December 2017. This was an increase of 2.1% or \$217 million over the previous year's base as at 31 December 2016. Cash and cash equivalents (including balances with the Monetary Authority of Singapore) together with Singapore Government securities held as liquid assets amounted to \$2,623 million as at 31 December 2017 (31 December 2016: \$2,744 million).

The Group recorded profit from operations before allowances/provision of \$106.8 million for the year ended 31 December 2017, an increase of 63.9% from \$65.1 million for the previous year, due mainly to decreases in interest expense. Group profit before tax for the year ended 31 December 2017 was arrived at after topping up provision (net of write back of provision/recoveries) amounting to \$3.8 million against \$1.1 million in 2016. Accordingly, Group profit after tax for the year registered an increase of \$32.6 million or 61.5% over the previous year. The Group continues to maintain adequate individual and collective provisions in respect of its loan portfolio in line with the practice in prior years.

Total interest income/hiring charges for the year ended 31 December 2017 decreased by 1.8% mainly due to a lower average loan base partially offset by a higher loan yield. Interest expense for the year registered a decrease of \$44.2 million or 25.9% over the previous year. This was due to lower interest payable on deposits resulting from a combination of lower applicable interest rates and a lower average deposits base. Accordingly, net interest income/hiring charges for the year increased 28.3% from the previous year.

Fee and commission income increased by 9.1% to \$13.7 million with higher fee income from some lending products partially offset by a decrease in non-lending fee income. Lower depreciation on renovation accounted for the slight decrease in depreciation of property, plant and equipment. Staff costs and other operating expenses were controlled.

Group shareholders' funds as at 31 December 2017 totalled \$1,742 million (31 December 2016: \$1,697 million) amounting to \$3.91 per share (31 December 2016: \$3.82 per share).

There has been no forecast or prospect statement previously disclosed to shareholders in respect of the year ended 31 December 2017.



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

Statistics from the Ministry of Trade and Industry ("MTI") showed that the Singapore economy grew by 3.6% on a year-on-year basis in the fourth quarter of 2017, easing from 5.5% growth in the third quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded at a slower pace of 2.1% compared to 11.2% growth in the preceding quarter. For the whole of 2017, the economy grew by 3.6%, faster than the 2.4% growth in 2016.

The manufacturing sector expanded by 4.8% on a year-on-year basis in the fourth quarter, slowing significantly from 19.1% growth in the third quarter. The construction sector continued to decline, contracting by 5.0% on a year-on-year basis in this quarter compared to 9.3% decline in the third quarter. The services producing industries expanded by 3.5% in this quarter, unchanged from the previous quarter. Overall growth therefore continues to be essentially driven by the manufacturing and services sectors.

Externally, the IMF has projected global GDP growth for 2017 to be in the region of 3.7% compared to the 3.1% in 2016. The growth has been broad-based across both advanced and emerging economies. China is also on a steady growth path, with GDP growth of 6.8% while the US is averaging around 2.3%. Tail risks arising from economic policy and geopolitical uncertainties persist, ranging from trade protectionism, the Brexit negotiations, cyber-risks and terrorism to rising populist and nationalist sentiments.

Against the above backdrop of events, Hong Leong Finance ("HLF") has rigorously maintained its focus on risk and its customer focused approach. All risk and credit parameters are closely monitored by the management as well as by the Board Risk Committee. Knowing our Customer ("KYC") as well as knowing our Customer's Customer ("KYCC") remains key. To satisfy our customers' needs, we rolled out attractive deposits campaigns as well as innovative financing packages for retail and SME customers. A new SME Centre@Branches was opened recently making a total of 11 such centres to provide a one stop centre for our SME clients.

Following the earlier announcement, the Monetary Authority of Singapore gazetted some of the initiatives granted to Finance Companies on 1 December 2017. Included in this announcement were higher unsecured lending limits and relaxation of business current accounts rules, all meant to assist the SMEs. HLF will take advantage of these initiatives through innovative packages to help and ease the operating costs and cash flows of SMEs. We will continue to be relevant and a specialist to all SMEs helping them not only in their debt requirements but also equity needs through our Corporate Finance services.

To help our SMEs go digital, HLF partnered with Infocomm Media Development Authority ("IMDA") with the aim to pilot technology solutions to enable them to uplift productivity and competitiveness in their respective sectors. At the same time HLF partnered with SPRING to promote the Government-Assisted SME loans and capability development grants programme to help SMEs manage operation efficiency and reduce labour dependency. We are also taking advantage of the new MAS initiatives by helping SMEs in their working capital requirements through better cash flow management via Receivables Financing and unsecured loan facilities.

Meanwhile we are also actively involved in identifying suitable FinTech companies to help us in improving our data management as well as the Company's operational requirements.



## 7. Dividends

A Final Dividend of 9 cents per share (tax exempt one-tier) is recommended by the directors for approval by shareholders in respect of the year ended 31 December 2017. Subject to shareholders' approval at the Annual General Meeting to be held on 26 April 2018, the dividend will be payable on 23 May 2018.

### Latest Year

(i)	Name of Dividend	Final (Proposed)
	Dividend Type	Cash
	Dividend Rate	9 cents per share
	Total Dividend	\$40,066,000*
	Tax Rate	Tax exempt one-tier
(ii)	Name of Dividend	Interim (Paid on 12 September 2017)
	Dividend Type	Cash
	Dividend Rate	4 cents per share
	Total Dividend	\$17,791,000
	Tax Rate	Tax exempt one-tier

### Previous Year

(i)	Name of Dividend	Final (Paid on 23 May 2017)
	Dividend Type	Cash
	Dividend Rate	6 cents per share
	Total Dividend	\$26,677,000
	Tax Rate	Tax exempt one-tier
(ii)	Name of Dividend	Interim (Paid on 16 September 2016)
	Dividend Type	Cash
	Dividend Rate	3 cents per share
	Total Dividend	\$13,314,000
	Tax Rate	Tax exempt one-tier

\* The amount of dividend is computed on the shares in issue as at 31 December 2017. 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 31 December 2017 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) the Company issued 23,400 shares at an exercise price of \$2.28 per share, 6,500 shares at an exercise price of \$2.45 per share, 2,000 shares at an exercise price of \$2.56 per share, 4,500 shares at an exercise price of \$2.66 per share, 31,000 shares at an exercise price of \$2.34 per share and 167,000 shares at an exercise price of \$2.23 per share upon exercise of options under the Share Option Scheme;



8. Shares Issued and Outstanding Convertibles (continued)

- (ii) options to 118,400 shares under the Share Option Scheme lapsed upon cessation of employment of participants; and
- (iii) options to 40,000 shares under the Share Option Scheme to subscribe for shares granted on 21 September 2017 were not accepted.

As at the end of the year, unissued shares of the Company under option amounted to 17,903,600 shares (31 December 2016: 21,555,685 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 new/revised/amendments to FRSs/interpretations of FRSs which came into effect for the current year ended 31 December 2017 does not have a material impact on the audited financial statements. Save as disclosed, the accounting policies and methods of computation used in the audited financial statements for the year ended 31 December 2017 are consistent with those applied in the audited financial statements for the year ended 31 December 2016.

In addition, FRS 109 (Financial Instruments) (referred to as Singapore Financial Reporting Standards (International) 9 in 2018) comes into effect on 1 January 2018. Two main areas applicable to the Group under this standard relate to classification and measurement of financial assets and liabilities, and impairment allowances of financial assets. Regulatory requirements in relation to credit loss provisioning have also been revised effective from the same date. Under FRS 109, there will be no material impact in the area of classification and measurement. There will be a reversal of collective allowance for doubtful debts and at the same time, the Group will be required under MAS 811 to set up a non-distributable regulatory loss allowance reserve account, as allowances under FRS 109 will fall below the minimum regulatory loss allowance. At initial adoption on 1 January 2018, the Group's current best estimate as it continues to refine and finalise its models for expected credit loss provisioning is for this reserve account to amount to approximately \$16.9 million with the Group also booking a credit to accumulated profits amounting to approximately \$39.2 million and to Statutory Reserve amounting to approximately \$18.7 million.

10. Closure of Books

Notice is hereby given that, subject to shareholders' approval of the payment of a final dividend of 9 cents per share in respect of the year ended 31 December 2017 at the Annual General Meeting to be held on 26 April 2018, the Share Transfer Books and Register of Members of the Company will be closed on 9 May 2018. 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 8 May 2018 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	77	Cousin of Mr Kwek Leng Peck and Mr Kwek Leng Kee; and uncle of Mr Kevin Hangchi.	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 27<sup>th</sup> day of February 2018



## **Independent auditors' report**

### **Members of the Company Hong Leong Finance Limited**

## **Report on the audit of the financial statements**

### *Opinion*

We have audited the financial statements of Hong Leong Finance Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended, and notes to financial statements, including a summary of significant accounting policies, as set out on pages 14 to 64.

In our opinion, the accompanying 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 Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### *Basis for opinion*

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

### *Key audit matters*

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

## **Impairment of loans, advances and receivables**

(Refer to Note 11 in the financial statements)

### ***The key audit matter***

The Group's loans, advances and receivables to customers represent 79% of its total assets. The allowance for impairment of loans, advances and receivables is highly subjective due to the judgement applied by management in estimating the allowances.

Given the magnitude of loans, advances and receivables and coupled with the estimation uncertainty, the valuation of loans, advances and receivables is considered a key audit risk.

### ***How the matter was addressed in our audit***

We assessed the controls implemented over credit approval, grading and monitoring of loans, advances and receivables. We also assessed the controls over impairment allowances for individually assessed loans, advances and receivables.

We focused on individually significant exposures that have become or were at risk of being impaired. For a sample of exposures that were subject to individual impairment assessment, we critically assessed the expected recoveries from realisable values of collaterals and other possible sources of repayment. We also checked the valuation of collaterals, where possible, to externally derived evidence, such as real estate valuations.

We assessed management's calculations and assumptions over collective allowances to ascertain that the Group's collective allowances is maintained in accordance with the financial reporting standards.

In our view, the impairment estimates were within an acceptable range of outcomes in the context of the overall loans, advances and receivables.



### *Other Information*

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

We have obtained all other information prior to the date of this auditors' report except for the analysis of shareholdings (the "Report") which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

### *Responsibilities of management and directors for the financial statements*

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

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

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



*Auditors' responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

### **Report on other legal and regulatory requirements**

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

The engagement partner on the audit resulting in this independent auditors' report is Karen Lee Shu Pei.

### **KPMG LLP**

*Public Accountants and  
Chartered Accountants*

### **Singapore**

27 February 2018