



HONG LEONG FINANCE



A TRUSTED FRIEND, A COMMITTED PARTNER

HONG LEONG FINANCE LIMITED

ANNUAL REPORT 2023

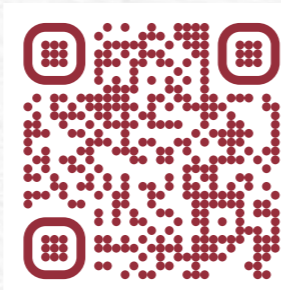


A TRUSTED FRIEND, A COMMITTED PARTNER

Our steady growth as a trusted brand and leader in the finance industry over the years can be attributed to our enduring relationship with customers, technological innovations and excellence in operations and governance. We will build on our success and continue to uphold the high standards and create successful partnerships and ecosystems to amplify our value proposition for customers and the community.

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OVERVIEW

OUR PURPOSE
To help people and business prosper by earning the trust of employees, customers, shareholders and communities, and promoting a strong risk culture.

OUR MISSION
To be a leading Singapore-focused, diversified financial services company, that offers superior service levels and value propositions in our chosen niche markets for SMEs and consumers.

OUR CULTURE
We treat everyone with respect and value our employees, customers, shareholders and communities. We are committed to high standards, operations excellence, risk management and business integrity.

OUR VALUES

- Integrity
- Care
- Courage
- Excellence
- Resilience
- Sustainability

SHAREHOLDERS' FUNDS
S\$2,060 million

DIVIDENDS DECLARED
S\$75.1 million

LOANS
S\$11,659 million

DEPOSITS
S\$12,648 million

FIVE-YEAR FINANCIAL SUMMARY

		FY2023	FY2022	FY2021	FY2020	FY2019
CAPITAL EMPLOYED						
Total assets	\$million	14,957	14,276	12,952	13,365	14,461
Net equity	\$million	2,060	2,041	1,963	1,918	1,914
Net assets per share	\$	4.59	4.55	4.38	4.29	4.28
SHARE CAPITAL						
Number of shares in issue	million	448.5	448.1	447.8	447.6	447.5
LOANS AND DEPOSITS						
Loans net of allowances	\$million	11,659	11,651	10,695	10,948	11,554
Deposits	\$million	12,648	12,030	10,807	11,194	12,307
PROFIT AND RETAINED EARNINGS						
Profit before tax	\$million	112.0	157.1	101.9	74.7	123.9
Profit after tax	\$million	93.4	130.9	84.8	63.9	103.1
Interim/final dividend(s) declared in the year	\$million	75.1	53.8	41.4	60.4	67.0
Earnings retained for the year	\$million	18.3	77.1	43.4	3.5	36.1
EARNINGS PER SHARE AND DIVIDENDS						
Earnings per share	cents	20.8	29.2	18.9	14.3	23.1
Dividend – tax exempt one-tier*	cents	12.5	17.0	12.0	9.0	15.0
Times covered*		1.7	1.7	1.6	1.6	1.5
Number of Employees		619	606	608	617	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.

FINANCIAL HIGHLIGHTS

TOTAL ASSETS

(\$ mil)



LOANS NET OF ALLOWANCES

(\$ mil)



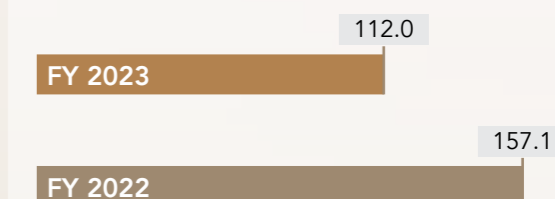
DEPOSITS

(\$ mil)



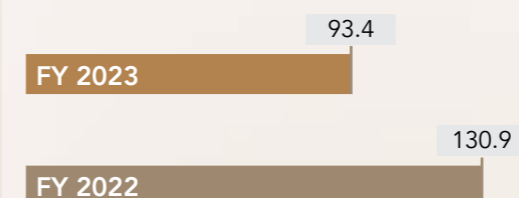
PROFIT BEFORE TAX

(\$ mil)



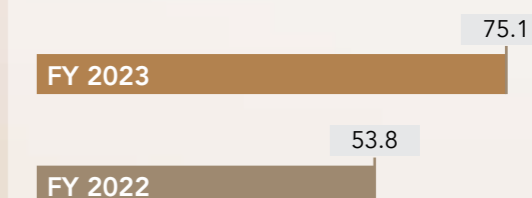
PROFIT AFTER TAX

(\$ mil)



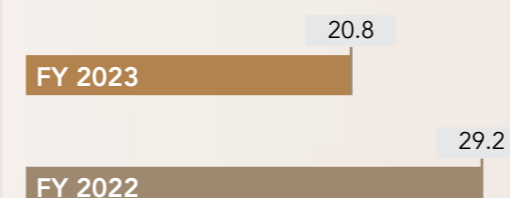
INTERIM/FINAL DIVIDEND(S) DECLARED IN THE YEAR

(\$ mil)



EARNINGS PER SHARE

(cents)



CHAIRMAN'S STATEMENT



In an environment marked by increasing challenges and uncertainties, our customers remain our top priority and we are committed to supporting their financial needs and aspirations.



KWEK LENG BENG
Chairman



OPERATING PERFORMANCE

The geopolitical tensions that characterised 2023 injected an element of uncertainty into financial markets. Simultaneously, the historic rise in inflation presented a dynamic challenge, affecting the purchasing power and financial planning of both our retail and corporate customers.

Climate change and environmental risk continue to be pressing challenges, demanding not only a commitment to sustainability but also a proactive management approach to drive resilience in our business operations.

Commitment to Customer-Centricity

In the face of these challenges, Hong Leong Finance ("HLF") has maintained an unwavering focus on serving our customers and stakeholders. As a leading financial institution, we recognise that our role transcends mere transactions. HLF strives to become an integral partner in the journey of our customers. Our steadfast dedication to their well-being is a guiding principle that shapes our actions and defines our purpose.

Targeted Financial Solutions

We commissioned a Consumer Financial Survey in 2023 to understand financial challenges faced by Singaporeans. In response to the findings, we introduced HLF Premium SAVER, a hassle-free savings account tailored to address the rising cost of living and retirement concerns.

Acknowledging the financial hurdles encountered by small and medium-sized enterprises ("SMEs") in an inflationary environment, we extended support to these businesses by providing additional loans, while upholding prudent credit management practices.

To enhance customers' online search accessibility to our financial solutions, our advanced digital search marketing expertise has enabled customers to effortlessly find relevant products. Our excellence in this area was recognised and we received a Marketing Excellence Award in 2023 by Marketing-Interactive.

To stay ahead in the evolving financial landscape, we also set up a specialised Transformation and Innovation function which serves as a focal point for driving change by adapting operating models, improving operational efficiency, and providing innovative financial solutions.

Embracing Technology and Collaborations for Improved Customer Solutions

Understanding the pivotal role of technology in modern financial services, HLF has strategically integrated digital solutions to elevate our offerings.

In partnership with Nium Pte Ltd, HLF launched the HLF FASTPAY application in 2022, a versatile multi-currency wallet designed for seamless payments and efficient remittances.



In addition to providing relevant products, HLF is committed to upskilling our employees, ensuring they have the necessary soft skills and digital expertise to address the evolving needs of our customers.



Since its inception, the user base has consistently expanded, with a notable increase in foreign currency transactions. This growth can be attributed in part to the competitive exchange rates offered by the app. To further enhance the user experience, we introduced contactless Apple Pay functionality to the HLF FASTPAY app, providing added convenience and accessibility for our users.

Collaborating with the Housing Development Board ("HDB") and various financial institutions, we implemented an Integrated Housing Loan Application Service in the HDB Flat Portal. It simplifies the housing loan application process from applying for in-principle approval through a HDB Flat Eligibility letter to requesting a Letter of Offer for HDB homeowners for their flat purchase.

Additionally, our participation in eGuarantee@Gov underscored our dedication to modernising and streamlining our financial services. The introduction of issuance of digital guarantees to Government Agencies represented a significant shift in helping our customers perform their business transactions swiftly and efficiently.

Strong collaborations have also been forged with leading motor groups. Leveraging API integration, we enabled seamless and speedy car loan applications and extended our reach to a broader customer base.

In 2024, we will launch HLF Digital, an internet and mobile financial transaction platform. Through this initiative, we aim to provide added convenience and benefits to customers, empowering them with anytime, anywhere access to our comprehensive suite of financial services for fuss-free transactions.

The prestigious ASEAN Finance Company 2023 Award, presented by Asian Banking and Finance, highlights the positive impact of our efforts.

Recognising Our Employees

At the heart of HLF's success are our dedicated employees, who go beyond to deliver exceptional customer service. Their commitment to service excellence is evident in a remarkable 137% increase in customer compliments year-on-year. In addition to providing relevant products, HLF is committed to upskilling our employees, ensuring they have the necessary soft skills and digital expertise to address the evolving needs of our customers.

With the increasing number of frauds and scams, coupled with a growing ageing population and rising dementia cases, our employees have proactively undertaken measures to acquire the necessary skills to safeguard our customers. Their vigilance and knowledge help to ensure the protection of our customers.

We foster a positive and inclusive work culture for the well-being of our employees. Employees from various backgrounds come together to contribute their unique perspectives, enriching our organisational culture. We believe that a motivated and engaged workforce is fundamental to delivering exceptional customer service.

Climate-Related and Environmental Risk Management

Recognising the crucial role financial institutions play in environmental stewardship, HLF is committed to responsible finance practices. We proactively manage climate-related and environmental risks by introducing and adhering to the Environment Risk Management Guidelines.

Furthermore, we expanded the number of monitored sectors with high environmental risk and high carbon emissions from eight to eleven. Additionally, we introduced the Environment Risk Questionnaire to systematically engage with corporate customers in these sectors to help mitigate environmental risks and promote sustainability.

While driving transition financing, we also actively promote green financing. Our green vehicle financing experienced considerable growth, increasing by over 93% year-on-year. Appreciating the rising demand for sustainable financial products, we established the SME Green Financing Framework. This framework enhances our capabilities to offer green financial products to SMEs, enabling us to support our business partners in addressing climate change.

Efforts to mitigate our environmental impact include implementing energy-saving measures and reducing paper consumption. These actions are aligned with our dedication to environmental sustainability.

CHAIRMAN'S STATEMENT

Building Strong Governance and Resilience

Effective management demands agility at the enterprise level. Our approach to identifying and addressing enterprise risks is grounded in the principles of strong governance and resilience, ensuring the health, success, and continued growth of the company.

Our zero tolerance for regulatory non-compliance is reflected in the continuous improvement of our risk management and control framework. Regular updates to policies and guidelines, together with employee training initiatives, reinforce our strong compliance culture.

We exercise diligence in anti-money laundering and counter-terrorist financing, aligning with the national efforts to combat financial crimes. The observance of customer data privacy and security is paramount, with rigorous measures in place to safeguard sensitive information.

To aid us in identifying and addressing emerging credit stress at an early stage, we deepened our collaboration with Moody's and Dun & Bradstreet to implement a robust early warning credit framework. This improves the resilience of our loan portfolio by keeping abreast with industry trends and our customers' financial profile.

We firmly believe in fair treatment for our customers, employees, and stakeholders and the importance of building strong and sustainable relationships. Our environmental, social, and governance initiatives embody good practices.

For its strong capital position and financial stability, HLF was conferred the Best Singaporean Bank and included in the Top 1000 World Banks 2023 and Top 100 ASEAN Banks 2023 leaderboards by The Banker. Supported by a solid and balanced governance structure, HLF stands among the top 50 Singapore-listed companies in the Singapore Governance and Transparency Index.

OUTLOOK

For the coming year, we are cautiously optimistic about the economic landscape of Singapore. We remain resolute in seizing strategic opportunities and exercising financial prudence, while supported by strong governance practices. We understand that navigating the financial landscape requires a delicate balance between business performance and sustainable value creation.



We firmly believe in fair treatment for our customers, employees, and stakeholders and the importance of building strong and sustainable relationships.



In an environment marked by increasing challenges and uncertainties, our customers remain our top priority and we are committed to supporting their financial needs and aspirations.

Leveraging digitalisation for enhanced customer experience, we will increase our efforts to expand into digital and online services to serve our customers. Through this integrated omnichannel approach, our customers can enjoy round-the-clock convenience for financial transactions alongside our existing face-to-face branch and relationship manager services. We are fully engaged with our stakeholders, including shareholders, customers, employees, partners, and the community at large. With their strong support, we will continue to deliver innovative solutions and services aligned with our goal of sustainable value creation to benefit all stakeholders.

APPRECIATION

I would like to express our sincere appreciation to our valued customers, employees, partners and shareholders for their continued support, trust and confidence in us. I am also deeply grateful to my fellow Directors for their invaluable advice and guidance during the year and to the management and employees for their commitment and efforts in 2023.

KWEK LENG BENG

Chairman
23 February 2024

AWARDS AND ACCOLADES 2023

**TOP 1000
WORLD BANKS**
**TOP 100
ASEAN BANKS**

**BEST
PERFORMING
BANK IN
SINGAPORE**

The Banker



**MARKET
LEADERS
IN SINGAPORE**
CORPORATE BANKING &
SME BANKING (NOTABLE)

Euromoney

**ASEAN
FINANCE
COMPANY
OF THE YEAR**

Asian Banking & Finance

**TOP 100
SINGAPOREAN
BRAND**

Brand Finance



**SINGAPORE
GOVERNANCE AND
TRANSPARENCY
INDEX**

NUS Business School's
Centre for Governance
and Sustainability and
The Business Times

**EXCELLENCE
IN SEARCH
MARKETING
(SILVER)**

Marketing-Interactive

2022 Awards

TOP 1000 WORLD BANKS
TOP 100 ASEAN BANKS
**Best Performing Bank
in Singapore**

The Banker

**MARKET LEADERS
IN SINGAPORE**
Corporate Banking &
SME Banking (Notable)

Euromoney

**ASEAN FINANCE
COMPANY OF
THE YEAR**

Asian Banking & Finance

**TOP ASEAN
ASSET CLASS
PUBLICLY LISTED
COMPANIES**

Asian Development Bank and
Association of Southeast Asian
Nations Capital Markets Forum

**TOP 80 SINGAPORE
GOVERNANCE AND
TRANSPARENCY INDEX**

NUS Business School's
Centre for Governance
and Sustainability and
The Business Times

**TOP 100
SINGAPOREAN
BRAND**

Brand Finance

**EXCELLENCE
IN SEARCH
MARKETING
(BRONZE)**

Marketing-Interactive



Steadfast Dedication

We maintain a steadfast dedication to building strong and enduring relationships with our customers, striving to be a friend and partner they can trust to help them achieve success.

DIRECTORY OF SERVICES



SME LOANS

- Accounts Receivable Financing/Factoring
- Block Discounting
- Enterprise Finance Scheme
 - Enhanced Trade Loan
 - SME Fixed Assets
 - SME Working Capital Loan
- Equipment and Commercial Vehicle Loan
- Medical Equipment Loan
- Medical Property Loan
- Medical Working Capital Loan
- Property Development Loan
- SME Care Programme
- SME Property Loan
- SME Working Capital Loan
- Suppliers' Invoice Financing / Letters of Credit
- Term Loan / Revolving Loan
- Vehicle and Charger Green Loans



CORPORATE FINANCE

- Singapore Exchange Main Board & Catalist
 - Issue Manager
 - Full Sponsor
 - Continuing Sponsor
- Corporate Finance Advisory
 - Financial Adviser
 - Independent Financial Adviser
 - Mergers and Acquisitions
 - Restructuring
- Equity Capital Market & Equity Fund Raising
 - Initial Public Offering
 - Secondary and Dual Listings
 - Placement of Shares



DEPOSITS & SAVINGS

- Business Current Account
- Fixed Deposit Account
- Silver 40 Plus Account
- Golden 55 Plus Account
- Fixed Savings Account
- Premium SAVER Account
- Savings Account



PERSONAL LOANS

- Car Loans
 - New & Used Cars
 - Vehicle-Green Loan
- Home Loans
 - For HDB
 - For Private Property
- Mortgage Equity @50
- Premium Financing
- Share Financing



SERVICES

- Guarantee (including eGuarantee)
- HLF FASTPAY*
- Safe Deposit Box

*A payment solution owned and managed by Nium Pte Ltd, marketed by Hong Leong Finance Ltd

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Executive Director:

Kwek Leng Beng
Board Chairman &
Managing Director

Lead Independent Director:

Peter Chay Fook Yuen

Independent Non-Executive Directors:

Tan Tee How
Tan Siew San
Christian Gautier de Charnace
Clarence Yeo Gek Leong
Jeann Low Ngiap Jong

Non-Independent Non-Executive Directors

Kwek Leng Peck
Kwek Leng Kee
Kevin Hangchi

EXECUTIVE COMMITTEE

Kwek Leng Beng
Chairman
Kwek Leng Peck
also as alternate to Chairman
Tan Tee How
Independent
Tan Siew San
Independent
Clarence Yeo Gek Leong
Independent

AUDIT COMMITTEE

Peter Chay Fook Yuen
Independent, Chairman
Tan Tee How
Independent
Clarence Yeo Gek Leong
Independent
Jeann Low Ngiap Jong
Independent

BOARD RISK COMMITTEE

Tan Tee How
Independent, Chairman
Kwek Leng Beng
Kwek Leng Peck
Kevin Hangchi
Peter Chay Fook Yuen
Independent
Tan Siew San
Independent
Christian Gautier de Charnace
Independent

NOMINATING COMMITTEE

Tan Siew San
Independent, Chairman
Kwek Leng Beng
Peter Chay Fook Yuen
Independent

REMUNERATION COMMITTEE

Peter Chay Fook Yuen
Independent, Chairman
Tan Siew San
Independent
Clarence Yeo Gek Leong
Independent

HONG LEONG FINANCE SHARE OPTION SCHEME 2001 COMMITTEE

Peter Chay Fook Yuen
Independent, Chairman
Kwek Leng Peck
Tan Siew San
Independent
Clarence Yeo Gek Leong
Independent

BOARD SUSTAINABILITY COMMITTEE

Kevin Hangchi
Chairman
Clarence Yeo Gek Leong
Independent
Jeann Low Ngiap Jong
Independent

PRESIDENT

Ang Tang Chor
(Please refer to page 31 of this Annual Report for additional information on the President)

SECRETARIES

Yeo Swee Gim, Joanne
Ng Siew Ping, Jaslin

REGISTERED OFFICE

16 Raffles Quay #01-05
Hong Leong Building
Singapore 048581
Tel: 6415 9433 Fax: 6224 6773
Email: customerservice@hlf.com.sg

SHARE REGISTRAR & SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632
Tel: 6536 5355
Fax: 6536 1360

INVESTOR RELATIONS

Tel: 6877 8530
Fax: 6534 3060
Email: gcasecretary@cdl.com.sg

AUDITORS

KPMG LLP
Public Accountants and Chartered Accountants, Singapore
12 Marina View #15-01
Asia Square Tower 2
Singapore 018961
(Partner-in-charge: Tan Chun Wei (Chen Junwei), appointed from commencement of audit of financial statements for the financial year ended 31 December 2023)

BANKERS

Australia and New Zealand Banking Group Limited
BNP Paribas
CIMB Bank Berhad
DBS Bank Ltd
HL Bank
Industrial and Commercial Bank of China
Malayan Banking Berhad
Mizuho Bank, Limited
MUFG Bank, Ltd.
Oversea-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
Sumitomo Mitsui Trust Bank
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

CORPORATE PROFILE

Hong Leong Finance Limited ("HLF") stands as a distinguished financial institution within the well-established Hong Leong Group Singapore. Founded in 1961, HLF embarked on its journey as a medium-sized enterprise before becoming Singapore's largest finance company. Initially listed on the Stock Exchange of Singapore as Singapore Finance Ltd. in 1974, HLF has since built a legacy of excellence and innovation in the financial sector.

AWARDS AND ACCOLADES

In 2023, HLF earned prestigious accolades, reinforcing its commitment to excellence and leadership in the industry. HLF was honoured as the 'Best Performing Bank in Singapore' and secured positions within the esteemed 'Top 1000 World Banks' and 'Top 100 ASEAN Banks' rankings by The Banker.

A LEGACY OF SERVICE AND INNOVATION

With over six decades of experience, HLF has emerged as Singapore's premier finance company. It offers a diverse portfolio encompassing a wide range of financial services, including deposits and savings for both business and individual customers, government assistance programmes for Small and Medium-sized Enterprises ("SME"), corporate finance, and advisory services for corporate entities.



SERVING THE SME COMMUNITY

HLF has long been recognised as a strong supporter of local businesses, providing tailored financial solutions to facilitate their development. Participation in initiatives like the Local Enterprise Finance Scheme and industry-wide electronic Guarantee programme underscores HLF's unwavering commitment to empowering SMEs. Additionally, HLF holds the distinction of being the sole finance company in Singapore with full sponsorship status for the SGX Catalist Board, demonstrating its dedication to fostering growth within the business community.



CUSTOMER-CENTRICITY AND COMMUNITY ENGAGEMENT

Maintaining a robust network of 28 branches strategically located throughout Singapore, HLF remains deeply entrenched within communities. The company's emphasis on personalised service and proximity to customers has garnered customers' trust. Notably, HLF ranks among the 'Top 100 Singaporean Brands' by Brand Finance, testament of its enduring presence and reputation within the market.

COMMITMENT TO SUSTAINABILITY

HLF is dedicated to conducting business profitably, responsibly, and sustainably. Embracing a high service culture, the company prioritises continuous upskilling of employees, proactive digitalisation of processes, and regular system upgrades to enhance the overall customer experience. Moreover, HLF remains steadfast in integrating environmental, social, and governance considerations into its business operations while actively seeking growth opportunities and managing risks effectively.

“With over six decades of experience, HLF has emerged as Singapore's premier finance company.”

BOARD OF DIRECTORS



KWEK LENG BENG



KWEK LENG PECK



KWEK LENG KEE



KEVIN HANGCHI

PETER CHAY FOOK YUEN

TAN TEE HOW



TAN SIEW SAN



CHRISTIAN GAUTIER DE CHARNACE



CLARENCE YEO GEK LEONG

JEANN LOW NGIAP JONG

KWEK LENG BENG / 83

Chairman/Executive Director

First appointment as Director

1 March 1979

Appointment as Executive Chairman

28 November 1984

Last re-election as Director

27 April 2023

Board committees

- Executive Committee (Chairman)
- Board Risk Committee (Member)
- Nominating Committee (Member)

Present directorships in other listed companies and principal commitments

- City Developments Limited* ("CDL") (Executive Chairman)
- Hong Leong Investment Holdings Pte. Ltd. (Executive Chairman)
- Millennium & Copthorne Hotels Limited (Executive Chairman)

Other appointments

- Singapore Hotel Association (Member)
- Singapore Institute of Directors (Fellow)

Past directorships in other listed companies and principal commitments held in the preceding three years

Nil

Mr Kwek 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 Singapore Finance Limited (now known as Hong Leong Finance Limited). He also has extensive experience in the real estate business. He joined CDL in the late 1960s and since then has contributed significantly to building CDL's six decades of track record. He grew the CDL group's hospitality arm and has been actively involved in its development into Singapore's largest international hotel group and one of the largest hotel owners and operators in the world. Mr Kwek is also experienced in the trading and manufacturing sectors.

Mr Kwek has received numerous accolades. In 1997, he was named "Businessman of the Year 1996" by Singapore

Business Awards, organised by The Business Times and DHL. In 2012, he was jointly awarded the "Partners in the Office of the CEO" award in the Brendan Wood International – Securities Investors Association Singapore (SIAS) TopGun CEO Designation Award with the late Mr Kwek Leng Joo (former Deputy Chairman of CDL). This award is given to CEOs who are best in class as rated by shareholders. In 2014, he received the inaugural Real Estate Developers' Association of Singapore (REDAS) Lifetime Achievement Award which honours a pioneering group of real estate leaders.

He received the Singapore Chinese Chamber of Commerce and Industry (SCCCI) SG50 Outstanding Chinese Business Pioneers Award in 2015. The award honours the Republic's outstanding Chinese business pioneers and their exemplary contributions to nation-building. That same year, he was accorded the Lifetime Achievement Award from Hotel Investment Conference Asia Pacific (HICAP). This accolade honours exceptional individuals who have distinguished themselves through accomplishments and contributions to the hotel industry.

In 2017, he was presented the Lifetime Achievement Award at the Asia Pacific Entrepreneurship Awards organised by Enterprise Asia, a regional non-governmental organisation for entrepreneurship. The award was in recognition of outstanding achievements, visionary leadership and steadfast dedication that led to the successful growth of the Hong Leong Group for over five decades. That same year, he clinched the inaugural Global Blue Ocean Shift Award, given at the Global Entrepreneurship Community Summit in Kuala Lumpur. Mr Kwek was awarded the Singapore Tatler Diamond Award (Lifetime Achievement) 2018, in recognition of his exceptional leadership that led Hong Leong Group to grow into a globally diversified enterprise.

In 2020, Mr Kwek received on behalf of Hong Leong Group, the EY Family Business Award of Excellence. It celebrated the Group's successful, sustainable and long-term oriented strategy, effective and transparent corporate governance approach, and significant socio-economic contributions.

Mr Kwek holds a law degree, LL.B. (London) and is also a fellow of Chartered Secretaries Institute of Singapore. 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).

Note:

Hong Leong Investment Holdings Pte. Ltd. is the immediate and ultimate holding company of the Company. City Developments Limited ("CDL") is a related company under the Hong Leong Group of companies. Millennium & Copthorne Hotels Limited is a subsidiary of CDL.

* listed company

Information as at 4 March 2024

BOARD OF DIRECTORS

KWEK LENG PECK / 67

Non-Executive and Non-Independent Director

First appointment as Director

1 January 1998

Last re-election as Director

27 April 2023

Board committees

- Executive Committee (Member, and also as alternate to the Chairman)
- Board Risk Committee (Member)
- Hong Leong Finance Share Option Scheme 2001 Committee (Member)

Present directorships in other listed companies and principal commitments

- China Yuchai International Limited* (Non-Executive Director)
- Hong Leong Asia Ltd.* (“HLA”) (Executive Chairman)
- Hong Leong Corporation Holdings Pte. Ltd. (Executive Director)
- Hong Leong Investment Holdings Pte. Ltd. (Executive Director)
- Hong Realty (Private) Limited (Executive Director)
- Tasek Corporation Berhad (Non-Executive Chairman)

Other appointments

Nil

Past directorships in other listed companies and principal commitments held in the preceding three years

Nil

Mr Kwek has many years of experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management as well as extensive involvement in Hong Leong Group real estate developments, investments and hotel operations.

With his in-depth knowledge of the HLA group’s business, Mr Kwek has overseen the growth of the HLA group over the last four decades from an integrated building materials group in the 1980s and 1990s to being also a major player in the consumer products and diesel engines industries in China beginning in the 2000s.

Note:

Hong Leong Investment Holdings Pte. Ltd. is the immediate and ultimate holding company of the Company. Hong Leong Asia Ltd., Tasek Corporation Berhad, China Yuchai International Limited, Hong Leong Corporation Holdings Pte. Ltd. and Hong Realty (Private) Limited are related companies under the Hong Leong Group of companies.

* listed company

Information as at 4 March 2024

KWEK LENG KEE / 69

Non-Executive and Non-Independent Director

First appointment as Director

1 September 2001

Last re-election as Director

29 April 2021

Will be seeking re-election at the 2024 Annual General Meeting

Board committees

Nil

Present directorships in other listed companies and principal commitments

- Hong Leong Holdings Limited (“HLH”) (Assistant Managing Director)
- Tripartite Developers Pte. Limited (Director)

Other appointments

Nil

Past directorships in other listed companies and principal commitments held in the preceding three years

Nil

Mr Kwek has more than 35 years of experience in property investment, property development and the building and construction materials business. As the Assistant Managing Director of HLH, he spearheaded the establishment, and oversees the operation, of its subsidiary in Chengdu, People’s Republic of China since 2012. Prior to that, he also had many years of experience in a large Beijing project which was successfully completed in 1996. He continues to be a director of Beijing Hong Gong Garden Villa House Property Development Co., Ltd.

He was also appointed as Justice of the Peace by the Prime Minister’s Office in May 2008 and was also awarded the Public Service Medal (PBM) in 1998, Public Service Star (BBM) in 2004 and the Public Service Star (Bar) on National Day 2014 in recognition of his significant contributions in public service and community work and support towards Singapore.

Note:

Hong Leong Investment Holdings Pte. Ltd. is the immediate and ultimate holding company of the Company. Hong Leong Holdings Limited and Tripartite Developers Pte. Limited are related companies under the Hong Leong Group of companies.

KEVIN HANGCHI / 51

Non-Executive and Non-Independent Director

First appointment as Director

1 October 2016

Last re-election as Director

29 April 2022

Will be seeking re-election at the 2024 Annual General Meeting

Board committees

- Board Sustainability Committee (Chairman)
- Board Risk Committee (Member)

Present directorships in other listed companies and principal commitments

- Hong Leong Management Services Pte Ltd (Senior Vice President)
- Millennium & Copthorne Hotels New Zealand Limited* (Non-Executive Director)

Other appointments

Nil

Past directorships in other listed companies and principal commitments held in the preceding three years

Nil

Mr Hangchi joined the Hong Leong Group, Singapore in 1999 and has garnered extensive global transactional experience across many of the Hong Leong Group’s entities which include listings and public offerings, mergers and acquisitions as well as capital markets issuances and banking facilities. Prior to that, he was an Advocate and Solicitor in Allen & Gledhill LLP from 1997 to 1999.

Mr Hangchi graduated from the University of Southampton in the United Kingdom with a BSc (Social Sciences) (Hons) Degree in Accounting and Law. He was called to the English Bar and admitted to the Rolls as a Barrister-At-Law (Middle Temple) and was also called to the Singapore Bar.

Note:

Hong Leong Investment Holdings Pte. Ltd. is the immediate and ultimate holding company of the Company. Millennium & Copthorne Hotels New Zealand Limited and Hong Leong Management Services Pte Ltd are related companies under the Hong Leong Group of companies.

* listed company

Information as at 4 March 2024

PETER CHAY FOOK YUEN / 64

Non-Executive and Lead Independent Director

First appointment as Director

11 June 2019

Appointment as Lead Independent Director

29 April 2021

Last re-election as Director

29 April 2022

Will be seeking re-election at the 2024 Annual General Meeting

Board committees

- Audit Committee (Chairman)
- Remuneration Committee (Chairman)
- Hong Leong Finance Share Option Scheme 2001 Committee (Chairman)
- Board Risk Committee (Member)
- Nominating Committee (Member)

Present directorships in other listed companies and principal commitments

Nil

Other appointments

Nil

Past directorships in other listed companies and principal commitments held in the preceding three years

Nil

Mr Chay has over 30 years of experience in auditing and advisory work across various industries, primarily in real estate, financial institutions and healthcare, and specific experience in corporate restructuring, insolvency and corporate finance related work.

He retired from the Company’s current audit firm, KPMG LLP in September 2017. At the time of his retirement, he was the Deputy Managing Partner, a position he held since 2010. Prior to his appointment as Deputy Managing Partner, he was the Head of Financial Advisory Services (2005 to 2009) and had direct oversight responsibility over services provided by various business units including restructuring, merger and acquisition, transaction advisory services and forensic accounting. During the preceding years prior to his retirement from KPMG LLP, he was particularly active in the provision of corporate restructuring and insolvency services, acting as liquidator, receiver and manager and judicial manager on a number of engagements.

Mr Chay graduated with a Bachelor of Commerce majoring in Accounting, Finance and Systems from the University of New South Wales, Australia. He is a Fellow of the Institute of Singapore Chartered Accountants and a member of the Institute of Chartered Accountants in Australia.

The Lead Independent Director, Mr Peter Chay is available to shareholders should they have any concern and for which approaches through the normal communication channels of the Board Chairman/Managing Director or the President or the Chief Financial Officer have failed to resolve or are inappropriate or inadequate. Mr Chay may be contacted via a link in his profile page under the ‘Board of Directors’ section as well as the ‘Investor Relations’ link on the Company’s corporate website at www.hlf.com.sg.

BOARD OF DIRECTORS

TAN TEE HOW / 64

Non-Executive and Independent Director

First appointment as Director

11 June 2019

Last re-election as Director

29 April 2022

Board committees

- Board Risk Committee (Chairman)
- Executive Committee (Member)
- Audit Committee (Member)

Present directorships in other listed companies and principal commitments

- CapitaLand China Trust Management Limited[^] (Director)
- Gambling Regulatory Authority (Chairman)
- National Healthcare Group (Chairman)

Other appointments

- MOH Holdings Pte Ltd (Director)
- Nomura Singapore Ltd (Chairman)
- Nomura Asia-Pacific Holdings Ltd (Director)
- Temus Pte Ltd (Director)

Past directorships in other listed companies and principal commitments held in the preceding three years

- Chip Eng Seng Corporation Ltd (Executive Director) (*delisted and privatised in April 2023*)

Mr Tan served 34 years in the Singapore Administrative Service, holding various key appointments, including Principal Private Secretary to the then-Prime Minister, Mr Goh Chok Tong (from 1997 to 2000) and founding CEO of National Healthcare Group (from 2000 to 2004). He was the Permanent Secretary of the Ministry of National Development (from 2004 to 2011) and of the Ministry of Home Affairs (from 2011 to 2014). From 2014 to 2018, he was the Commissioner of Inland Revenue Authority of Singapore ("IRAS") and concurrently the CEO of IRAS. He retired from public service in 2018.

Mr Tan holds a Bachelor of Business Administration (Honours) Degree from the National University of Singapore and a Master of Public Administration Degree from Harvard University. He attended the Wharton Business School Advanced Management Programme in 2002. He was awarded a Fulbright Fellowship in 1989/1990.

* listed company

[^] Manager of a listed trust
Information as at 4 March 2024

TAN SIEW SAN / 72

Non-Executive and Independent Director

First appointment as Director

11 June 2019

Last re-election as Director

27 April 2023

Board committees

- Nominating Committee (Chairman)
- Executive Committee (Member)
- Board Risk Committee (Member)
- Remuneration Committee (Member)
- Hong Leong Finance Share Option Scheme 2001 Committee (Member)

Present directorships in other listed companies and principal commitments

- Cortina Holdings Limited* (Independent Director)

Other appointments

Nil

Past directorships in other listed companies and principal commitments held in the preceding three years

- DOD Biotech Public Company Limited* (Independent Director)
- Triton Holding Public Company Limited* (Independent Director)

Ms Tan was Singapore's Ambassador to the Kingdom of Thailand from 2012 to 2019. Prior to that, she was Deputy Secretary (Asia Pacific) in the Ministry of Foreign Affairs and Deputy Secretary (Policy) in the Ministry of Defence ("Mindef"). During her public service career, Ms Tan was awarded the Public Administration Medal (Gold) in 1999 and the Public Administration Medal (Silver) in 1990. She retired from the Singapore civil service in June 2019.

Ms Tan has a Bachelor of Social Science (Honours) (Political Science) degree from the University of Singapore and a Master of Arts (Political Science) degree from the University of Wisconsin-Madison, USA. She was granted a Fulbright-Hays scholarship for her graduate studies.

CHRISTIAN GAUTIER DE CHARNACE / 74

Non-Executive and Independent Director

First appointment as Director

5 August 2020

Last election as Director

29 April 2021

Will be seeking re-election at the 2024 Annual General Meeting

Board committees

- Board Risk Committee (Member)

Present directorships in other listed companies and principal commitments

- Golden Agri-Resources Ltd* (Independent Director)
- PT BNP Paribas Sekuritas Indonesia (Independent President Commissioner on the Board of Commissioners)

Other appointments

Nil

Past directorships in other listed companies and principal commitments held in the preceding three years

Nil

Mr de Charnace has over 40 years of broad and diversified international banking experience in corporate and institutional banking and had held various executive management positions having responsibilities in the areas of corporate finance, investment banking, fund raising, capital markets and advisory transactions for clients.

Mr de Charnace was Chief Executive Officer Investment Banking Asia Pacific at BNP Paribas ("BNP") prior to retiring in 2017, having held that position since 2013. He was with BNP since 1980. During his tenure with BNP, he was Head of Paribas branches and region in Seoul, Taipei and Los Angeles / Western US region (1980 - 1990); Managing Director and Head of Asia Pacific region based in Paris (1991 - 1993); Managing Director and successively Head of Capital Markets and Corporate Finance for Asia Pacific based in London, Singapore, Tokyo and Hong Kong (1993 - 2013). Mr de Charnace started his career in banking at Bank of America and he was Vice President of Multinational Division Paris and Houston (1973 to 1980).

Mr de Charnace graduated from Institut d'Etudes Politiques de Paris in Economy and Finance, and he also holds a Bachelor's degree from the University of Law in Paris.

* listed company

Information as at 4 March 2024

CLARENCE YEO GEK LEONG / 64

Non-Executive and Independent Director

First appointment as Director

1 January 2022

Last election as Director

29 April 2022

Board committees

- Executive Committee (Member)
- Audit Committee (Member)
- Remuneration Committee (Member)
- Hong Leong Finance Share Option Scheme 2001 Committee (Member)
- Board Sustainability Committee (Member)

Present directorships in other listed companies and principal commitments

- Ministry of Home Affairs - Senior Advisor (Special Duties)

Other appointments

- Biometrics Institute (Member of Advisory Council)
- D.S. Lee Foundation (Member, Board of Directors)
- International Border Management & Technologies Association (IBMATA) (Member of Advisory Board)
- Neon Group Limited (Independent Non-Executive Director)
- Singapore Business Advisors & Consultants Council (Member of Governing Council)
- Tote Board Grant Committee (Member)
- Violet Capital Development Pte Ltd (Senior Advisor)

Past directorships in other listed companies and principal commitments held in the preceding three years

- Home Team Academy (Chief Executive)

Mr Yeo is currently a Senior Advisor (Special Duties) in the Ministry of Home Affairs. In the last ten years, he held senior public sector leadership appointments as the Commissioner, Immigration & Checkpoints Authority ("ICA") (September 2010 to September 2018), and the Chief Executive of Home Team Academy ("HTA") (September 2018 to July 2021). Besides domain experience relating to his tenures with ICA and HTA, he also has experience in leading and driving governance, organisational excellence, enterprise risk management, information technology and digitalisation and organisational transformation.

Mr Yeo received several individual awards, including the National Day Public Administration Medal (Gold) (Bar) in 2021, the Public Administration Medal (Gold) in 2013 and the Public Administration Medal (Silver) in 2006. He was also awarded the Medal of Commendation by the Singapore National Trade Union Congress in May 2017 in recognition of his significant contributions towards good labour-management relations.

Mr Yeo holds a Master in Public Policy from the National University of Singapore (now offered under Lee Kuan Yew School of Public Policy), and a BSc (Hons) 2nd Class Upper in Economics from the University of London. He is also an alumnus of INSEAD, having attended a Senior Executive Development Programme at Fontainebleau.

BOARD OF DIRECTORS

JEANN LOW NGIAP JONG / 63

Non-Executive and Independent Director

First appointment as Director

27 April 2023

Last re-election as Director

Not applicable

(appointed at 2023 Annual General Meeting)

Board committees

- Audit Committee (Member)
- Board Sustainability Committee (Member)

Present directorships in other listed companies and principal commitments

- Advanced Info Service Public Company Limited* (Non-Executive Director)
- Advanced Wireless Network Co., Ltd. (Non-Executive Director)
- Aztech Global Ltd* (Independent Director)
- Capitaland Integrated Commercial Trust Management Limited^ (Independent Director)
- Intouch Holdings Public Company Limited* (Non-Executive Director)
- Lee Kong Chian School of Medicine, Nanyang Technological University of Singapore (Member of Governing Board)
- Singapore Telecommunications Limited* (Senior Advisor)
- Singtel Asian Investments Pte Ltd (Non-Executive Director)
- Singtel Strategic Investments Pte Ltd (Non-Executive Director)

Other appointments

- Prison Fellowship Singapore Limited (Board member)
- Seventy Times Seven (Management Committee member)
- The Turning Point (Executive Committee member)

Past directorships in other listed companies and principal commitments held in the preceding three years

- Singapore Telecommunications Limited (Group Chief Corporate Officer)
- Singtel Strategy Pte. Ltd. (Non-Executive Director)

Ms Low is currently a Senior Advisor with Singapore Telecommunications Limited ("Singtel"). Prior to her appointment as Senior Advisor, she was with Singtel as its Group Chief Financial Officer from September 2008 to April 2015 before assuming the position of Group Chief Corporate Officer from April 2015 until April 2021. As the Group Chief Corporate Officer, she was responsible for Singtel's corporate functions including corporate finance, accounting and management reporting, treasury and capital management, mergers and acquisitions, corporate communications and strategic branding, legal, regulatory and group risk management, procurement and digitalisation.

Ms Low received various individual awards including Best Chief Financial Officer (Singapore & Southeast Asia), Corporate-Institutional Investor Awards (2012), Best Chief Financial Officer (Singapore), Asian Excellence Recognition Awards (2012) and Best Chief Financial Officer, Singapore Corporate Awards (2010).

Ms Low holds a Bachelor of Accountancy (Honours) from the National University of Singapore. She is also a Chartered Accountant registered with the Institute of Singapore Chartered Accountants ("ISCA") and a Fellow member of ISCA.

* listed company

^ Manager of a listed trust

Information as at 4 March 2024



DIGITAL TRANSFORMATION

Enduring Commitment

Our investment in digital transformation manifests our enduring commitment to enhance customer service, provide more convenient and secure payment solutions and improve customer experience.

CORPORATE GOVERNANCE REPORT

Hong Leong Finance Limited (“HLF” or the “Company”) is committed to maintaining a high standard of business integrity, professionalism and governance in its business dealings, which is essential for the long-term sustainability of the Group’s businesses and the enhancement of shareholders’ value.

To demonstrate its commitment towards excellence in corporate governance, HLF joined the Securities Investors Association Singapore (“SIAS”) and its partners in 2023 in making the following public Statement of Support as part of the SIAS Corporate Governance Week 2023 Initiatives organised by SIAS in November 2023:

“As a Company, we are committed to upholding high standards of corporate governance to enhance stakeholder value, a sustainable future and making a lasting sustainable transition to a low-carbon environment. We believe practising good environmental, social and corporate governance standards are central to the health and stability of our financial markets and economy.”

The Company has complied with Rule 710 of the Listing Manual of Singapore Exchange Securities Trading Limited (“Listing Manual”) by describing in this report its corporate governance practices with specific reference to the principles and provisions in the Code of Corporate Governance, as amended (“CG Code”). Where the Company’s practices differ from the principles under the CG Code, these differences and the Company’s position in respect of the same are explained in this report.

BOARD OF DIRECTORS

Executive Director (“ED”)

Mr Kwek Leng Beng, Executive Chairman & Managing Director

Non-executive and Non-independent Directors (“NID”)

Mr Kwek Leng Peck
Mr Kwek Leng Kee
Mr Kevin Hangchi

Independent Directors (“ID”)

Mr Peter Chay Fook Yuen, Lead ID
Mr Tan Tee How
Ms Tan Siew San
Mr Christian Gautier de Charnace
Mr Clarence Yeo Gek Leong
Ms Jeann Low Ngiap Jong

KEY OBJECTIVES

Oversees the Company’s business and its performance under its collective responsibility and provides leadership by setting the strategic objectives of the Company together with Senior Management (as defined under Principle 3 below) to achieve long-term success for the Company.

Board Committees	Composition	Key objectives:
Executive Committee (“Exco”)	Mr Kwek Leng Beng, Chairman (ED) Mr Kwek Leng Peck, also as alternate to Chairman (NID) Mr Tan Tee How (ID) Ms Tan Siew San (ID) Mr Clarence Yeo (ID)	Deliberates on Board matters between Board meetings and approves banking-related matters and acquisition, divestment and corporate finance transactions up to certain limits.
Audit Committee (“AC”)	Mr Peter Chay, Chairman (Lead ID) Mr Tan Tee How (ID) Mr Clarence Yeo (ID) Ms Jeann Low (ID)	Assists the Board in the review of the Company’s financial reporting, internal accounting controls and audit function.
Board Risk Committee (“BRC”)	Mr Tan Tee How, Chairman (ID) Mr Kwek Leng Beng (ED) Mr Kwek Leng Peck (NID) Mr Kevin Hangchi (NID) Mr Peter Chay (Lead ID) Ms Tan Siew San (ID) Mr Christian de Charnace (ID)	Assists the Board on matters relating to the review and management of the Company’s key risks under a risk management framework.
Nominating Committee (“NC”)	Ms Tan Siew San, Chairman (ID) Mr Kwek Leng Beng (ED) Mr Peter Chay (Lead ID)	Assists the Board in its succession planning through the review of board size, composition and mix, and provides recommendations on the independence of directors, appointment, re-nomination and retirement of Directors. Assists the Board in the evaluation of the performance of the Board, the Board Committees and the Directors. Also reviews the succession plan for key management personnel (“KMP”) (not being a Director).
Remuneration Committee (“RC”)	Mr Peter Chay, Chairman (Lead ID) Ms Tan Siew San (ID) Mr Clarence Yeo (ID)	Assists the Board in the review and determination of the remuneration of the Board and the KMP, including setting appropriate remuneration frameworks and policies to reflect a performance-based remuneration system.
Hong Leong Finance Share Option Scheme 2001 (“SOS”) Committee (“SOSC”)	Mr Peter Chay, Chairman (Lead ID) Mr Kwek Leng Peck (NID) Ms Tan Siew San (ID) Mr Clarence Yeo (ID)	Reviews and approves the grant of options to eligible participants pursuant to the terms of the Company’s SOS.
Board Sustainability Committee (“BSC”)	Mr Kevin Hangchi, Chairman (NID) Mr Clarence Yeo (ID) Ms Jeann Low (ID)	Assists the Board in the review of the Company’s sustainability issues, initiatives and performance as well as emerging corporate governance trends and best practices and reviews the Company’s sustainability and corporate governance reports.

CORPORATE GOVERNANCE 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 under its collective responsibility and provides leadership by setting the strategic objectives of the Company together with Senior Management to achieve long-term success for the Company. The Board sets broad policies, provides guidance on and approves strategic objectives, ensures that necessary financial, operational and human resources are in place for the Company to meet its objectives, reviews the performance of the Company and Management, and satisfies 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 safeguard of shareholders' interests and the Company's assets.

The Board assumes responsibility for good corporate governance and sets the right 'tone at the top' in its policies and decisions to ensure that the Company's corporate values and ethical standards are observed and there is proper accountability throughout the Company and obligations to its shareholders and other stakeholders are clearly understood and met.

The Board is also committed to the Company's strategic approach to integrating sustainability in its business and operations, and to advance the Company's sustainability efforts.

In this regard, the Board has delegated to the BSC the general oversight of the Board's attention to sustainability issues and sustainability reporting. The BSC comprises three Directors, all of whom are non-executive Directors ("NED") with the majority being independent. The BSC's written terms of reference set out, *inter alia*, the roles and responsibilities of the BSC and include its purview over matters relating to the environmental, social and governance ("ESG") framework, ESG targets, the sustainability reporting framework, emerging corporate governance trends and best practices as well as the Company's policies, practices and performance on its material ESG factors which are significant and contribute to the Company's performance, business activities, and/or reputation as a corporate citizen. Further information

on the Company's sustainability practices is set out in the Sustainability Report on pages 53 to 75 of this Annual Report 2023 ("AR").

The key responsibilities of the BSC as set out in its written terms of reference, approved by the Board, include the following:

- provide oversight on the Company's compliance relating to sustainability governance and reporting including reviewing the framework put in place by Management for the identification of the material ESG factors, and monitoring and benchmarking of the Company's sustainability performance against agreed targets;
- review the Company's sustainability issues, initiatives and performance as well as emerging corporate governance trends and best practices and recommend to the Board the adoption of such trends and best practices; and
- review the Company's sustainability and corporate governance reports.

Two BSC meetings were held in 2023. The Company Secretaries maintain records of all BSC meetings including records of discussions on key deliberations and decisions taken.

For the financial year under review, the BSC 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 ("BSC Self-Assessment Checklist").

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

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

Directors' Objective Discharge of Duties and Declaration of Interests (Provision 1.1)

All Directors are fiduciaries who exercise due diligence and objectively discharge their duties and responsibilities in the interests of the Company. This ability to exercise objectivity is one of the assessment criteria in the NC annual evaluation of the Directors.

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 Company's Constitution and provisions of the Companies Act 1967 and the Finance Companies Act 1967, and in the case of any conflicts of interests (actual or potential), recuse themselves from any discussions and abstain from decision-making on such transactions, with abstention duly recorded within the minutes and/or the resolutions of the Board and/or the Board Committees.

Accountability of the Board and Management (Provision 1.1)

The Board and Senior Management are committed to conducting business with integrity and sound standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Company has established various corporate policies which provide a communicable and understandable framework for employees to observe the Company's principles on honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Company's business in their relationships with the Company's stakeholders, including customers, suppliers and employees. Further details of these policies are described in the segment entitled 'Corporate Values and Conduct of Business' at the end of this report.

Board Orientation and Training/Development (Provision 1.2)

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

The Company also conducts a comprehensive induction programme for newly appointed Directors and existing Directors pursuant to their appointments to any of the Board Committees, to familiarise Directors with the Group's business, governance practices and processes, internal controls and risk management systems, their responsibilities as directors and in the case of appointments to any of the

Board Committees, the role and areas of responsibilities of such Board Committees. The induction programme includes meetings with the chairmen of the Committees in the case of appointments to any of the Committees, on matters relevant to such Committees, various key executives of the Management team to allow the new Directors to be acquainted with, and to facilitate their independent access to the Management team in future. The programme also includes briefings by the President and other members of the Management team on key areas of the Company's operations.

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/she will be required to also attend certain specific modules of the Listed Entity Director ("LED") Programme conducted by the Singapore Institute of Directors ("SID") to acquire relevant knowledge of what is expected of a listed company director, this being a mandatory requirement under the Listing Manual. Completion of the LED 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 1967, the Listing Manual and the CG Code.

Ms Jeann Low, who was appointed as an ID on 27 April 2023, attended the induction programmes conducted by the Company during the year.

The Board recognises that it is important for Directors to undergo continual training/development. From time to time, the Directors are provided with updates and/or briefings by professional advisors, auditors, Management and the Company Secretaries in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislation, risk management and financial reporting standards. They are also regularly kept informed by the Company Secretaries 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. The NC and the Board are kept informed of the trainings attended by the Directors during the year. As part of the NC's annual assessment of the skill set of the Board and the respective Board Committees, the NC would also recommend further training for the Directors in specific areas, if so required, to supplement the regular updates/briefings provided to the Directors from time to time.

CORPORATE GOVERNANCE REPORT

During the year, the trainings attended by the Directors included the ACRA-SGX-SID Audit and Risk Committee Seminar 2023, SGX Group-GRI Sustainability Reporting Learning Series, SID Seminar: Climate Reporting – Directors, How Do You Respond?, SID Current Topics series – The Board's Role in Leading Successful Transformation, briefings and seminars organised by SID and other consultants in relation to board and audit, nominating and remuneration committees matters, climate reporting and sustainability matters. In addition, in-house seminars were also organised in 2023 and conducted by invited external speakers on the following topics:

- Anti-Money Laundering/Countering the Financing of Terrorism
- Operational Risk Management/Third Party Risk Arrangements
- Sustainability Reporting – Value vs Investment; Challenges vs Opportunities
- Navigating the new frontier: Cybersecurity and Generative AI

The Company's external auditors also provided members of the AC with updates on applicable Accounting Standards, sustainability matters, climate-related reporting risk and climate-related disclosures in the annual report and financial statements during the year.

All the Board members attended various training webinars, seminars and workshops in 2023 which accounted for more than 50 training hours in aggregate.

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.

Board Approval (Provision 1.3)

Key matters which are specifically reserved for approval by the Board include decisions over the strategic direction, plans and performance objectives of the Company, the Company's financial objectives, 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, decisions over new borrowings or 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 legislation as well as the provisions of the Company's Constitution. All issuance of the Company's financial results requires the approval of the Board, including decisions on the Company's dividend policy and payouts.

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

Management is fully apprised of such matters which require the approval of the Board or the Board Committees. The Company also has a structured authority matrix which sets out the delegated authority to the various levels of Management.

Delegation by the Board (Provision 1.4)

The primary functions of the Board are either carried out directly by the Board or delegated to committees established by the Board with clear written terms of reference setting out their composition, authority and responsibilities, including reporting back to the Board. The committees established by the Board are the Exco, the AC, the BRC, the NC, the RC, the SOSC and the BSC, all collectively referred to as the "Board Committees". Each Board Committee reports key matters to the Board and submits its report to the Board at least once on an annual basis. All terms of reference for the Board Committees are approved by the Board and reviewed periodically to ensure their continued relevance taking into consideration the changes in the governance and regulatory environment.

The Board has also placed its members, from time to time on management committees such as the Loan Sub-Committee and Management Committee 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. The powers and authorisation limits of the relevant management committees are also approved by the Board.

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 the Board's overall responsibility.

The Exco comprises five Directors with majority of its members being non-executive. The Exco's principal responsibility as set out in its written 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 opening, closing and operation of banking accounts of the Company and bank facilities (including money market placements) granted to the Company, granting by the Company of loans, guarantees or credit facilities up to a limit fixed by the Board, approve corporate finance dealings for the Company's customers, and approving transactions (acquisition/disposal of certain assets and purchase of investments and certain marketable securities), other than those which are of a dealing nature and in the ordinary course of business and provided that such transactions are non-discloseable pursuant to the Listing Manual up to limits authorised by the Board.

Please refer to the sections on Principles 4, 6, 9 and 10 in this report for further information on the activities of the NC, RC, BRC and AC. Information on the activities of the BSC can be found within this section under Principle 1 in the earlier part of this report. Information on the activities of the SOSC can be found under Principle 7 in this report, the Directors' Statement on pages 89 to 90 and in the Financial Statements on pages 117 to 121 of the AR.

Board and Board Committee Meetings (Provision 1.5)

Board and Board Committee meetings are held regularly. Three Board meetings were held in 2023. The Board agenda at the Board meetings held in 2023 included the review of the Group's financial and operational performance and updates by the Senior Management on the Company's strategic initiatives and implementation status.

A meeting of the NEDs chaired by the Lead ID was held in 2023. Meetings of the NEDs and the IDs are convened as often as may be warranted by circumstances. The IDs also meet regularly under the various Board Committees' meetings and the Lead ID is a member in some of these Board Committees. No separate meeting of the IDs was required to be convened in 2023.

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 Secretaries. The Company's Constitution allows for the meetings of its Board and the Board Committees to be held via teleconferencing or video conferencing. The Board and Board Committees may also make decisions by way of circulating written resolutions.

The attendance (including via electronic means) of the Directors at the annual general meeting ("AGM") and at meetings of the Board, the Board Committees and the NEDs, as well as the frequency of such meetings in 2023, is disclosed on page 26. Directors who were unable to attend any meetings of the Board, the Board Committees or the NEDs, were provided with meeting materials and encouraged to raise discussion points or queries with the Chairman of the Board ("Board Chairman") or chairmen of the respective Board Committees or the Management. Nonetheless, the Board is of the view that the contribution of each Director should not be focused only on his/her attendance at the meetings of the Board and/or the Board Committees and/or the NEDs. 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. The Directors also, whether individually or collectively, engage with the Senior Management and the Company's external consultants to better understand the challenges faced by the Company and the input of the Directors, through such engagement, provide valuable perspective to the Management.

CORPORATE GOVERNANCE REPORT

Directors' Attendance (including via electronic means) at the AGM, and Meetings of the Board, Board Committees and the NEDs in 2023 (Provision 1.5)

	Board	Exco	AC	NC	RC	SOSC	BRC	BSC	NEDs	AGM
Number of meetings held in 2023:	3	2	4	2	2	1	2	2	1	1
Name of Directors	Number of meetings attended in 2023									
Kwek Leng Beng	3	2	N.A.	2	N.A.	N.A.	2	N.A.	N.A.	1
Kwek Leng Peck	3	2	N.A.	N.A.	N.A.	1	2	N.A.	1	1
Kwek Leng Kee	2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1	1
Kevin Hangchi	3	2 ^(a)	N.A.	N.A.	N.A.	N.A.	2	2	1	1
Peter Chay	3	N.A.	4	2	2	1	2	N.A.	1	1
Tan Tee How	3	2	4	N.A.	N.A.	N.A.	2	N.A.	1	1
Tan Siew San	3	2	N.A.	2	2	1	2	1 ^(b)	1	1
Christian de Charnace	3	N.A.	N.A.	N.A.	N.A.	N.A.	2	N.A.	1	1
Clarence Yeo	3	2	4	N.A.	2	1	N.A.	2	1	1
Jeann Low ^(b)	1	N.A.	2	N.A.	N.A.	N.A.	N.A.	1	1	1

Note:

^(a) Mr Kevin Hangchi attended the Exco meetings by invitation.

^(b) Ms Jeann Low was appointed a Director, and as an additional member of the AC and as a member of the BSC in place of Ms Tan Siew San on 27 April 2023.

^(c) All Directors including Mr Kwek Leng Beng, the Board Chairman were in attendance at the AGM in 2023 together with the President and the Company's external auditors.

Directors' Multiple Board Representations and Time Commitments (Provision 1.5)

When considering the nomination of Directors for election/re-election, 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 by groups and executive appointments) held by the Directors is reviewed annually by the NC. Each Director is also required to confirm annually to the NC as to whether he/she has any issue with competing time commitments which may impact his/her ability to provide sufficient time and attention to his/her duties as a Director of the Company and that he/she continues to remain fit and proper for continued appointment on the Board in accordance with the fit and proper guidelines issued by the Monetary Authority of Singapore ("MAS Fit and Proper Guidelines"). Based on the analysis, the Directors' annual confirmation and the Directors' commitments and contributions to the Company which are also evident in their level of attendance and participation at Board, Board Committee and NEDs'

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.

The NC noted that excluding the directorship held in the Company, the number of listed company board representations (including a listed trust) held by each of the Directors ranged from nil to four. Directorships held by the Board Chairman/Managing Director, Mr Kwek Leng Beng, Mr Kwek Leng Peck and Mr Kevin Hangchi are on the boards of the related companies of the Company. On the NC's recommendation and approved by the Board, the maximum number of listed company board representations that a Director may hold was set at six (including the Company), with a view to providing a guide to address potential competing time commitments that may be faced by Directors serving on multiple listed company boards. The NC may review this guideline from time to time and will also consider the circumstances of individual Directors or potential candidates with multiple listed company directorships above the recommended number to determine their capacity to participate and contribute effectively to the Board.

In addition to the current procedures for the review of the attendance records and analysis of directorships/principal commitments, a policy has been put in place for Directors to consult the Board Chairman and the chairman of the NC prior to accepting any new listed company board appointments or principal commitments and notifying the Board of any changes in their external appointments. This would allow the Director to review his/her time commitments with the proposed new appointment, and in the case of an ID, to also ensure that his/her independence would not be affected.

Complete, Adequate and Timely Information (Provision 1.6)

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 external auditors and professional advisors who can provide additional insight into the matters for discussion are also invited from time to time to attend such meetings.

Management also provides all Directors with monthly financial updates on the Company's financial performance including analysis of the said updates. Any material variance between the month and year-to-date ("YTD") under review as compared to the immediate preceding month, the YTD of the preceding year, and the YTD budget, are disclosed and explained. Where the Board's or a Board Committee's approval is sought, relevant background and explanatory information on the specific matter is provided to enable Directors to understand the issues and to request for further disclosures, as necessary.

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 Management. Each of the chairmen of the AC, NC, BSC, 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 BRC provides reports to the Board twice yearly on its activities. The minutes of meetings of the Board Committees and the NEDs are circulated to all Board members.

The role and responsibilities of Management and their reporting relationships are set out in the Company's organisation structure which is circulated annually to the Board and as and when there are changes, for noting by the Board.

Access to Management, Company Secretaries and Independent Professional Advisors (Provision 1.7)

All Directors have direct and independent access to Management. To facilitate this access, all Directors are provided with the contact details of the KMP, the Company Secretaries and other Senior Management members.

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 where circumstances warrant the same. The Company has in place internal guidelines allowing the Directors to seek independent professional advice.

The Company Secretaries, whose appointment and removal are subject to the Board's approval, attend Board meetings and meetings of the AC, NC, RC, SOSC, BRC, BSC, NEDs and IDs and ensure that Board procedures are followed. The Company Secretaries, together with Management, also ensure that the Company complies with the applicable statutory and regulatory rules. Together with Management, they also advise the Board Chairman, the Board and Board Committees on corporate governance matters and assist to implement and strengthen corporate governance practices and processes, including ensuring good information flows within the Board and the Board Committees and between the Directors and Management, facilitating the induction for newly appointed Directors and newly appointed Board Committee members, and assisting in the continuing training and development programme for the Directors. On an on-going basis, the Directors have separate and independent access to the Company Secretaries.

Principle 2: Board Composition and Guidance

Board Independence (Provisions 2.1, 2.2 and 2.3)

The Board currently comprises ten members. All members of the Board except for the Board Chairman are NEDs. Based on the NC's recommendation, the Board has determined six of them, being more than half of the Board, to be independent ("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. No alternate Directors have been appointed in respect of any of the Directors.

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When reviewing the independence of the IDs, the NC has considered the applicable Rule 210(5)(d) of the Listing Manual and the guidelines for independence set out in Provision 2.1 of the CG Code and its accompanying Practice Guidance. As part of the consideration of their independence, the NC has also taken into account the following:

- 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 conflict of interest especially by abstaining from deliberation and decision-making on such transactions;
- their ability to maintain objectivity in their conduct as Directors of the Company; and
- their ability to objectively raise issues and seek clarification as and when necessary from the Board, Management and the Company's external advisors on matters pertaining to their area of responsibilities whether on the Board or on the Board Committees.

Each of the IDs on the NC recused himself or herself from the NC's deliberations on his/her own independence.

The 6 IDs are Mr Peter Chay, Mr Tan Tee How, Ms Tan Siew San, Mr Christian de Charnace, Mr Clarence Yeo and Ms Jeann Low. None of the IDs is currently employed or has been employed at any time during the past three financial years by the Company or any of its related corporations. These IDs also do not have immediate family members who are currently employed or have been employed at any time during the past three financial years by the Company or any of its related corporations, and whose remuneration is determined by the RC. For the purposes of determining independence, the IDs have also provided confirmation that they are not related to the Directors and substantial shareholders of the Company. The NC is satisfied that there is no other relationship which could affect their independence. The Board undertook a review of the independence of the IDs with each ID abstaining from participating in his/her own review, and the Board concurred with the NC's determination of the independence of the IDs.

Board Composition, Size and Diversity (Provision 2.4)

Since 2018, the Company has adopted a Board Diversity Policy ("BDP") which sets out the framework for promoting diversity on the Board. The Company recognises that a diverse Board is an important element which will better support the Company's achievement of its strategic objectives for sustainable development by enhancing the decision-making process of the Board through the perspectives derived from the various skills, business experience, industry discipline and other aspects of diversity (such as gender and age) of the Directors.

The BDP provides that the NC shall consider all aspects of diversity when reviewing and assessing the composition of the Board and when making recommendations to the Board for the appointment of Directors to arrive at an optimal balanced composition of the Board. The BDP also provides for the NC to discuss and recommend annually to the Board targets and timelines for promoting and achieving diversity on the Board.

The Company has put in place a skills matrix to help identify gaps in the Board. The skills matrix classifies skills, experience and knowledge of the existing Directors into broad categories such as industry knowledge; skills in audit/finance/accounting, risk management, sustainability and digital/information technology/cyber security.

When reviewing and assessing the size and composition of the Board and Board Committees and making recommendations to the Board annually including the election/re-election of Directors, the NC takes into consideration factors under the BDP including the annual Board targets and timelines for promoting and achieving diversity on the Board. As prescribed under the BDP, the final decision on the selection of Directors is based on merits against objective criteria and targets considered by the NC annually and recommended to the Board for approval.

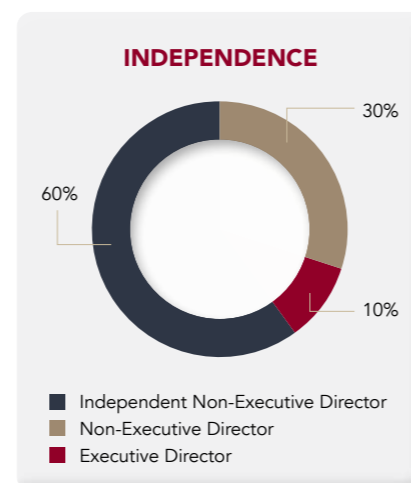
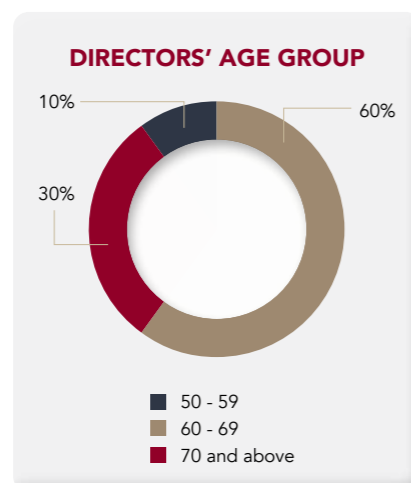
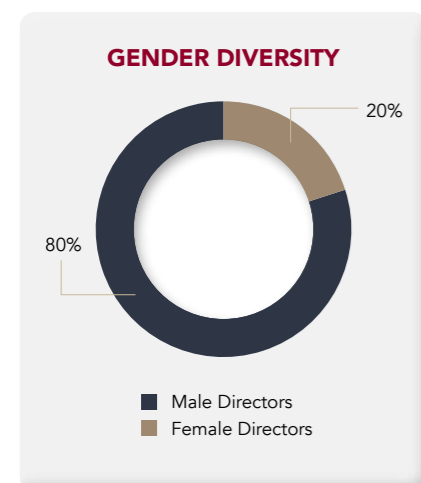
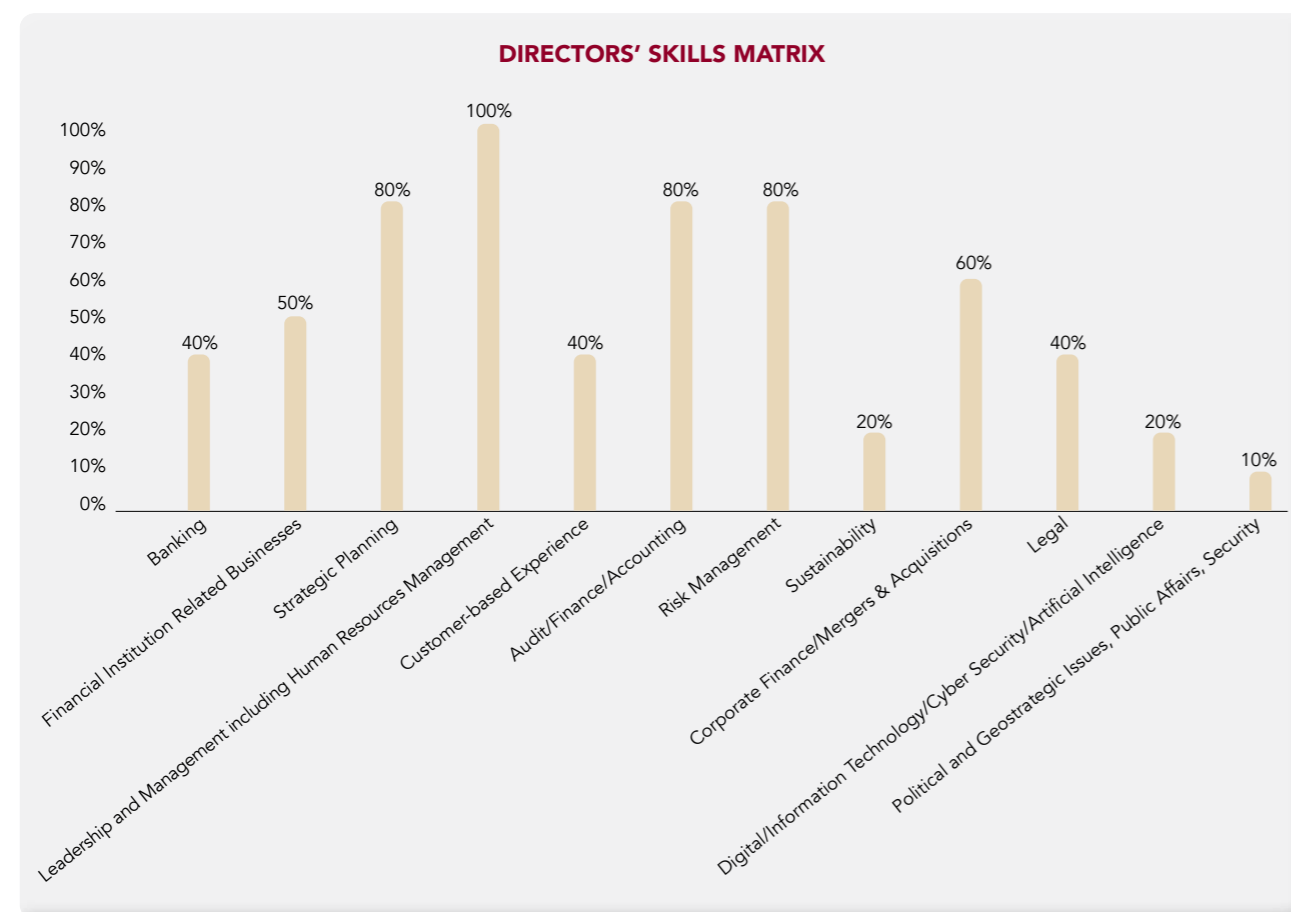
Diversity Targets and Progress in FY 2023

Skills Diversity	
Target	Strengthen the Board core-skill set especially in one or more of the following key areas: <ul style="list-style-type: none"> - financial institution experience - audit/finance/accounting - risk management - digital/information technology/cyber security
Progress	Ms Jeann Low was appointed as an additional ID at the 2023 AGM. Ms Low's appointment has contributed and enhanced the Board skill set especially with her many years of experience in finance and accounting, as well as her work experience in the areas of business leadership, sustainability and digital technology transformation.
Gender Diversity	
Target	At least 20% female representation on the Board The NC noted the recommendations of the Council for Board Diversity for listed companies to have 25% female representation on their boards by 2025 and 30% by 2030. When reviewing candidates for future appointment, whether in addition to existing Board members or as replacement of Directors who retire or resign, the NC will try to ensure that: <ul style="list-style-type: none"> (a) if external search consultants are used to search for candidates for Board appointments, the brief will include a requirement to also present female candidates; (b) when seeking to identify a new Director for appointment to the Board, the NC could request for female candidates to be fielded for consideration; (c) female representation on the Board be continually improved over time; and (d) the NC is gender diverse.
Progress	With the appointment of Ms Low as a Director, the Company attained its target of having a 20% female representation on the Board.
Board independence	
Target	IDs to make up 60% of the Board.
Progress	With Ms Low's appointment, IDs currently make up 60% of the Board.
Age Diversity	
Target	Maintain age diversity with Directors with age ranging from early 50s to above 70s with majority of the Directors in the 50 to 70 age group.
Progress	The Board has continued to maintain this target for FY 2023.

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The NC and the Board also agreed that there was no need to set a specific target for ethnicity/nationality so long as the candidates provide distinguishing qualities that complement and expand the skills and experience of the Board as a whole. Further information on the individual Directors' background, experience and skills can be found in the 'Board of Directors' section in this AR.

Having considered the scope and nature of the operations of the Company, the Board, taking into account the recommendation of the NC, is satisfied that the current size and composition of the Board and Board Committees provide for diversity in line with the BDP (including the plans and targets reviewed and approved by the NC and the Board annually) and allow for informed and constructive discussions and effective decision-making at meetings of the Board and Board Committees. Details of the current Board composition are as follows:



NEDs' Participation (Provision 2.5)

NEDs are encouraged to participate actively at 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. Under the chairmanship of the Lead ID, a meeting of the NEDs was convened in 2023 without the presence of Management and the Board Chairman. The views expressed by the NEDs at the meeting were communicated to the Board Chairman and the President, as appropriate.

Principle 3: Chairman and Chief Executive Officer ("CEO")

Roles of Chairman and the CEO (Provisions 3.1 and 3.2)

The Board Chairman, Mr Kwek Leng Beng, is also the Managing Director ("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. The Board sets out clear division of his responsibilities as the Board Chairman and MD. As Board Chairman with written terms of reference approved by the Board, 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, encouraging the NEDs to speak freely and contribute effectively, and exercising control over the quality, quantity and timeliness of information flow between the Board and Management. As the Board Chairman, he also promotes and leads the Company in its commitment to achieve and maintain high standards of corporate governance. At AGMs 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 Ang Tang Chor and other members of the Senior Management team which comprises:

- Ms Joan Yeo, Executive Vice President/Chief Financial Officer ("CFO")
- Mr Andrew Low, Senior Vice President ("SVP") (Human Resources)
- Ms Peh Guat Hong, SVP (Corporate & Consumer Business)
- Mr Jeffrey Toh, SVP (Corporate & Consumer Business)
- Mr David Thong, SVP (Shared Services)
- Mr Sia Nam Chie, SVP (Risk Management, Legal & Compliance)
- Ms Pauline Tan, SVP (Operations)
- Mr Lim Wei Leon, SVP (Transformation and Innovation)
- Mr Chris Tan, SVP (Credit Control, Corporate Finance and Operations Re-Engineering)

The President joined the Company in 2003. He has a wealth of experience from the banking industry, in particular in the small and medium enterprises ("SME") lending sector, having worked in Tat Lee Bank Ltd/Keppel Tatlee Bank Ltd for over 27 years before its acquisition by Oversea-Chinese Banking Corporation ("OCBC"). His last held appointment with OCBC prior to joining the Company was that of General Manager, International Banking Division. The President is not related to the Board Chairman.

The Board had considered Mr Kwek Leng Beng's roles as the MD and Board Chairman and the strengths he brings to these roles by virtue of his stature and experience. Through the appointment of the Lead ID (see more information below) and the establishment of various Board Committees with power and authority to perform key functions without undue influence from the Board Chairman, and the implementation of internal controls for proper accountability and to allow for effective oversight by the Board of the Company's business, the Board ensures that there is appropriate balance of power which allows the Board to exercise objective decision-making in the interest of the Company. The Board is of the view that Mr Kwek Leng Beng's role as the MD and the Board Chairman would continue to facilitate the Company's decision-making and implementation process without diminishing the capacity of the Board for independent decision-making.

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Lead Independent Director (Provision 3.3)

Taking cognizance that the Board Chairman is the MD and thus not independent, the Board has appointed Mr Peter Chay as Lead ID to serve as a sounding board for the Board Chairman and as an intermediary between the NEDs/IDs 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. The Lead ID is available to shareholders should they have any concern and for which approaches through the normal communication channels of the Board Chairman/MD or the President or the CFO have failed to resolve or are inappropriate or inadequate. Shareholders can contact the Lead ID via the Company's corporate website. Under the chairmanship of the Lead ID, a meeting of the NEDs was convened in 2023 without the presence of Management or the Board Chairman, and the views expressed by the NEDs at the meeting were communicated to the Board Chairman and the President, as appropriate.

Principle 4: Board Membership

NC Composition and Role (Provisions 4.1 and 4.2)

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.

The key responsibilities of the NC as set out in its written terms of reference approved by the Board are as follows:

- examine Board size,
- review all Board and Board Committees composition and membership,
- review the board diversity policy and recommend to the Board objectives for diversity (both qualitative and quantitative) and review the progress made towards achieving the Board's objectives for diversity
- review succession plans for the Directors (including the Board Chairman) and the KMP which comprises the MD, the President and the CFO,
- determine each Director's independence annually and as and when circumstances require,
- evaluate performance of the Board as a whole, its Board Committees and the individual Directors,
- review appointments and re-appointments of Directors (including alternate directors, if any),
- review the reasons for resignations of Directors, review appointments and reasons for resignations and terminations of the KMP,
- review and confirm the induction programmes for newly appointed Directors and for existing Directors in respect of their appointments to any of the Board Committees, and
- review training and continuous professional development programme for the Directors.

Two NC meetings were held in 2023. The Company Secretaries maintain 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 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.

Nomination of Directors and Determination of Independence (Provisions 4.3 and 4.4)

The NC reviews the nomination of the relevant Directors for election/re-election as well as the independence of Directors annually. When considering the nomination of Directors for election/re-election, 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 having regard to the provisions in the applicable Rule 210(5)(d) of the Listing Manual and the guidelines for independence set out in Provision 2.1 of the CG Code as well as factors considered under Principle 2 above in relation to Board independence. The NC also considered the Directors' annual confirmation in accordance with the MAS Fit and Proper Guidelines for continued appointment to the Board. The recommendation of the NC on the annual nomination of the Directors for election/re-election is submitted to the Board for decision and thereafter put to the shareholders for approval at the AGM.

The Constitution of the Company provides that not less than one-third of the Directors for the time being who are longest serving since their last re-election or appointment shall retire as Directors at each AGM. All new Directors appointed by the Board shall hold office until the next AGM and be eligible for election at the said AGM. Excluding new Directors who will be seeking election at the first AGM immediately after their initial appointment, the remaining Directors will retire from office at least once in every three years.

In accordance with the Constitution of the Company, Mr Kwek Leng Kee, Mr Kevin Hangchi, Mr Peter Chay and Mr Christian de Charnace will be retiring by rotation at the 2024 AGM.

As recommended by the NC, the Board recommends the re-election of Mr Kwek Leng Kee and Mr Kevin Hangchi as non-independent NEDs and Mr Peter Chay and Mr Christian de Charnace as IDs. In recommending the re-election of these Directors who have offered themselves for re-election at the 2024 AGM, the NC has considered their contribution and performance and recommended to the Board to nominate their re-election at the 2024 AGM. These Directors continue to be fit and proper for appointment based on the MAS Fit and Proper Guidelines.

Criteria and Process for Nomination and Selection of New Directors (Provision 4.3)

The NC also reviews all nominations and interviews candidates before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committees. Searches for and selection of candidates to be considered for appointment as Directors are facilitated through recommendations from the Directors and various other sources. Where necessary, the NC may consider the use of external search consultants to find appropriate candidates. Candidates would be required to furnish their curriculum vitae containing information on their academic/professional qualification, work experience, employment history and experience (if any) as directors of listed companies.

In reviewing and recommending to the Board any new Director appointments, including appointments to the appropriate Board Committee(s), the NC considers the following as well as factors prescribed under the Company's BDP, details of which are set out under the sub-header 'Board Composition, Size and Diversity (Provision 2.4)':

- the candidate's track record, experience and capabilities, or such other factors including age and gender as may be determined by the NC to be relevant and which would contribute to the Board's collective skills and diversity;
- the composition requirements for the Board and Board Committees after matching the candidate's skill set to the requirement of the relevant Board Committees (if the candidate is proposed to be appointed to any of the Board Committees);

- whether the candidate is fit and proper in accordance with the MAS Fit and Proper Guidelines which require the candidate to be competent, honest, to have integrity and be of sound financial standing;
- any competing time commitments if the candidate has multiple listed company board representations and/or other principal commitments; and
- the candidate's independence, in the case of the appointment of an ID.

As a finance company, all new appointments to the Board are approved by the MAS, before they are appointed by the Board or by shareholders at the AGM (as the case may be).

Key Information on Directors (Provision 4.5)

Please refer to the 'Board of Directors' section in the AR for key information on the Directors, which includes the dates of their first appointment and last election/re-election to the Board (if applicable), their academic/professional qualification, directorships held in listed companies and principal commitments for both the current and the preceding three years, and other relevant information; 'Additional Information on Directors seeking re-election'; and the 'Notice of Annual General Meeting' for information on Directors proposed for re-election at the 2024 AGM.

Succession Planning for the Board, the Board Chairman and KMP (Provision 4.1)

The Board believes in carrying out succession planning for itself, the Board Chairman and the KMP to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews the composition of the Board and Board Committees, 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 skill set 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. The NC also conducts annual review on the succession planning to ensure continuity of leadership for the KMP.

To further strengthen the core competencies, diversity and independence of the Board, Ms Low was appointed as an additional ID in April 2023. Ms Low brought with her extensive experience in finance/accounts, as well as experience in sustainability and digital technology.

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Board Development (Provision 4.5)

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. Further trainings for the Directors in specific areas are also being recommended by the NC, where required, based on the NC's review of the annual evaluation checklists from the Board and the Board Committees. 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 2023 are set out in the relevant paragraphs under the subject heading 'Board Orientation and Training/Development' above.

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 (Provision 5.1)

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 criteria which were recommended by the NC and approved by the Board. When assessing the overall Board performance, the NC takes into consideration the Board composition, the Directors' independence, the feedback from individual Directors on areas relating to the Board's role on strategy and performance, the Board's process and governance (including risk management and internal controls) and the effectiveness of the Board Chairman. The results of the overall evaluation of the Board by the NC including its recommendation for improvements, if any, are presented to the Board.

The NC also undertook an evaluation of the performance of the NC, RC, BRC, BSC and the AC with the assistance of self-assessment checklists completed by these Board Committees as well as reports provided by the chairmen of the Exco and SOSC.

The annual evaluation process for the Board Chairman's and the individual Director's performance comprises two parts: (a) background information concerning the Director including his/her attendance record at Board and, where applicable, Board Committee meetings; and (b) NC's evaluation based on certain assessment parameters. The assessment parameters were recommended by the NC and approved by the Board.

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

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 election/re-election of retiring Directors. The Board Chairman, as a member of the NC, is fully apprised of the results of the performance evaluation for the individual Directors and would take into consideration such evaluation and act as appropriate on the recommendation of the NC. 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 (Provision 5.2)

The qualitative criteria used by the NC to evaluate the Board cover five areas relating to Board structure, the Board's review of the Company's strategy and performance, the Board's oversight on the Company's governance including risk management and internal controls, and the effectiveness of the Board Chairman and Board processes.

The quantitative criteria used to evaluate the overall Board performance comprises 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 Company's performance and industry players for the corresponding period.

Individual Director Evaluation Criteria (Provision 5.2)

Factors taken into account in the assessment of a Director's performance include his/her abilities and competencies, his/her objectivity and the level of participation at Board and, where applicable, Board Committee meetings including his/her contributions to Board processes and the business strategies and performance of the Company. The performance evaluation of each Director is taken into account in the NC's consideration with regard to his/her election/re-election as a Director.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

RC Composition and Role (Provisions 6.1, 6.2, 6.3 and 6.4)

The RC comprises three NEDs, all of whom including the chairman of the RC are independent.

The key responsibilities of the RC 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 for the Board and KMP as well as the specific remuneration packages for each Director and the KMP.

The Company has in place a remuneration framework (which covers all aspects of remuneration) for the Directors and the KMP. The Company has currently identified the MD who is the only ED of the Company, the President and the CFO as the Company's KMP for FY 2023. On an annual basis, the RC reviews and recommends fees payable to the Directors for the Board's consideration before approval is sought from the shareholders at the AGM. The RC also reviews and recommends annually the specific remuneration packages for the Directors and the KMP including salary adjustments/increments, where applicable, variable bonuses and share options to be granted to the KMP for approval by the Board. The KMP's contracts of service which have been reviewed by the RC do not contain any unfair or unreasonable termination clauses.

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 and SOSC meetings. No remuneration consultants from outside the Company were appointed. In considering the level of remuneration for the Directors and the KMP, the RC also considered industry practice based on latest available information.

The Company Secretaries maintain records of all RC and SOSC meetings including records of discussions on key deliberations and decisions taken. Two meetings of the RC were convened during 2023.

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 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 7: Level and Mix of Remuneration

Remuneration of Directors and KMP (Provisions 7.1, 7.2 and 7.3)

The Company's remuneration policy for Directors comprises the following distinct objectives:

- to ensure that the procedure for determining remuneration for Directors is formal and transparent;
- to ensure that the level of remuneration is sufficient (without being excessive) to attract and retain Directors to provide good stewardship and exercise oversight responsibility over the Company so as to ensure a sustainable performance and long-term value creation for the Company; and
- to ensure that no Director is involved in deciding on his/her own remuneration.

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In reviewing the remuneration packages of the KMP, the RC, with the assistance of the HR Head, considers the level of remuneration based on the Company's remuneration policy for the EDs and KMP (not being a Director) which is substantially aligned with that of the employees and 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;
- to ensure that the remuneration reflects employees' duties and responsibilities; and
- to reward employees for achieving corporate and individual performance targets in a fair and equitable way.

The Company adopts a performance-based remuneration framework that is flexible and responsive to the market, and the performance of the Company and the individual employees. In designing the remuneration framework for the EDs and KMP (not being a Director), the Company seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between the current and longer-term objectives of the Company.

Based on the remuneration framework, the remuneration packages for the KMP comprise a fixed component (in the form of a base salary and where applicable, fixed allowances), a variable component (which would normally comprise short-term incentives in the form of variable bonuses and long-term incentives in the form of share options) and benefits-in-kind, if any.

In determining the fixed and variable components 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 the Company's financial performance including specific performance indicators tracked over time as well as other factors (internal or external) which

may have impacted the Company's performance during the year. Besides profitability, these specific indicators include those that track the growth and the quality of the Company's core business especially the size and quality of its loan assets, level and growth of deposits and percentage of non-performing loans. The monitoring and management of interest spreads, loan/deposits ratio, profitability, are also considered. The Company exercises its discretion and independent judgement in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Company. The overall level of remuneration is not considered to be at a level which is likely to promote behavior contrary to the Company's risk profile.

The Company currently has in place a long-term incentive scheme, which is the SOS.

As 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 for the Company to attract, retain and motivate good employees, the Company does not require the KMP to continue to hold their shares upon exercise of the options after the vesting period. Options granted under the SOS to the KMP vest progressively over a period of three years. 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' Statement on pages 89 to 90 and the Financial Statements on pages 117 to 121 of the AR.

The SOS was first approved by the shareholders at an extraordinary general meeting in 2001 for an initial period of ten years commencing on 31 January 2001. It was extended at the AGM in April 2010 for a further period of ten years from 31 January 2011 to 30 January 2021. At the AGM held in June 2020, the shareholders approved the second extension of the duration of the SOS for another period of ten years from 31 January 2021 to 30 January 2031.

The Company does not discourage Directors from holding shares in the Company. There is however no requirement

under the Company's Constitution for Directors to hold shares in order to be qualified to act as a Director. The RC was of the view that the grant of options under the SOS to NEDs should not be used as a scheme to encourage NEDs to hold shares in the Company. Although the NEDs are eligible to participate in the SOS, no options were granted to them since the implementation of the SOS in 2001. The RC has also considered and is satisfied that the payment of Directors' fees to the NEDs in cash is appropriate under the present circumstances.

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 an employee of the Company, resulting in financial loss to the Company.

When reviewing the structure and level of Directors' fees, which comprise base Director's fee and additional fees for services rendered under the various Board Committees and fee for the Lead ID, 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 compared the Company's fee structure against industry practices. Other factors taken into consideration in the fee review include the 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. The RC is mindful that the remuneration for IDs should not be excessive in order not to compromise or reasonably be perceived to compromise their independence. No Director is involved in deciding his/her own remuneration.

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 payable to Directors of the Company for FY 2023 is as follows:

Appointment	Fees per annum (\$)
Director	80,000 (Basic fee)
Additional Fees:	
Board Chairman	25,000
Lead Independent Director	15,000
Executive Committee (Exco)	
- Exco Chairman	35,000
- Exco Member	25,000
Nominating Committee (NC)	
- NC Chairman	25,000
- NC Member	18,000
Remuneration Committee (RC)	
- RC Chairman	25,000
- RC Member	18,000
Hong Leong Finance Share Option Scheme 2001 Committee (SOSC)	
- SOSC Chairman	5,000
- SOSC Member	3,500
Audit Committee (AC)	
- AC Chairman	70,000
- AC Member	50,000
Board Risk Committee (BRC)	
- BRC Chairman	70,000
- BRC Member	50,000
Board Sustainability Committee (BSC)	
- BSC Chairman	12,000
- BSC Member	8,000

CORPORATE GOVERNANCE REPORT

Principle 8: Disclosure of Remuneration

Disclosure of Remuneration (Provisions 8.1(a) and 8.3)

The compensation packages for the KMP comprised a fixed component (in the form of a base salary and fixed allowances), a variable component (in the form of variable bonuses and share options) and benefits-in-kind, taking into account amongst other factors, the individual's performance, the Company's performance and industry practices.

There were no termination, retirement or post-employment benefits granted to any Director or KMP in 2023.

The remuneration of each Director for FY 2023 including a breakdown in percentage terms earned through base salary, variable bonuses/allowances, fees, share option grants and other benefits for FY 2023, is set out below:

Name of Director	Total Remuneration \$	Base Salary ⁽¹⁾ %	Variable Bonuses/ Allowances ⁽¹⁾ %	Board/ Board Committee Fees ⁽²⁾ %	Share Option Grants ⁽³⁾ %	Other Benefits %	Total %
Executive Director							
Kwek Leng Beng (MD)	2,974,352	38	53	7	1	1	100
Non-executive Directors							
Kwek Leng Peck	158,500	-	-	100	-	-	100
Kwek Leng Kee	80,000	-	-	100	-	-	100
Kevin Hangchi	142,000	-	-	100	-	-	100
Peter Chay Fook Yuen	263,000	-	-	100	-	-	100
Tan Tee How	225,000	-	-	100	-	-	100
Tan Siew San ⁽⁴⁾	204,042	-	-	100	-	-	100
Christian Gautier de Charnace	130,000	-	-	100	-	-	100
Clarence Yeo Gek Leong	184,500	-	-	100	-	-	100
Jeann Low Ngiap Jong ⁽⁴⁾	94,143	-	-	100	-	-	100

Notes

⁽¹⁾ The salary and variable bonuses/allowances paid/payable are inclusive of employer's central provident fund contributions.

⁽²⁾ These fees comprise Board and Board Committee fees for FY 2023, which are subject to approval by shareholders as a lump sum at the 2024 AGM.

⁽³⁾ These relate to options granted during FY 2023. The fair value of the options as at the date of grant is \$0.079 for each share under option taking into account the vesting schedule using the Black-Scholes Option Pricing Formula.

⁽⁴⁾ Ms Jeann Low was appointed to the Board and as an additional member of the AC and as a member of the BSC in place of Ms Tan Siew San on 27 April 2023. Board and Board Committee fees payable to Ms Low and BSC fee payable to Ms Tan, are prorated accordingly.

Remuneration of KMP (not being a Director or CEO) (Provisions 8.1(b) and 8.3)

For FY 2023, the Company identified the President and the CFO as its KMP (not being a Director or CEO).

The aggregate remuneration paid to members of the Senior Management team including the KMP (not being a Director or CEO) in respect of FY 2023 was S\$7,229,806. This aggregate includes remuneration paid to two members of the Senior Management team who had retired from the Company in April 2023 and January 2024.

While corporate governance guidelines recommend that at least the top five key executives' remuneration be disclosed, the Board believes that it is not in the interest of the Company to do so having regard to the highly competitive talent environment.

Remuneration of Director's, CEO's or Substantial Shareholder's Immediate Family Members for FY 2023 (Provision 8.2)

There were no employees of the Company who were substantial shareholders of the Company or immediate family members of a Director, the CEO or a substantial shareholder of the Company during the year.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

Oversight of Risk Management (Provision 9.1)

The Board has overall responsibility of overseeing the Company's risk management framework and policies and ensuring that Management maintains a sound system of internal controls and risk management. The BRC, a dedicated risk committee at Board level assists the Board on matters relating to the risk management function of the Company.

The BRC comprises seven Directors, six of whom including the chairman of the BRC are NEDs. The current members of the BRC possess the relevant business experience and are suitably qualified to discharge their responsibilities within the BRC's written terms of reference which have been approved by the Board.

Other duties of the BRC within its written terms of reference include:

- review of the risk management framework; and
- review of the risk governance structure of the Company and monitoring and assessment of the adequacy and effectiveness of the Company's risk management function and organisational structure.

The BRC is supported by the risk management department ("RMD") in maintaining an effective control environment that reflects the risk appetite and business objectives of the Company. The risk management team is independent of the business units. Management is accountable to the Board through the BRC for ensuring the effectiveness of the risk management framework. Departments perform regular self-assessments to assess the adequacy and effectiveness of their internal controls. The results of the evaluations are reviewed by Management.

The Company's approach to risk management is set out in the 'Risk Management Report' on pages 49 to 52 of this AR.

The BRC receives regular reports from the RMD on the risk management activities of the Company. The AC also receives regular reports from the RMD to help the AC review the adequacy and effectiveness of the Company's material internal controls that address the Company's financial, operational, compliance and IT controls.

The BRC met twice in 2023 and carried out its duties as set out within its terms of reference. The Company Secretaries maintain records of all BRC meetings including records of discussions on key deliberations and decisions taken.

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

CORPORATE GOVERNANCE REPORT

Assurances from the KMP (Provision 9.2)

In relation to Provision 9.2 of the CG Code and Rule 1207(10) of the Listing Manual, the AC and the Board received:

- (a) written assurance from the KMP that the Company's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) written assurance from the KMP that the Company's risk management and internal control systems in place are adequate and effective to address in all material aspects the financial, operational, compliance and IT risks in the context of the current scope of the Company's business operations.

The process of reviewing and strengthening the Company's control environment is an ongoing process. The Board and Management will take action to rectify areas which require enhancement and strengthen the internal controls and risk management systems with a view to maintain a high level of governance and internal controls. However, the Board also notes that no system of internal controls and risk management 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 risks, and risk management systems for FY 2023, with the assistance of the BRC, Management, RMD, Credit Control department, Compliance department, IT department and the internal and external auditors.

Based on the work performed by Internal Audit ("IA"), and the statutory audit by the Company's external auditors, KPMG LLP ("KPMG") and the periodic reports from the BRC and RMD, as well as the assurances from the KMP, the Board with the concurrence of the AC, is of the opinion that the system of risk management and internal controls in place as at 31 December 2023 to address in all material aspects the financial, operational, compliance and IT risks, are adequate and effective in the context of the current scope of the Company's business operations. Further details on the Company's Risk Management can be found on pages 49 to 52.

Principle 10: Audit Committee

Composition of AC (Provisions 10.2 and 10.3)

The AC comprises four NEDs, all of whom including the chairman of the AC are independent. Three members including the AC chairman possess the relevant accounting or related financial management expertise and experience. Ms Low was appointed a member of the AC with effect from 27 April 2023.

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.

Based on the written terms of reference of the AC, a former partner or director of the Company's existing auditing firm or auditing corporation should not act as a member of the AC: (a) within a period of two years commencing on the date of his/her ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he/she has any financial interest in the auditing firm or auditing corporation. Mr Chay ceased as the Deputy Managing Partner of the Company's existing auditors, KPMG in September 2017 and does not have any financial interest in KPMG. The other AC members do not have any relationship with KPMG.

Powers and Duties of the AC (Provisions 10.1 and 10.5)

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 ("EA"), the internal auditors, Management and any officer and employee of the Company. It may invite any Director, Management, any officer or employee of the Company, the EA 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 oversee the financial reporting, internal controls, internal and external audit functions. Other duties within its written terms of reference, include:

- to review significant financial reporting issues and judgements so as to ensure the integrity of the Company's financial statements, and of announcements on the Company's financial performance and recommend changes, if any, to the Board;
- to review annually the scope and results of the external audit and the independence and objectivity of the EA, and in this regard to also review the nature and extent of any non-audit services provided by the EA to the Company;
- to make recommendations to the Board on the nomination for the appointment, re-appointment and removal of EA, and to approve the remuneration and terms of engagement of the EA;
- to assess the role and effectiveness of the IA function in the overall context of the Company's internal controls and risk management systems, and to consider the results of their review and evaluation of the Company's internal controls, including financial, operational, compliance and IT controls;
- to approve the appointment or dismissal of the Head of IA;
- to review interested person ("IP") transactions and related party lending transactions to ensure that they are entered on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders;
- to oversee the establishment and operation of the whistle-blowing policy and arrangements in place for raising, in confidence, concerns about possible improprieties on matters of financial reporting or any other matters; and
- to ensure that the Company has fraud policies and programmes in place to identify and prevent fraud.

During the year, the AC had discussed with Management matters that required Management's estimation and judgement in the preparation of the financial statements for FY 2023. The AC was satisfied that the key significant matter identified impacting the financial statements was as follows:

Loan, advances and receivables represent a significant component of total assets with potential material impact to the Group's financial statements. The determination of the adequacy of the impairment allowance for loan, advances and receivables involves Management's assessment and judgement as disclosed in the Notes to the Financial Statements.

The Group developed Expected Credit Loss ("ECL") model to compute the impairment loss allowance for non-credit impaired financial assets taking into consideration factors such as risk parameters, forward-looking estimates and management overlay based on a combination of statistical analysis, assumptions and judgements. In 2023, the Group had refreshed its parameters including diverse range of economic factors and scenarios. The shortfall between the Stages 1 and 2 ECL and the Minimum Regulatory Loss Allowance as required under Revised MAS Notice 811 is recorded under Regulatory Loss Allowance Reserve.

Loss allowance for credit impaired financial assets is assessed based on individual exposures against the estimated collateral values, taking into account its enforceable or net realizable value, as well as the discounting effect.

The AC has reviewed the steps that Management has taken for the assessment of impairment of loans, advances and receivables and the aggregate allowances recorded. The AC is satisfied that the necessary steps have been taken and properly addressed and the allowances for impairment losses have accordingly been adequately provided for.

The impairment allowances on loans, advances and receivables were also an area of focus for the EA which was discussed with the AC. The EA have identified this item as the only key audit matter in their audit report. Please refer to the Independent Auditors' report in the AR.

The AC held four meetings during the year and carried out its duties as set out within its terms of reference. The Company Secretaries maintain records of all AC meetings including records of discussions on key deliberations and decisions taken. The AC meets with the internal auditors and EA, each separately without the presence of Management, at least once annually.

CORPORATE GOVERNANCE REPORT

The AC members continually keep themselves abreast of changes to accounting standards and issues which have a direct impact on financial statements.

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 considered the contribution of the 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 (Provisions 10.1(d) and 10.1(e))

Taking cognizance that the EA 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 2023. The AC considered the Company's policies, processes and safeguards to protect and preserve audit independence. The AC also considered and approved the nature of the provision of the non-audit services in 2023 and the corresponding fees and ensured that such non-audit fees did not impair or threaten the audit independence. KPMG's confirmation of their audit independence was further noted. 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. The fees paid and/or payable to KPMG in respect of audit and non-audit services for FY 2023 are set out below:

	\$'000
Audit fees	477
Non-audit fees	100

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2024, the AC considered the adequacy of the resources, experience and competence of KPMG including its Audit Quality Indicators information. 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 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 timelines. The AC also appreciated the candour of the EA in discussions on audit issues with the AC, both in a private session and during meetings. The AC noted that the audit partner, Mr Chen Junwei was appointed for commencement of audit of the financial statements from FY 2023 in place of the previous audit partner, Mr Ian Hong, who was rotated out in compliance with SGX-ST Listing Rule 713 which stipulates that the audit partner must not be in charge of more than 5 consecutive audits for a full financial year.

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 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 EA at the 2024 AGM.

RELATED PARTY AND INTERESTED PERSON TRANSACTIONS

Taking a risk-based approach, the Company has established policies and procedures on related party ("RP") and IP 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 RPs

and/or IPs (as defined in Chapter 9 of the Listing Manual), than those extended to other unrelated third parties under similar circumstances. IA reviews all IP transactions and the RP 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 RPs and IPs is maintained by the Company for monitoring purposes.

Particulars of IP transactions required to be disclosed under Rule 907 of the Listing Manual are as follows:

Name of IP	Nature of Relationship	Aggregate value of all IP transactions in FY 2023 (excluding transactions less than \$100,000 and transactions conducted under any shareholders' mandate pursuant to Rule 920) (\$'000)	Aggregate value of all IP transactions conducted in FY 2023 under shareholders' mandate* pursuant to Rule 920 (excluding transactions less than \$100,000) (\$'000)
Kingston Property Maintenance Services Pte Ltd ("KPMS")	Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is the immediate and ultimate holding company of the Company. KPMS, HLH and CDLMS, being subsidiaries of HLIH, are IPs.	Cleaning, security and building maintenance services:	131
Hong Leong Holdings Limited ("HLH")		Lease of office/branch premises:	19,035
CDL Management Services Pte Ltd ("CDLMS")		Receipt of corporate secretarial services:	422
		Total:	19,588

* The Company has not sought any shareholders' mandate for IP transactions pursuant to Rule 920 of the Listing Manual.

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

CORPORATE GOVERNANCE REPORT

Material Contracts

Except as disclosed above and in the financial statements for FY 2023, there were no material contracts entered into by the Company and its subsidiaries involving the interests of the CEO, Directors or controlling shareholders, which are either still subsisting at the end of FY 2023 or, if not then subsisting, entered into since the end of the previous financial year.

Whistleblowing Policy (Provision 10.1(f))

HLF has in place a whistleblowing policy where employees 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 Company is committed to maintaining procedures for the confidential submission of reports and the identity of the whistle-blower concerned will not be disclosed if so requested by the whistle-blower who lodged the report and the whistle-blower will be protected from any unfair treatment as a result of his/her report. Investigations of such reports will be handled on a confidential basis to the extent permissible or deemed appropriate under the circumstances and involve persons who need to be involved in order to properly carry out the investigation and will, on a best efforts basis, be carried out in a timely manner.

The AC has the responsibility of overseeing the whistleblowing policy which is administered by the Head of IA. The AC has also designated the Heads of IA and HR as the independent designated officers to investigate whistleblowing reports and submit the results to the AC.

In order to facilitate and encourage the reporting of such matters, an abridged version of the whistleblowing policy, together with the dedicated whistleblowing communication channels (email and postal address as well as telephone contact numbers) are available on the Company's corporate website and is easily accessible by all employees and other persons.

The whistleblowing policy is reviewed by the AC annually to ensure that it remains current. For more details on the said policy including the procedures for raising concerns, please refer to the Company's corporate website at www.hlf.com.sg.

Anti-Fraud Policy

HLF also has in place an anti-fraud policy which provides guidance and assistance to the officers and employees of the Company on matters relating to the prevention, detection, reporting and investigation of fraudulent conduct. The AC reviews annually this policy which is administered by the Head of Compliance department.

Anti-Corruption Policy

HLF has established an anti-corruption policy to provide guidance and assistance to officers and employees of the Company on matters relating to the prevention, detection, reporting and investigation of corruption and bribery. The BSC reviews this policy, which is administered by the Head of Compliance department, periodically at least once every two years.

Internal Audit (Provisions 10.4 and 10.5)

The IA function is independent of the activities it audits. The Head of IA's primary reporting line is to the AC 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/or approved by the AC. The AC also evaluates the annual performance appraisal of the Head of IA and approved all bonus payments and salary adjustments for this position within the compensation policies established by the Company. 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, and has unrestricted access to all records, files, documents, personnel and physical properties relevant to the performance of audits and retention of copies of the documents obtained, where required.

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.

The Head of IA, Ms Joyce Tay is a Fellow of CPA Australia and a Certified Fraud Examiner. She has a total of 27 years of working experience, out of which 18 years as Head of IA. The IA team members have the relevant qualifications and experience; and most of them are members of professional bodies (CPA, CA and ACCA), Certified Internal Auditor and Certified Fraud Examiner. 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 and the AC to evaluate and improve the 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 2023 IA plan in January 2023 and received regular reports during 2023 on the progress of the audit work under the IA plan. IA observations, recommendations and management responses 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 an ongoing 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 conducted for 2023, 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.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

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.

General Meetings (Provisions 11.1, 11.2 and 11.3)

Shareholders are informed of general meetings through notices sent to them. All shareholders are entitled to attend and vote at general meetings in person or by proxy or in the case of a corporate shareholder, through its appointed representative. They are given the opportunity to communicate their views and are encouraged to ask the Directors and the Management questions regarding matters concerning the Company.

The rules for the appointment of proxies, including information that the voting will be conducted by way of poll, are set out in the notice of general meetings. In accordance with the Constitution of the Company, shareholders who are not relevant intermediaries may appoint not more than two proxies to attend, speak and vote at general meetings in their absence, and shareholders who are relevant intermediaries may appoint more than two proxies to attend, speak and vote at general meetings. Proxy forms must be deposited at such place or places specified in the notice or document accompanying the notice convening the general meetings at least seventy-two (72) hours before the time set for the general meetings.

The Company provides for separate resolutions at general meetings on each substantial issue, including treating the election/re-election of each Director as a separate resolution. Should the resolutions be bundled, the Company will explain the reasons and material implications for doing so in the notice of the general meeting. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the notice of AGM in the AR.

All Directors, including the Lead ID, the chairmen of the respective Board Committees, the President and other members of the Senior Management team, the EA and legal advisors (where necessary) are present at general meetings to address queries from the shareholders. Questions relating to the conduct of the audit and the preparation and content of the EA's report may be addressed by the EA. At each AGM, the President or the CFO delivers a presentation to update shareholders on the Company's financial performance in the preceding year.

CORPORATE GOVERNANCE REPORT

2023 AGM

The 2023 AGM was held on 27 April 2023 in a wholly physical mode at Orchard Hotel. Arrangements were put in place for attendance at the 2023 AGM, the submission of questions to the Chairman of the Meeting in advance of, or at, the 2023 AGM and voting at the 2023 AGM by shareholders or their duly appointed proxy(ies) and these arrangements were disclosed to shareholders by way of an announcement released on SGXNet on 29 March 2023. Shareholders were also informed of the 2023 AGM through a notification by post.

All the Directors including the Board Chairman and the chairmen of the respective Board Committees, members of the Management team including the President and the CFO and the EA were in attendance at the 2023 AGM.

FORTHCOMING 2024 AGM

The forthcoming 2024 AGM will continue to be held in a wholly physical mode at M Hotel, Singapore on 25 April 2024. Shareholders will receive, via post, the Notice of the 2024 AGM together with a copy each of the detachable proxy form and AR request form for shareholders' use. These documents will also be made available on the Company's corporate website. The AR, Notice of the 2024 AGM and the accompanying proxy form will also be published on the SGX website.

Further, as part of the Company's commitment towards environmental sustainability, printed AR will only be sent to shareholders upon receipt of duly completed AR request forms. Arrangements relating to attendance at the 2024 AGM, submission of questions in advance of, or at the 2024 AGM and voting at the 2024 AGM by shareholders or their duly appointed proxy(ies) or representative(s) in the case of corporate shareholder, are set out in the Notes of the Notice of the 2024 AGM.

Voting at General Meetings (Provision 11.4)

Shareholders are given the opportunity to vote at general meetings even when they are not in attendance as they may appoint proxy(ies) to vote on their behalf. However, as the authentication of shareholder identity information and other related integrity issues remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

Electronic poll voting will be conducted at the 2024 AGM. In support of greater transparency and to allow for a more

efficient voting system, the Company had been conducting electronic poll voting since its 2012 AGM (except the 2020 to 2022 AGMs which were held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 and the checklist issued by ACRA, MAS and SGX RegCo). With electronic poll voting, shareholders present in person or represented by proxy at the 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 displayed on-screen at the meeting and announced via SGXNet after the AGM. Voting procedures for the electronic poll voting will be explained at the AGM and an external firm which is independent of the firm appointed to undertake the electronic poll voting process, will be appointed as scrutineers for the AGM voting process.

Minutes of General Meetings (Provision 11.5)

The Company also maintains minutes of its general meetings, which include the key comments and queries raised by shareholders and the responses from the Board, Senior Management and/or the EA. The minutes of the general meetings are available on the Company's corporate website and the SGX website as soon as practicable after the meetings.

Dividend Policy (Provision 11.6)

The Company has a formalized dividend policy which aims to pay dividends twice a year, at rates which balance returns to shareholders with prudent capital and financial management. Before proposing any dividends, the Board will consider a range of factors, including the Group's financial performance, sufficiency of retained earnings and cash for operations as well as for capital requirements, capital expenditure, investment plans, general business conditions and market factors. The Board will review the dividend policy from time to time and reserves the right to modify, amend and update the policy.

The Company strives to maintain a strong capital position to ensure market confidence, and to meet the expectations of depositors, customers and investors, while ensuring compliance with regulatory 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.

In line with the Company's dividend policy, the Board has recommended a final dividend of \$0.09 per share. This will bring the total dividend for FY 2023 to \$0.125 per share.

The dividend payouts in the current and past four years are set out in the 'Five Year Financial Summary' section of the AR.

Principle 12: Engagement with Shareholders

The Company notifies its investors in advance of the date of release of its financial results via SGXNet. For FY 2023, results for the first half-year ("1H") were released to shareholders within 45 days of the end of 1H whilst annual results were released within 60 days from the financial year end. In presenting the Group's financial results, the Board aims to provide investors 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 KMP provided assurance to the AC and the Board on the integrity of the 1H unaudited financial statements and the Board in turn provided negative assurance confirmation in respect of the unaudited financial statements for 1H in accordance with the regulatory requirements.

The Company ensures that investors are notified of all material information in an accurate and timely manner. Should there be an inadvertent disclosure made to a select group, the Company will release the same information promptly via SGXNet. 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 are notified of general meetings and the documents relating thereto which are made available on the Company's corporate website and SGX website.

Shareholder Communication (Provision 12.1)

Shareholders and investors can contact the Company or access information on the Company at its website at www.hlf.com.sg which has a dedicated "Investor Relations" ("IR") link that provides, *inter alia*, information on the Board of Directors, Annual Reports, financial results as released by the Company on SGXNet, financial highlights and matters relating to the Company's AGM, and minutes of general meetings. The website also provides contact details for shareholders to submit their feedback/enquiry and raise any questions to the Lead ID via a link in his profile page under the Board of Directors section as well as via Investor Relations.

Shareholders are encouraged to attend the 2024 AGM in person so that they can engage with the Board directly.

Investor Relations Policy (Provisions 12.2 and 12.3)

The Company aims to build investor confidence and trust through effective open, two-way communication with shareholders and the investment community. The Company's IR Policy which is available on the Company's corporate website (www.hlf.com.sg), sets out the process and mechanism to engage its stakeholders, including the channel of communication through which shareholders and investors may pose queries and through which the Company may respond. The IR Policy outlines the principles and framework in which the Company communicates and engages with investors and other IR stakeholders to provide balanced, clear and pertinent information.

MANAGING STAKEHOLDER RELATIONSHIPS

Principle 13: Engagement with Stakeholders

The Company has identified its stakeholders and has arrangements in place to engage with them through a variety of channels (including via the Company's corporate website) in order to determine the environmental, social and governance issues that are important to them. These issues form the materiality matrix upon which targets, metrics, initiatives and progress are reviewed by the Management team and reported to the BSC and the Board for approval, before they are published annually in the Company's sustainability report. Further information on the Company's approach to stakeholder engagement and its materiality assessment can be found on pages 53 to 75 of this AR.

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. The Company has in place an internal code of 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 employees 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, regulators and amongst employees, including situations where there are potential conflicts of interests.

CORPORATE GOVERNANCE REPORT

In addition to the code, the Company has in line with MAS' guidelines, developed and implemented an Individual Accountability and Conduct Policy. The key objectives include:

- identify senior managers and material risk personnel with responsibility for the core functions of the Company's operations
- establish and promote good governance and a strong risk culture
- establish clear roles and responsibilities of senior managers and material risk personnel to facilitate accountability
- ascertain that senior managers and material risk personnel are fit and proper

In line with the Board's commitment to maintain high ethical standards which are integral to the Company's corporate identity and business, the Company also has the following corporate policies and procedures in place:

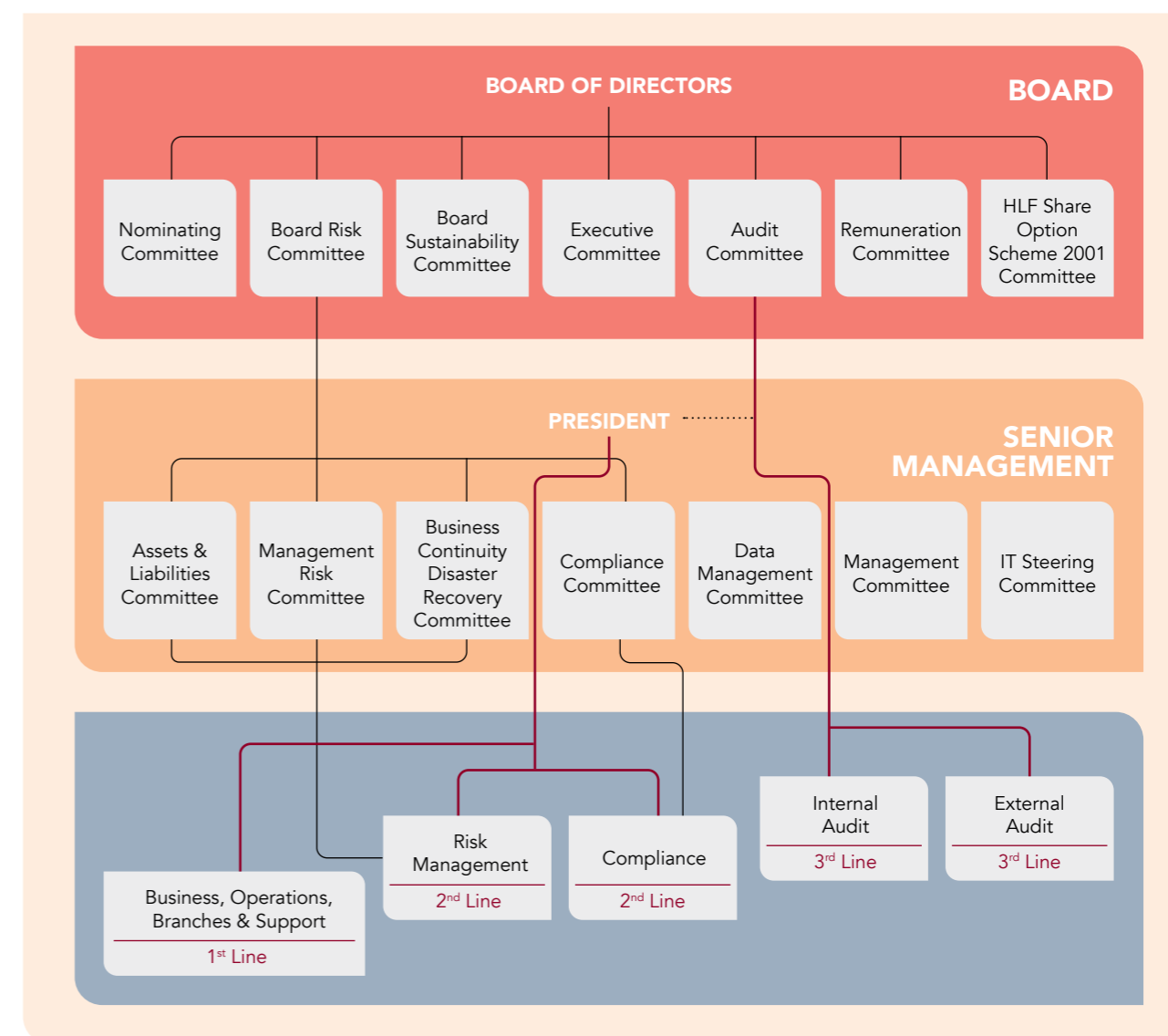
- (i) Policy on Anti-Money Laundering/Countering the Financing of Terrorism which provides guidance to the Company's officers and employees on the conduct of the Company's business with a view to conformity with high ethical standards, and guarding against establishing any business relations or undertaking any transaction, that is or may be connected with or may facilitate money laundering or terrorism financing;
- (ii) Anti-Fraud Policy, details of which are set out under the sub-header 'Anti-Fraud Policy' above;
- (iii) Whistleblowing Policy, details of which are set out under the sub-header 'Whistleblowing Policy' above;
- (iv) Anti-Corruption Policy, details of which are set out under the sub-header 'Anti-Corruption Policy' above;
- (v) Procurement Policy which is adopted to ensure that the procurement process in the Company is fair, consistent and transparent. The policy provides guidance to the Company's officers and employees to conduct the Company's procurement activities in a manner above reproach, with complete impartiality and with no preferential treatment;
- (vi) Personal Data Protection Policy and related data management policies which provides guidance to employees on matters related to the Personal Data Protection Act 2012;

- (vii) Competition Law Policy which states the Company's policy to compete fairly and ethically in the conduct of business and provides direction and guidance to employees in their relationships and communication with competitors and customers;
- (viii) Policy on transactions with RP/IP which provides guidance to the Company's officers and employees to conduct RP/IP transactions on an arm's length basis and on normal commercial terms consistent with its usual business practices and policies, not prejudicial to the interest of the Company and its minority shareholders and on terms which are not more favourable to the RP/IP than those extended to other unrelated third parties under similar circumstances;
- (ix) Complaint Handling Procedures which ensure that all complaints from customers are dealt with professionally, fairly, promptly and diligently and decisions are clearly communicated to customers; and
- (x) Compliance Policy which states the principles to be followed by Management and employees in managing regulatory risk.

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 all Directors and employees from 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 period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the date of announcement of the Company's full year financial statements (if the Company is required to announce its quarterly financial statements), and during the period commencing one month before the date of announcement of the Company's 1H and full year financial statements (if the Company is not required to announce its quarterly financial statements). The Directors and employees of the Company are notified in advance of the commencement of each "closed period" relating to dealing in the Company's securities.

RISK MANAGEMENT REPORT



Risk Management is at the centre of our business strategy to protect our customers, shareholders and all the stakeholders to achieve sustainable growth in targeted market segments. This is achieved through informed risk decisions and robust risk management, supported by a consistent risk-focused culture.

The Company is committed to embrace governance, risk management and controls to undertake risks responsibly through a robust risk management framework, which is aligned with the industry best practices.

The Company believes that a strong risk management process will support effective business strategies and capital allocations to increase shareholders' value. Therefore, risk and return are evaluated and managed to produce sustainable revenue and reduce earnings volatility.

The Company's risk management framework is supported by:

- (a) Strong tone from the top and prudent risk appetite that are set at the Board's level;
- (b) Clear directives through policies and guidelines that are issued by the Board and management;
- (c) Appropriate governance processes that are executed through various Board and management committees;
- (d) Ongoing monitoring and timely escalation processes that are performed by risk owners and controls units.

The Company has adopted three lines model in the organisation structure to instil ownership, accountability, and independent management of risks.

RISK MANAGEMENT REPORT

THREE LINES MODEL

All staff are responsible for understanding and managing risks within the context of their individual roles and responsibilities. In the first line, the Business, Operations, and Support departments are risk owners who are primarily responsible for identifying, assessing, and managing risks through the implementation of effective controls. These controls are embedded, performed, owned and overseen within the day-to-day business processes.

In the second line, departments such as Risk Management, Credit Control and Compliance establish frameworks, policies, guidelines, and limits to manage Credit, Operational, Market & Liquidity, and Environmental risks. They are also responsible for monitoring risks against limits and escalate exceptions where necessary. In addition, Credit Control review and endorse the credit proposals before they are submitted for approvals.

In the third line, Internal and External Audit functions provide independent assurance over the effectiveness of governance, risk management and controls.

RISK MANAGEMENT DEPARTMENT

The department is independent of the business units, and performs the role of establishing risk management policies and guidelines. The main functions include:

- Supporting the BRC in carrying out its oversight of the risk management programme;
- Supporting senior management in achieving the strategic priorities by maintaining and enhancing the risk framework; and
- Promoting a strong risk culture that emphasizes every employee's accountability for appropriate risk management.

The department monitors and reports risk profiles, exposures and trends regularly to senior management and the BRC. In addition, risk management policies, limits and systems are reviewed regularly to reflect changes in regulations, markets, products and best practices.

The following paragraphs describe the ways which various risk types are measured and managed.

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.

Business environment and strategies are key drivers of the risk profile. The senior management scan the environment regularly for changes and impacts. Strategies are formulated to manage new risks and tap on emerging opportunities.

An integrated business planning and budgeting process is adopted to 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.

Management has formed Management Committee ("MC") to oversee strategic risk.

CREDIT RISK

Credit risk is the potential loss arising from the failure of borrowers and/or counterparties to meet their contractual obligations. The Company is exposed to credit risk from lending activities to retail, corporate and institutional borrowers.

Management has formed Management Risk Committee ("MRC"), Loans Collection Committee, Development Loan Committee and Trade Services Portfolio Review Committee to oversee various aspects of credit risk.

Policies and Processes

The credit risk management is governed by framework and policies, which are reviewed and approved regularly by the MRC.

The credit processes identify, measure and monitor credit risk exposures, and manage them to an acceptable level, consistent with the risk tolerance and aligned with the relevant business strategy.

Credit Portfolio Management and Concentration Risk

The Company's guiding principle in its lending activity is to diversify its loan portfolio mix and avoid undue concentration of credit risks in its loan portfolio. Credit concentration risks are managed by setting credit portfolio limits, which are reviewed regularly to reflect changing business strategies and environment.

Mitigation

In line with the prevailing business plan, the Company will continue to pursue credit risk exposures mainly in secured lending. As a fundamental credit principle, HLF does not grant credit facilities solely on the basis of collaterals provided. Instead, facilities are granted primarily based on the borrowers' credit worthiness, debt servicing abilities

and sources of repayment. Where practical, the Company takes collateral as a secondary recourse of repayment to mitigate credit risks. The values of collaterals, including cash, properties, motor vehicles, shares, trade receivables, plants and equipment, are monitored periodically.

Stress Test

Regular Credit Stress Tests are conducted to identify the impact on asset quality, earnings performance and capital adequacy to a range of adverse scenarios. Our stress test scenarios include potential but plausible macroeconomic conditions and geopolitical events in varying degrees of severity. This helps the Company to assess its capital adequacy, identify potentially risky portfolio segments, and plan preventive actions.

More details on credit risk could be found in the Financial Statements on pages 136 to 141 of the AR.

MARKET RISK

Market risk is the risk to earnings and capital arising from changes in the interest rates environment. Mismatches in the repricing periods of assets and liabilities expose the Company to market risks. Interest rate risks in the banking book are driven by customers' deposit taking and lending activities, holdings in the statutory liquid asset portfolio and funding activities.

Management has formed Assets and Liabilities Committee ("ALCO") to oversee various aspects of market risks.

Policies and Processes

The market risk management is governed by policies and processes which are subjected to regular reviews to ensure that they remain relevant to the current market practices and regulatory guidelines. This involves quantifying the magnitude of interest rate risk within the balance sheet through various risk techniques such as repricing gap analysis, net interest income simulation and present value of a basis point (PV01).

Mitigation

The mitigation of interest rate risks is deployed through the pro-active management of deposits strategies. Limits are set and reviewed regularly. The exposures are monitored against approved limits to ensure that risks are within tolerable thresholds.

Stress Tests

Regular stress tests are performed to assess the impact on net interest income to extreme interest rate movements. These tests provide early signals to warn of potential extreme losses, which facilitate the proactive management of interest rate risk in a fast changing financial environment.

More details on interest rate risk could be found in the Financial Statements on Pages 145 to 149 of the AR.

LIQUIDITY RISK

Liquidity risk is the risk that arises from the Company's inability to meet its obligations to honour withdrawal of deposits and fund increases in assets as they fall due.

Management has formed ALCO to oversee various aspects of liquidity risk.

Policies and Processes

The liquidity risk management is governed by policies and processes, as approved by the ALCO. These are subjected to regular reviews to ensure that they remain relevant to the current market practices and regulatory guidelines.

Exposures are monitored through liquidity gaps and liquidity risk ratios such as the loans to deposits, top depositors and minimum liquid asset ratios. Early warning indicators and triggers are implemented to identify potential liquidity crisis before they arise.

Mitigation

In the management of liquidity risk, the Company ensures that there are sufficient funds at all times over a range of market conditions to meet both contractual and regulatory obligations. These include minimising excessive funding concentrations by diversifying the sources of funds and maintaining a portfolio of high quality liquid assets in excess of regulatory requirements. Exposures are managed against approved limits to ensure that risks are within tolerable levels.

The Company's funding and liquidity position is underpinned by its significant customer deposits base, and is supported by strong relationships with corporate customers to supplement its retail deposits base.

Stress Tests

Liquidity stress tests on adverse crisis scenarios such as name-specific and general market crises are performed regularly. In the event of a liquidity crisis, there are various contingency funding strategies and action plans in place, which can be activated to minimise the impact of a liquidity crunch.

More details on liquidity risk could be found in the Financial Statements on pages 141 to 144 of the AR.

RISK MANAGEMENT REPORT

OPERATIONAL RISK

The Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events that are neither market nor credit related. It includes risks arising from frauds, errors, regulatory violations, natural disasters, systems failures, cyber security and lapses by outsourced service providers, but exclude reputational risk.

Management has formed MRC, Compliance Committee, Information Technology Project Steering Committee, Data Management Committee and Business Continuity Disaster Recovery Committee to oversee various aspects of operational risk.

Policies and Processes

Operational risk is governed by a set of policies and processes approved by various committees and are subjected to regular reviews to remain relevant to the best practices and regulations. The policies require all departments to achieve their objectives through the effective identification, assessment, measurement, mitigation, monitoring and reporting of operational risks.

The Company issues various policies to address specific areas of operational risk, such as compliance, cyber security and outsourcing risks, amongst others. In particular, policies are issued to direct the compliance with various laws and regulations applicable to anti-money laundering and countering the financing of terrorism, fraud and bribery/corruption, and personal data protection.

Mitigation

Business units implement processes and controls to mitigate operational risk. Management tools, such as operational risk self-assessment, key risk indicators and risk event report, are implemented to identify and monitor risk profiles. Where gaps are noted, appropriate action plans are formulated to mitigate the risks.

Business Continuity Management

The Company strives to mitigate risks of business disruptions in the event of unforeseen disasters through the planning and building of business resilience. Business impact analyses are performed to identify key processes, where recovery strategies are formulated, in consultation with Risk Management department.

The business continuity plans are tested regularly to validate their feasibilities and to enhance the staff's familiarity and preparedness for disruptions and crises.

Reputational Risk

Reputational risk can arise from events relating to credit risk, regulatory, legal, operational risks and failure to maintain strong risk conduct. The Company takes serious considerations in managing its reputational risk through its corporate governance structure, various risk management and compliance frameworks, as well as controls embedded in the operational processes.

ENVIRONMENTAL RISK

Environmental risks, such as climate changes, may impact credit, market, liquidity, and operational risks. Considerations of environmental risks, including climate-related risks, are integrated in our risk management process, including risk identification, assessment, mitigation, monitoring and reporting.

The management considers the potential credit risk impact by climate changes to be the most material.

Policies and Processes

Environmental risk is governed by a set of policies and processes approved by various committees and are subjected to regular reviews to remain updated.

Management has formed a Sustainability Project Team to manage and execute sustainability action plans, including material environmental risk issues. The Sustainability Project Team, which includes representatives from Risk Management, Credit Control, and Compliance departments, reports its work progress regularly to the MC.

Responsible Financing

Responsible financing, covering environmental, social and governance ("ESG") issues, is a topic of increasing importance and one that affects lending decisions to corporate borrowers. In support of promoting responsible financing lending practices, checks are performed for companies operating in sectors with elevated ESG risk profiles or those noted to have ESG issues from the previous assessment. Relationship managers are trained on the ESG framework and policies.

Mitigation

Risk Management department is working closely with Credit Control and business units to conduct analyses of the climate-related risks and impacts on the borrowers, especially those in high-environmental risk sectors.

More details on environmental risk could be found in the Sustainability Report on pages 62 to 66 of the AR.

SUSTAINABILITY REPORT



ABOUT THIS REPORT

Hong Leong Finance ("HLF") is pleased to present our Sustainability Report 2023 ("SR"), which communicates our approach on managing the material Economic, Environmental, Social and Governance ("EESG") topics that affect our business. The SR outlines our policies, practices, initiatives, performance and targets, and provides an update on our progress for the financial year ending 31 December 2023 ("2023").

Reporting Framework

This SR has been prepared:

- in accordance with the Singapore Exchange Securities Trading Limited Mainboard Listing Rules 711A and 711B on Sustainability Reporting, as well as Practice Note 7.6 Sustainability Reporting Guide; and
- with reference to the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations for climate-related disclosures and Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards") issued in October 2021 by the Global Sustainability Standards Board. GRI Standards was adopted as it provides practical sustainability reporting principles and material topics.

Reporting Scope

The SR covers the operations of HLF which operates solely in Singapore. The content of the report focuses on activities carried out in 2023, though where applicable, data from previous financial years are included for comparison.

Data Collection and Independent Assurance

We apply a standardised approach to data collection and analysis in accordance with our Sustainability Reporting Policy ("SR Policy") to ensure that the sustainability reporting process is fair, consistent and transparent. The SR Policy was reviewed and updated in 2023.

The sustainability reporting process has been reviewed independently by internal audit.

We welcome your feedback and suggestions at sustainability@hlf.com.sg. This SR, which is part of our Annual Report 2023, is published on our website at <https://www.hlf.com.sg/ar.html>.

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SUSTAINABILITY REPORT

BOARD STATEMENT

The year 2023 saw a strong return to normalcy as Covid-19 precautionary measures were lifted across the globe. While Singapore continued to face microeconomic pressures, the country made significant strides forward on its nationwide sustainability journey, with government policies and initiatives driving behavioural change for industries, businesses, and individuals.

At HLF, we remain committed in our sustainability strategy and efforts. Maintaining a long-term outlook on the material EESG factors relevant to us and our stakeholders, we invested in our business, engaged our customers and employees, and safeguarded our business interests by ensuring responsible practices in areas such as corporate governance, risk management and data protection.

We believe that by conducting our business with integrity and driving responsible green practices, we will be able to create sustainable growth and long-term value creation for our customers and stakeholders.

EESG Materiality Assessment

To ensure our material topics stay relevant in this changing business landscape with new and emerging industry developments and trends, we conducted a materiality assessment workshop in 2023 to identify the EESG topics that are of the greatest importance to our stakeholders and overall sustainability performance.

The assessment has helped us to sharpen our sustainability approach, so that we remain agile to manage risk, explore new opportunities and respond effectively to changes and challenges.

Stakeholder Engagement

Maintaining regular communication with our stakeholders is increasingly important, as society becomes more educated and engaged on sustainability matters. This includes our customers, investors, employees, regulators, and the wider community. By increasing our touchpoints and actively engaging our stakeholders through different platforms, we are better able to understand their concerns and expectations.

3-C Strategic Approach

We ensure that our business and sustainability strategies, efforts and initiatives are aligned with stakeholders' interests and needs. Our 3-C Strategic Approach: Customer-centric, Climate-centric, Compliance-centric, guided our business decisions and operations, putting us in good stead to achieve our long-term EESG goals. We have bolstered economic resilience through digitalisation and integration of green practices into our business, reduced environmental impact and upheld strong governance.

Looking Ahead

We are committed to making progress on our sustainability journey. We will strive to do more in achieving our EESG goals and make greater impact for the benefit of our stakeholders. We will also strengthen our operations to build a stronger and more sustainable business.



OUR 2023 SNAPSHOT

01 Economic and Customer Value Creation

<p>Transformation & Innovation Team Formation Focus to Drive Change, Foster Creativity and fuel Sustainable Business Growth through Transformation</p>	<p>Raised Fraud and Scam Awareness Set up Security Centre Webpage and Published Alert Flyers to protect Customers</p>	<p>Premium SAVER Launched a Fuss-Free Savings Account in response to HLF Consumer Financial Survey 2023</p>	<p>Greater Customer Satisfaction 137% Increase in Compliments 30% Decline in Compliments</p>
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02 Responsible Finance

<p>Environmental Risk Management Guidelines Incorporated Climate-Related Risk into overall Risk Management process</p>	<p>Environmental Risk Questionnaire Gained Insights of Borrowers from High Risk Industries to mitigate Environmental Risks</p>
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03 Sustainable Finance

<p>Green Financing Framework Developed to Strengthen Green Product offerings to SMEs</p>	<p>93% Green Vehicles Loan Growth Contributed 32% of overall Vehicle Loan Portfolio</p>
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04 Environmental Footprint

<p>9% Reduction Paper Consumption Accelerated Digitalisation Initiatives</p>	<p>4% Reduction Energy Consumption Implemented Energy Efficient Measures</p>
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05 Regulatory Compliance

<p>100% Mandatory Training Completion Bolstered Employees' Risk Awareness</p>	<p>Strengthened Security Controls Implemented Multiple Layers of Network, Systems and Data Protection</p>
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06 Employee Learning and Retention

<p>Culture and Conduct Policy Aligned Company's Values with Business Needs</p>	<p>7 Company-Wide Learning Pathways Culture and Values, Functional Core, Future Enabled, Adaptive, Leadership and Future Leadership</p>
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07 Supporting Communities

<p>Donations Contributed to Lee Kuan Yew Centennial Fund & Children for Children Charity</p>	<p>Employee Volunteerism Participated in Silver Sports Day & Assisi Fun Day</p>
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■ Customer-centric
 ■ Climate-centric
 ■ Compliance-centric

SUSTAINABILITY REPORT

SUSTAINABILITY AT HONG LEONG FINANCE

Sustainability at HLF is about having a long-term outlook in managing the material issues that affect our business. The way we address this continues to be guided by our Sustainability Approach in sustaining a thriving and profitable business, even as we deliver our social responsibilities as a desirable employer and member of the community. We remain dedicated to taking progressive steps yearly in our ongoing sustainability journey.

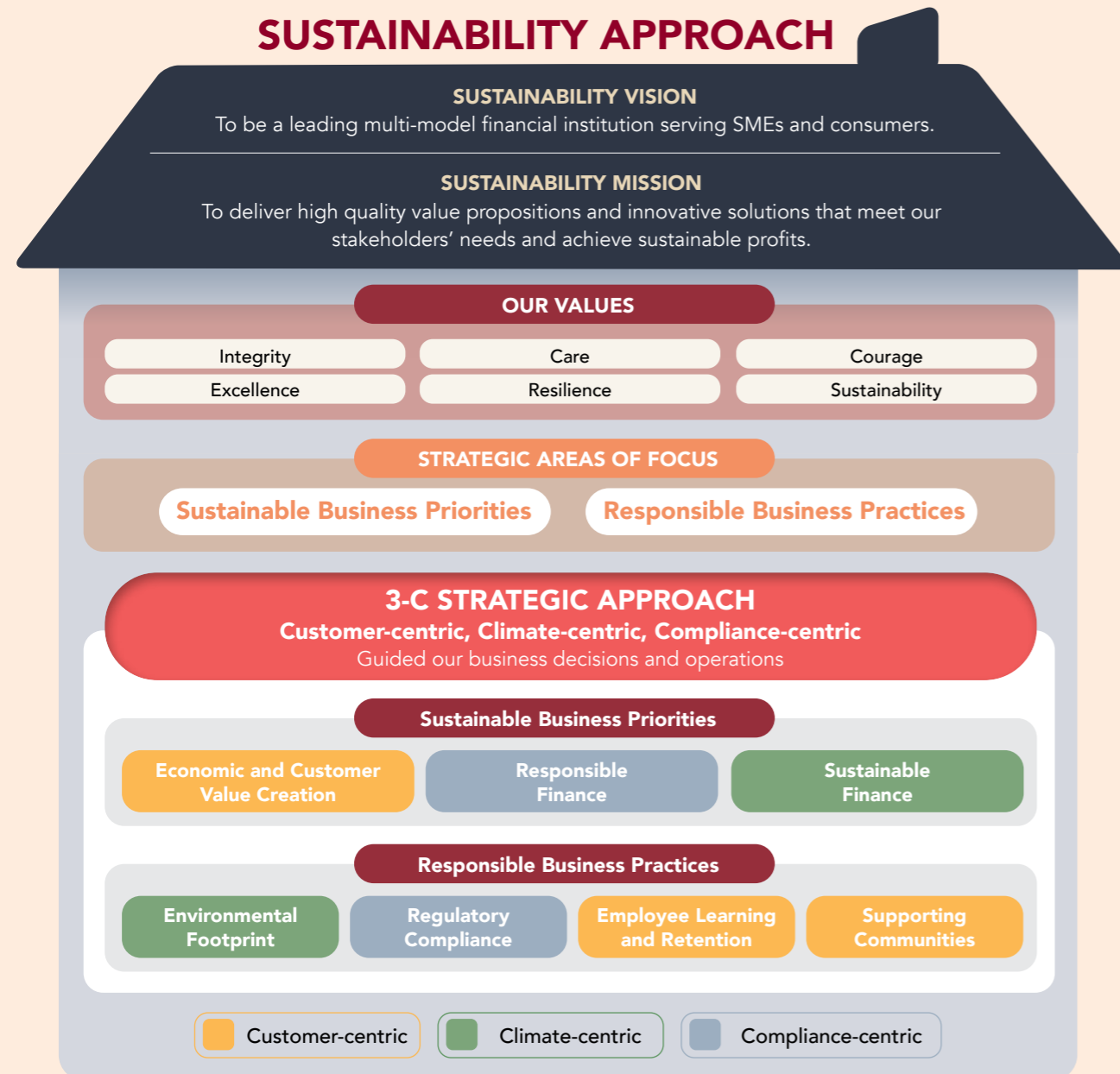
Our Sustainability Approach

Our Sustainability Approach is a cornerstone of our business strategy. Underpinned by our sustainability vision

and mission, and driven by corporate values, we have two key sustainability pillars.

‘Sustainable Business Priorities’ represent areas we prioritise to create sustainable value and long-term profitability for our business and stakeholders, while ‘Responsible Business Practices’ refer to responsibilities that are fundamental to protecting the value, trust and success of our business.

In addition, we take a 3-C Strategic Approach: Customer-centric, Climate-centric, Compliance-centric, to guide our business decisions and operations.



MATERIALITY ASSESSMENT

In 2023, we conducted a materiality assessment to identify the EESG topics that are of the greatest importance to the company's stakeholders and impact on the company. The Senior Management Team and Sustainability Reporting Working Committee ("SRWC"), which comprises members of cross-functional personnel, evaluated and ranked the topics before identifying the material ones. The revised material topics were endorsed by the Board Sustainability Committee ("BSC") and Board of Directors ("Board").

We will continue to review the EESG material topics annually to ensure that they remain relevant with new developments and emerging trends in our industry.

SUSTAINABILITY GOVERNANCE

Robust sustainability governance is key to our ability to deliver on our purpose and business strategy. The company recognises the importance of sound sustainability practices as part of our responsibility to the economy, our customers, shareholders, employees, and the environment in which we operate.



Sustainability Governance Structure

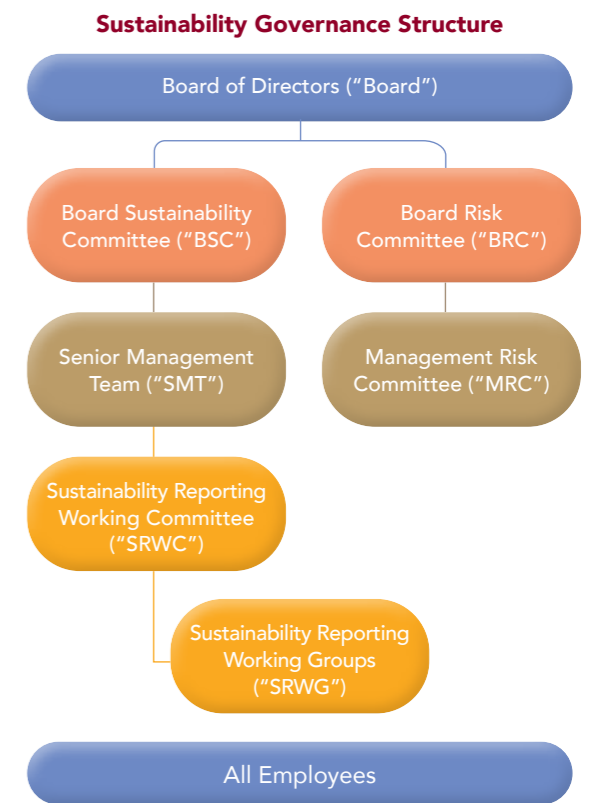
Our sustainability governance structure outlined below is based on effective delegation and adequate oversight to support sound decision-making. It defines the roles and responsibilities of the Board and Senior Management Team as part of our strategy to become a purpose-driven organisation to advance the interests of our stakeholders.

The structure provides guidance on the sustainability approach to manage material topics and promote accountability.

Sustainability-Related Policies and Guidelines

Our overarching principles and approach towards sustainability are stipulated in the sustainability-related policies and guidelines listed below. They are implemented across our businesses to assess, mitigate and manage sustainability risks and to guide the operations of the company.




- SR Policy
- Environment Risk Management ("EnRM") Guidelines
- SME Green Finance Framework
- Credit Risk Management Policy
- Credit Manual
- MAS Guidelines on Environmental Risk Management (Banks) Dec 2020





SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

It is vital that we create and maintain sustainable value for all stakeholders, as they play a critical role in our long-term business success. We actively engage our stakeholders to understand their concerns and expectations, be it ensuring our products and services stay relevant in the changing environment or staying sharp in our practices and performance.

Our Key Stakeholders	Forms of Engagement	Key Topics Raised	Our Response
 <p>CUSTOMERS</p>	<ul style="list-style-type: none"> → Website feedback form → Calls to Customer Service Centre → Formal correspondence → Face-to-face meetings → Newsletters, emails, SMS alerts → Sustainability Report ("SR") → Annual Report ("AR") 	<ul style="list-style-type: none"> → Customers' challenges in managing inflation → Scam concerns → Feedback on products and services 	<ul style="list-style-type: none"> → Commissioned a HLF Consumer Financial Survey 2023 to understand Singaporeans' challenges → New loan packages and enhanced savings products were rolled out to assist customers in their business continuity and inflation management → Launched a "Security Centre" webpage in corporate website and produced Scam Alert flyers to help protect customers → Implemented service improvements based on customer feedback received by the Customer Experience Committee
 <p>EMPLOYEES</p>	<ul style="list-style-type: none"> → Performance appraisals → Seminars and training sessions → Employee orientation → Sports and Recreation Club for employees and their family members → SR → AR 	<ul style="list-style-type: none"> → Employee welfare, health and safety → Upgrading of skills → Career development 	<ul style="list-style-type: none"> → Provided extensive learning resources through SharePoint, Micro Learnings Series, eLearning, internal and external courses → Launched Fraud & Scam Awareness site in SharePoint to share scam-related articles with emphasis on learning points
 <p>REGULATORS</p>	<ul style="list-style-type: none"> → Consultations and meetings → Inspection reports → Survey, business and financial information updates → Half-yearly financial statements, annual audited financial statements, inclusive of regulatory and tax returns/surveys as prescribed by Monetary Authority of Singapore ("MAS") Notices and SGX circulars and regulations → Participation in workshops and trainings → SR → AR 	<ul style="list-style-type: none"> → Prevention of financial fraud and money laundering and countering the financing of terrorism → Regulations, accounting, taxes and financial reporting → Enhancements in IT security to address IT risks such as cyberattacks → Strengthened data management processes → Strengthened anti-scam processes → Understanding of regulatory changes 	<ul style="list-style-type: none"> → Compliance with regulatory guidelines, advisories and notices by the relevant authorities → Implemented revised policies and procedures to ensure business and operations meet the stipulated standards and requirements by the relevant authorities → Actively participated in consultation papers issued by regulators where relevant → Regularly reviewed and updated IT security policies → Hosted regular IT Security Awareness Employee Training

Our Key Stakeholders	Forms of Engagement	Key Topics Raised	Our Response
 <p>INVESTORS</p>	<ul style="list-style-type: none"> → Annual General Meeting ("AGM") → AGM presentation slides and minutes released via SGXNet → Disclosure of material information through SGXNet and press releases → Half-yearly results announcements → SR → AR → Website 	<ul style="list-style-type: none"> → Corporate governance → Accurate and timely disclosures of material information relating to the company and its financial performance → HLF's plans towards digital transformation → Dividend payment approach 	<ul style="list-style-type: none"> → Ongoing digitalisation and transformation initiatives → Maintained good practices in corporate governance, business ethics and integrity. HLF is positioned among the top 50 Singapore-listed companies out of 474 listed companies in The Singapore Governance Transparency Index, a leading index for assessing corporate governance practices of companies listed in Singapore → Dividend policy which aims to pay dividends twice a year, at rates which balance returns to shareholders with prudent capital and financial management
 <p>LOCAL COMMUNITY</p>	<ul style="list-style-type: none"> → Community engagement activities, donations 	<ul style="list-style-type: none"> → Community projects, local charities 	<ul style="list-style-type: none"> → Supported community projects and organisations

SUSTAINABILITY REPORT



ECONOMIC

Material Topic 1: Economic and Customer Value Creation

Customer-centric

WHY IS IT MATERIAL?

We are committed to building a sustainable and responsible business that creates value for our stakeholders. Our long-term financial growth and the ability to deliver shareholder value are tied directly to the success of our customers, business partners, employees, and the communities we serve.

OUR DIRECT ECONOMIC IMPACT

In 2023, we generated total income (before operating expenses) of S\$212.3 million, of which S\$80.5 million were distributed in employee compensation and benefits for 619 employees. Income tax accrued was S\$18.6 million, and dividends of S\$75.1 million were distributed to shareholders.

We aim to achieve sustainable growth, of which the returns are distributed to our stakeholders through employee compensation, taxes to the government and dividends to our shareholders.

OUR INDIRECT ECONOMIC IMPACT

Investing in digitalisation is pivotal for a sustainable business model. Digitalisation allows for seamless, personalised interactions, fostering lasting customer connections. We prioritise customer experience by listening attentively to their financial needs, addressing them, and tailoring reliable financial solutions. This underscores our commitment to customer-centricity, builds customer trust and establishes a foundation for sustained success.

SERVICE DIGITALISATION

We are dedicated to optimising our operations and elevating our service standards through digitalisation, all geared towards enriching the experience for our customers.

Over the span of 2021 to 2023, our investments in technology and digitalisation surged by more than 50% year-on-year ("YOY"). This steadfast commitment continues into 2024. To further catalyse our digital journey, we've inaugurated a Transformation and Innovation division, entrusted with propelling the impactful adoption and expansive implementation of digital solutions.

CUSTOMER CARE

Demonstrating our dedication to customer care, we proactively addressed consumer financial challenges and concerns through feedback across various channels. We responded promptly by introducing reliable financial services that our customers desired, while also implementing robust measures to safeguard them from scams. This concerted effort significantly elevated customer satisfaction and fostered a strong foundation of trust.



KEY INITIATIVES

Upcoming in 2024

Roll out HLF Digital

Provide key digital financial services 24x7

Digitalise SME Loan Origination

Pilot SME loan origination with paperless process and digital signature

Introduce Online Account Opening

Pilot paperless account opening experience at suitable customer touchpoints

2023

Transformation and Innovation Team Formation

Focus in digitalisation and paperless program to achieve sustainability and operation resiliency

22% PayNow Transaction Growth

Migrated more transactions to digital channel to bring greater customer convenience

* Average monthly PayNow transaction for deposits and loan payments YOY

78% HLF FASTPAY Transactions in Foreign Currency ("FX")

Since the launch of HLF FASTPAY in 2022, there has been a continuous growth in FX payments and remittance, facilitated by the multi-currency e-wallet favourable exchange rates



KEY INITIATIVES



Introduced Premium SAVER to help Consumers cope with financial challenges

Launched a fuss-free savings account in response to HLF Consumer Financial Survey 2023 findings. 952 new accounts opened



Implemented SMS Branch Queue Service

Send queue position notification to save wait time for customers



Raised Fraud and Scam Awareness

Set up Security Centre Webpage and published alert flyers to protect consumers



100% Complaint Resolution Within 5 Working Days

Surpassed target of 80%



137% Increase In Compliments; 30% Decline in Complaints

Created greater customer satisfaction



OUR 2024 TARGETS

- Achieve sustainable growth
- Facilitate online transaction capabilities to migrate paper base transactions, thereby amplifying customer experience
- Achieve at least 80% complaint resolution within five working days

SUSTAINABILITY REPORT



ENVIRONMENT Addressing Climate Change

Climate-centric

As a leading finance company in Singapore, we play an important role to drive sustainability through our lending business. With increased expectations from shareholders, investors, regulators, consumers and the communities, there is a growing need to consider the impact of environmental issues and concerns related to climate change.

In the past two years, we have placed greater emphasis on EnRM. In 2022, two environmental related material topics were identified, while in 2023, we added a new topic on Sustainable Finance. With Material Topic 2: Responsible Finance, Material Topic 3: Sustainable Finance and

Material Topic 4: Environmental Footprint, the company will be in a better stead in monitoring and managing environmental risk. Better disclosure will also lead to more informed and more efficient allocation of capital, and help facilitate the transition to a more sustainable, lower-carbon economy.

ADDRESSING CLIMATE CHANGE

Climate-Related Disclosure

We adopt the TCFD recommendations that are structured around four thematic areas across HLF's core operations: governance, strategy, risk management, and metrics and targets.



Governance

Robust governance framework to address Climate Risk is in place. (Refer to Sustainability Governance for details)

Strategy

HLF charts a course towards sustainability, driven by a strategy that addresses environmental concerns. Rigorous evaluations of our direct and indirect carbon emissions from our business operations and financing activities will be undertaken to ascertain and mitigate associated potential risks.

Recognising the urgency of reducing our carbon footprint, we are committed to implementing measures that focus on managing transition risks that may arise during the shift to a low-carbon economy. This involves an analysis of potential impacts on our operations, coupled with a proactive approach to navigate through uncertainties.

We embrace the opportunities that arise in a net-zero world. We keenly identify emerging markets for low-emissions products, positioning ourselves to capitalise on the burgeoning demand or sustainable solutions. This proactive stance positions the company to contribute to the broader transition to a low-carbon future.

Through this holistic approach, we embed sustainability into our corporate DNA, fostering resilience, value creation, and responsible financial practices in the face of ongoing environmental challenges.

Risk Management

Climate-related risks are incorporated in our risk management process, including risks identification, assessment, measurements, mitigation, monitoring and reporting. The implementation of EnRM Guidelines is another step taken to raise awareness among staff and operationalise the controls to manage climate-related risks.

In the first line, relationship managers identify climate-related risks. In the second line, Credit Control Department provides guidance to and independently validate the risk assessment performed by the first line. Risk Management Department reviews the climate risks at portfolio levels.

The impacts of climate risks, arising from physical and transition changes, are considered and integrated with other risks, such as credit, operational and liquidity risks, into the credit assessment process. For instance, if a borrower is assessed to be adversely impacted by climate changes, the credit worthiness will be impacted.

The exposures to high-risk industries, as defined by Association of Banks in Singapore, are managed. They are non-material, as they amounted to less than 1% of the company's total exposures.

(Refer to Material Topic 2 on Responsible Finance and Material Topic 3 on Sustainable Finance for more details)

Metrics & Targets

We are currently reassessing the methodology for gathering and disclosing precise climate-related information, encompassing Scope 1, 2 and 3 Greenhouse Gas ("GHG") emissions. Recognising the imperative to enhance our database with pertinent data points is crucial for our informed decision-making.

Further, we are actively investigating sector-specific approaches to assist our customer in their journey towards a more sustainable, low-carbon economy.

Our focus has been on establishing metrics and targets for the year 2024 for the Material Topic on Responsible Finance, Material Topic 3 on Sustainable Finance and Material Topic 4 on Environmental Footprint.

(For specific details on Scope 2 GHG emissions arising from the consumption of purchased electricity, refer to the Material Topic 4 on Environmental Footprint)

SUSTAINABILITY REPORT



ENVIRONMENT

Material Topic 2: Responsible Finance

Compliance-centric

WHY IS IT MATERIAL?

Responsible finance is pivotal due to its dual impact on risk management and ethical considerations. Embracing responsible practices mitigates operational and credit risks, ensuring compliance with evolving regulations and meeting investor expectations in an era of heightened environmental, social, and governance awareness.

Responsible Lending Practices

We built upon our strong responsible lending practices and integrated EESG factors in our credit risk analysis. In doing so, we ensure our EESG risks are managed and that we do not directly or indirectly pose a negative impact on the environment or the community.

The responsible financing function operates within and supports the company's over-arching EnRM Guidelines that have been rolled out. Borrowers operating in eight

environmentally high-risk industries as defined by Association of Banks in Singapore: agriculture, chemicals, defense, oil and gas, forestry, infrastructure, mining and metals, and waste management, continued to be identified and closely monitored. This is to ensure that appropriate mitigation of environmental risk is in place. Loan exposures to them are non-material at less than 1% of the company's loan portfolio.

In addition to the eight industries, we identified three more industries as high carbon emitters for management in 2023: construction, transportation, and real estate.

These industries are subject to permissible exposure limit. To gain insights on how we can collaborate better with the borrowers to mitigate environmental risks, we increased our touchpoints by conducting an environmental risk questionnaire on physical and transition risks related to climate change.



OUR 2024 TARGETS

- Step up the review and monitoring of borrowers in the eleven identified high-risk industries as part of transition financing



ENVIRONMENT

Material Topic 3: Sustainable Finance

Climate-centric

WHY IS IT MATERIAL?

Sustainable finance represents a strategic business opportunity with multifaceted advantages for our company. Embracing this enables us to tap into an emerging market that fosters business growth and enhances profitability. Concurrently it contributes to environmental and social well-being and aligns with the evolving values of stakeholders.

Moreover, sustainable finance directly supports consumers and SMEs in transitioning to green practices, strengthening their own sustainability efforts.



KEY INITIATIVES

Green Financing for SMEs

Working with a consultant, we developed a Green Financing Framework ("GFF") with the objective of strengthening our capabilities in green product offerings targeted at SMEs. The GFF will help to streamline processes and make it more convenient and accessible for SMEs to participate in our green initiatives and support their sustainable finance growth.

Financing Green Vehicles and Green Buildings

We strengthened our financing solutions for environmentally friendly vehicles. Response has been positive with significant growth in loans for green vehicles¹. Green vehicle loans increased by 93% from 2022, which contributed to 32% of our vehicle loan portfolio. We also continued our active participation in the financing of green buildings, alongside other leading banks and valued customers.

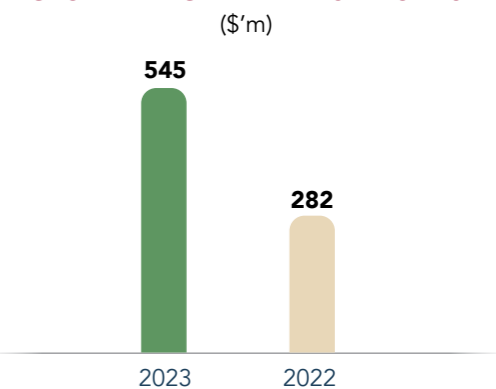
¹ Green Vehicles categorisation is aligned with the Land Transport Authority classification which encompasses electric, hybrid or hydrogen fuel cell cars.



OUR 2024 TARGETS

- Reach out to borrowers to provide support, information and guidance to help them on their green journey
- Roll out more green loan products

GROWTH IN GREEN VEHICLE LOANS



SUSTAINABILITY REPORT



ENVIRONMENT

Material Topic 4: Environmental Footprint

Climate-centric

WHY IS IT MATERIAL?

Managing our environmental footprint is vital for sustainability, cost savings, and corporate responsibility. It conserves resources and enhances the company's image. Green practices foster innovation and operational efficiency, aligning our business with evolving societal expectations and environmental needs.

We are committed to reducing the environmental footprint of our physical operations by proactively managing our consumption of paper, energy and other valuable resources. We encourage our employees to take environmental stewardship at the workplace and to play their part in reducing our environmental footprint.



KEY INITIATIVES

Reducing Paper Usage

We placed strong emphasis on reducing the usage of paper in our operations and accelerated our digitalisation initiatives to shift towards more paperless processes.

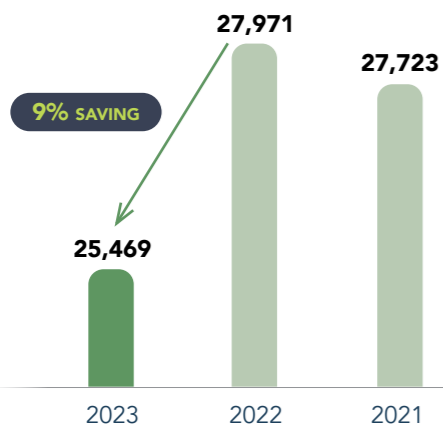
With the collective efforts of our employees, paper usage reduced by 9% over the previous year.

Reducing Energy Consumption

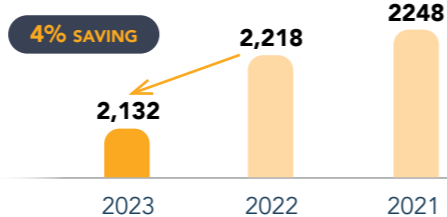
We continued to progressively implement more energy-efficient measures in LED lighting systems in our offices and branches to reduce energy consumption, such as energy-saving LED light fittings in our office premises and LED signage at our branches. We procured more energy-saving office equipment and completed the replacement of LED lighting systems at our offices at Hong Leong Building. We achieved 4% reduction in energy consumption and 4% reduction in Scope 2 emissions.

We will continue our efforts to adopt energy-efficient systems. Replacement of LED lighting systems at our offices at 80 Robinson Road and usage of LED signage at our branches are planned for 2024.

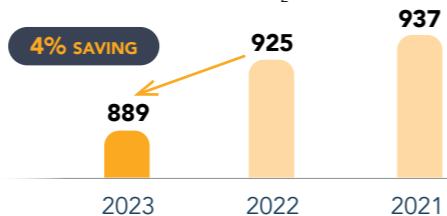
PAPER CONSUMPTION
(Kg)



ENERGY CONSUMPTION
(MWhs)



SCOPE 2 EMISSION
(tCO₂e)



OUR 2024 TARGETS

- Achieve 5% reduction in paper usage
- Accelerate efforts to upgrade to energy-efficient LED lighting systems in more offices

¹ Scope 1 GHG emissions from directly owned or controlled sources are deemed to be not material. This will be monitored and be reported when meaningful information is available.
² The Scope 2 GHG emissions are from the consumption of purchased electricity.
³ The emission figures are based on the latest conversion factors published by the Energy Market Authority (Electricity Grid Emission Factor).
⁴ GHG emissions are calculated in accordance with the requirements of the "GHG Protocol Corporate Accounting and Reporting Standard".



GOVERNANCE

Material Topic 5: Regulatory Compliance

Compliance-centric

WHY IS IT MATERIAL?

Good corporate governance helps to cultivate a responsible company culture of accountability and integrity, drive positive performance and long-term business sustainability. It also enables the organisation to build trust with investors, stakeholders, and the community.

AT HLF, we are committed to conducting our business with the highest standards of corporate governance and have zero tolerance for non-compliance with laws and regulations. Our steadfast commitment promotes a risk-aware culture within the organisation and enables the company to make informed strategic decisions and boost stakeholder confidence.

As we seek to promote growth and innovation through adoption of technologies, we practise good data governance and protection to ensure our customer and business data are securely managed and maintain robust cybersecurity controls.

ANTI-MONEY LAUNDERING ("AML") AND COUNTER-TERRORISM FINANCING ("CFT")

Our comprehensive strategy in the critical areas of AML and CFT includes advisory services, mandatory and periodic refresher training, rigorous compliance assessments, and advanced transaction monitoring systems.

We are proactive in equipping our workforce with the expertise to recognise and address financial crime risks, with mandatory comprehensive training for new and existing employees on AML/CFT, and related areas such as sanctions, fraud, anti-bribery, and anti-corruption. We also conducted discussion forums and online quizzes to ensure our employees are adept at identifying, evaluating, and reporting potential risks in these areas.

DATA PROTECTION AND PRIVACY

In today's data-driven economy and with the proliferation of data usage and exchange, it is crucial to ensure effective and safe use of data while our customers benefit from the enhanced products and services. We have put in place secure data management protocols to protect the organisation and safeguard our customers from data loss or breach.

Data management policies and procedures are reviewed and updated regularly. Our data inventory undergoes continuous evaluation of risk and mitigation, in ensuring a current catalogue of assets. Periodic training is conducted for employees to keep them abreast of the latest data protection and privacy related issues.

There was a minor incident which we reported to the Personal Data Protection Commission, which was promptly investigated and resolved by the company. There was no fine nor sanction arising from the incident.



OUR 2024 TARGETS

- Maintain zero tolerance for non-compliance with laws and regulations, data breaches that result in significant scale or harm and technology-related risk, including cyber threats, that may cause severe and widespread impact to our operations or services to customer
- Ensure all key policies are up to date

TECHNOLOGY & CYBERSECURITY

We are mindful of the need to regularly monitor and assess the protection of our systems and have implemented multiple layers of security controls to protect our network, systems and data.

To protect our data and assets, information technology policies and guidelines are reviewed annually to ensure that cybersecurity risks are identified and managed consistently. These include the Technology Risk Management Framework and the Information Technology Security Policy and Standard. We will continue to strengthen our technology security skills and tools for monitoring, detection and protection of our systems and infrastructure.

While technical controls are important, people are our first line of defence. Educating our employees is key to fostering a security-centric culture. Our educational and awareness programmes are focused on informing and empowering employees to play their part against cyberattacks.

All employees attended the annual IT security awareness training courses and were updated regularly on recent events and emerging cyberthreats. In addition, we conducted regular training to familiarise our employees with how to respond to cyber threats, including tabletop email phishing simulation exercises and disaster recovery.

There was no significant technology event nor adverse cyberattack incident that impacted on business operations in 2023.

Tabletop email phishing simulation exercises involving a targeted Adversarial Attack Simulation were executed. They aimed to assess employee susceptibility to phishing attacks, gauge awareness of security best practices, and identify opportunities for enhancing cyber resilience. We devised two attack scenarios through threat modelling, mimicking real-world adversary actions and procedures. Carefully crafted phishing emails were distributed to all employees, with their responses and interactions monitored and analysed. 99.7% of our employees passed the test and did not click the malicious link or open the attachment. Hence only 0.3% employees received additional IT Security Awareness training to enhance their knowledge. The results of these exercises were satisfactory.

SUSTAINABILITY REPORT



SOCIAL

Material Topic 6: Employee Learning and Retention

Customer-centric

WHY IS IT MATERIAL?

Our employees are the company's most important asset. Their support is vital to our sustainable development and success, serving as the cornerstone for the fulfilment of our sustainability goals.

Cultivating a learning culture has strengthened the alignment and engagement between our people and the company to build a resilient workforce. Attracting and developing the right talent will also improve business performance.

Our Culture

Our corporate culture is based on shared values and ethical standards in line with HLF's Code of Conduct, balancing our responsibilities as a financial institution to earn the trust and loyalty of our employees, customers, shareholders, and communities.

We aim to foster a positive and inclusive environment with shared values of integrity, teamwork, customer service excellence and growth, and value our employees' opinions and contributions and support their development.

Our learning culture nurtures the development of employees on both the personal and professional fronts, creating a

collaborative workplace that encourages continuous learning and development.

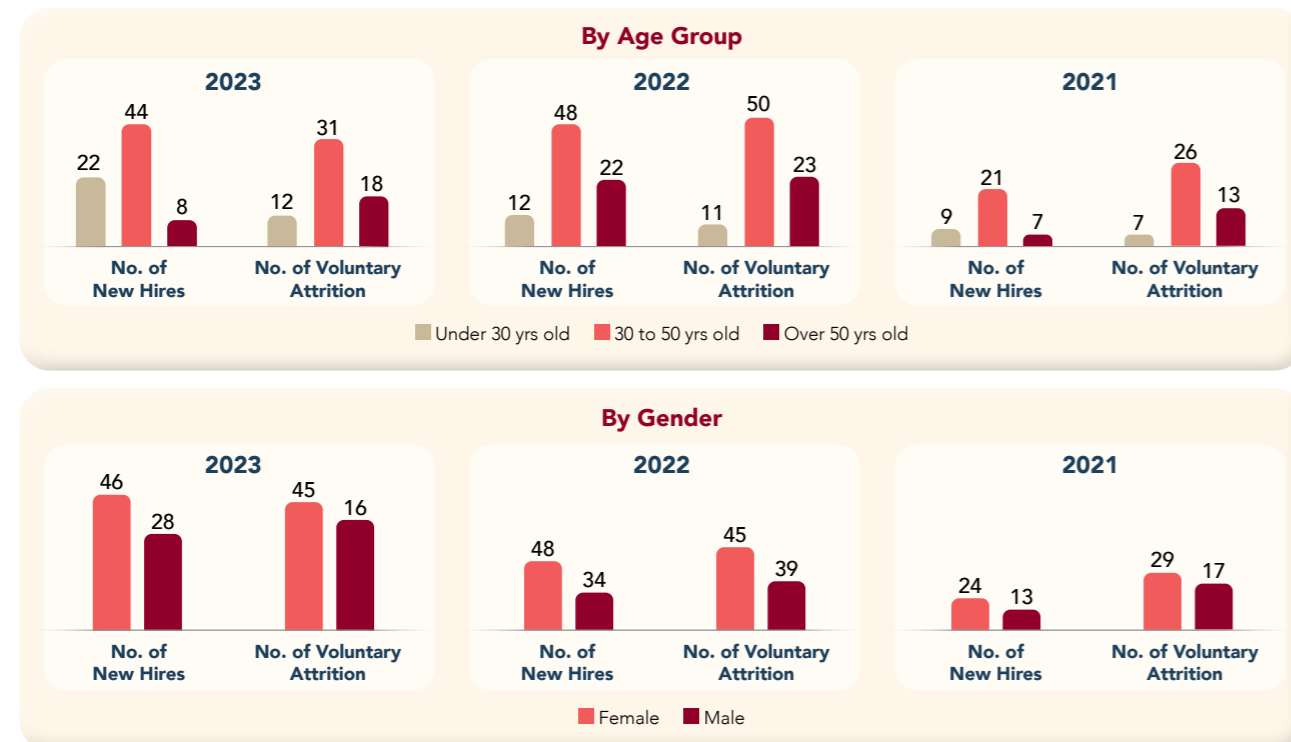
Through training, mentorship, and on-the-job learning, our employees are equipped to do their best at work every day, and importantly to do what is right and ethical. Earning the trust of our employees, customers, shareholders, and communities, as well as promoting a strong risk culture, is the responsibility of all employees, regardless of the role they play or the position they hold in the company.

Diversity, Equity and Inclusiveness

Building a diverse and inclusive environment that reflects the composition of our society enables us to better support our customers, while improving our employees' welfare and sense of belonging. Our customers are diverse and having an inclusive workforce will help us to understand their varying needs, including new digital customers whom we hope to engage.

We are committed to building a fair, caring and inclusive work environment that respects and nurtures individuals, while improving performance and encouraging innovation. Having a diverse workforce is a competitive advantage that will help us to attain our business objectives, attract and retain the best talent, and meet the expectations of our stakeholders.

OUR EMPLOYEES IN NUMBERS



Our diversity and inclusive approach focus on hiring, developing and retaining the best people. We maintain a well-balanced workforce, with employees hired across all age categories. Our high percentage of female employees demonstrates our gender equality and practice in providing equal opportunities to all employees.

Our Leading Principles to Building a Diverse and an Inclusive and Equitable Workforce



To support diversity: visible (e.g. gender, race, age) and invisible (e.g. professional and life experiences, education, religion, values).



To promote an inclusive working environment where individual differences are valued and respected.



To offer equal opportunities to all. Employees are selected, remunerated, and promoted based on merit without any discrimination.



Policies, processes, systems, and tools must be unbiased.



To comply with the legislations on diversity, inclusion, and equal opportunities.



To achieve pay equality for our employees: employees in the same job, level, and function must be comparable with the industry level.

EMPLOYEE TRAINING

We support our employees' professional growth through continuous skill-building and development to keep pace with the dynamic banking sector and to serve the needs of our diverse customer base.

Employees are empowered to proactively initiate developmental conversations with their managers to identify areas of development. Managers and employees are encouraged to identify and select bespoke learning interventions based on employees' needs, in consultation with the Learning & Development Department. These learning interventions include courses, mentoring, coaching, teambuilding, and other purposeful initiatives.

As our services undergo digitisation, it's imperative to prioritise training in technology and cybersecurity to heighten threat awareness among employees. Additionally, we have provided Growth Mindset training and a Micro Learning Series on Microsoft 365 to foster collaboration and streamline workflows, essential in advancing our digitalisation efforts. Another focus lies in our Sustainability learning series, highlighting that sustainability is a shared responsibility by all employees. It helps the employees to integrate sustainability practices into their work, thus playing a vital role in fostering a greener economy.

For more information on the technology and cybersecurity training, refer to page 67.

In 2023, the number of training places saw a 60% increase, reaching a total of 6,691. Average training hours remained stable at 21 hours.

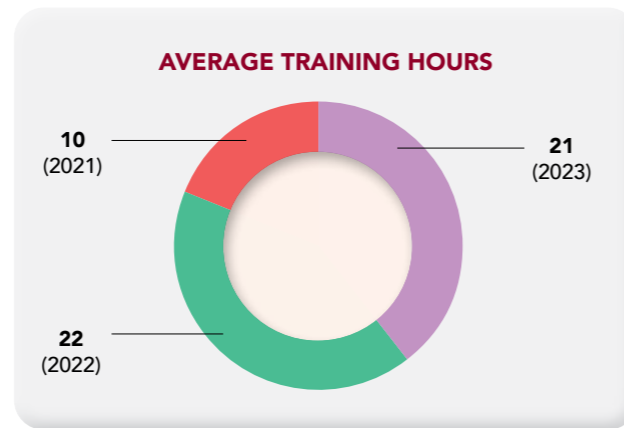
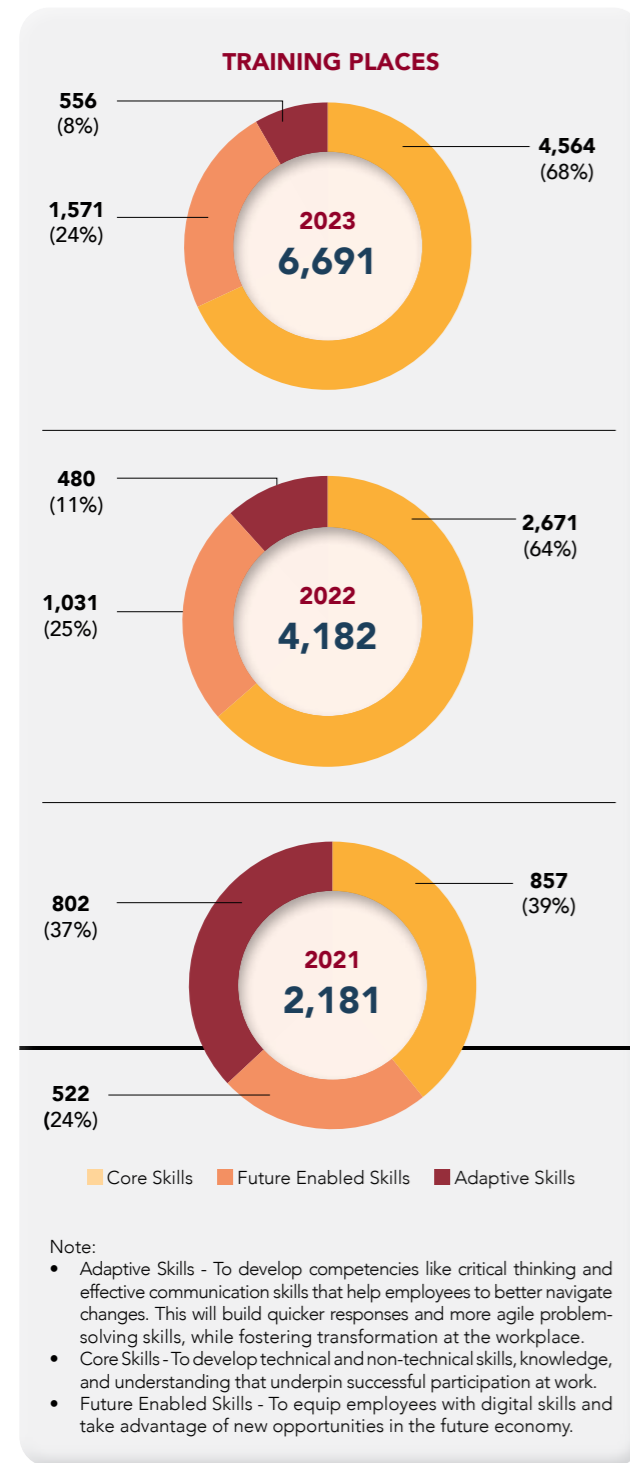
EMPLOYEE RETENTION

Employee retention is an important part of our sustainability strategy. We believe that by investing in our people, we can create a more sustainable and resilient organisation.

For example, our focus on diversity and inclusion enables us to create a more inclusive and equitable workplace. Our training and development programmes help us to develop employees with the skills and knowledge needed to support our sustainability initiatives, while our succession planning process ensures that we have a pipeline of future leaders who are committed to our sustainability goals.

We are committed to continuous improvement in our employee retention efforts and regularly review our initiatives and adjust as needed to ensure that we are meeting the needs of our employees and our organisation.

SUSTAINABILITY REPORT



KEY INITIATIVES

- Updated our culture and conduct policy to reflect our company's values and to ensure that it is aligned with our current business needs.
- Developed a bank-wide learning pathway supported by seven learning pillars: company's culture and values, functional, core, future enabled, adaptive, leadership, and future leader course. This pathway provides employees with access to a variety of learning resources to help them develop their skills and knowledge.
- Conducted workshops for employees on topics such as communication, teamwork, and problem-solving to promote better communication and collaboration.
- Ensured all employees completed their mandatory refresher courses on company-wide knowledge topics, such as code of conduct and information security policy.

OUR 2024 TARGETS

- Maintain inclusiveness, gender equality & employee well-being
- Support employee career and learning journey with bespoke learning pathways that will enhance the employees' knowledge, skills building and productivity
- Achieve 100% attendance for all mandatory trainings including AML/CFT
- Support all employees in their career development and provide them with learning opportunities

SOCIAL

Material Topic 7: Supporting Communities

Customer-centric

WHY IS IT MATERIAL?

Giving back to the community has always been an important part of our business and culture. We are dedicated to supporting the vulnerable and needy and creating positive change by supporting our employees to make a difference together.

This year, Supporting Communities has been identified as a new Material Topic. This shows our commitment to continue taking meaningful steps forward to create impact in the wider community and to support social causes that are aligned with our values and purpose.

KEY INITIATIVES



Silver Sports Day for the Elderly

About 80 elderly from three senior homes were invited to participate in Hong Leong Foundation's 'Silver Sports Day' on 7 February 2023 at M Hotel Singapore. This was the Foundation's first physical event since 2019 and eight HLF employees participated as volunteers for this event. The seniors enjoyed the workout and dance movements taught by instructors and the volunteers interacted with them over a buffet lunch.

Assisi Fun Day

We participated in the Assisi Fun Day for the sixth consecutive year to support Assisi Hospice in caring for its needy patients. 22 employees participated in the sale of snacks at the event on 11 June at SJI International. There was a pre-event sale of cakes and cookies where the baked items were contributed by five employees. Many also volunteered in selling the event coupons.



Contributions to Lee Kuan Yew Centennial Fund and Children for Children Charity

In celebration of the 100th anniversary of Mr Lee Kuan Yew's birth in 2023, we contributed to the Lee Kuan Yew Centennial Fund that supports the development of Singapore's youth and education-related initiatives. The fund was launched in May 2023.

Children For Children Charity is an annual charity fundraiser co-organised by CHIJ (Kellock) Primary School, not-for-profit arts organisation The Rice Company Limited and The Business Times. As a long-term supporter, we contributed towards The Business Times Budding Artists Fund in October 2023. The funds raised will be used to provide free arts courses to underprivileged children.



OUR 2024 TARGETS

- Build on our ongoing efforts to support the community through meaningful initiatives.

SUSTAINABILITY REPORT

SGX CORE ESG METRICS

Hong Leong Finance has reported the information cited in some of the recommended SGX Core ESG Metrics for the period 1 January 2023 to 31 December 2023.

Topic	Framework Alignment	Metric Value as at 31 Dec 2023
ENVIRONMENTAL		
Greenhouse Gas Emissions ("GHG")	GRI-305-2, TCFD	Absolute emissions by Scope 2 GHG emissions 889 tCO ₂ e
Energy Consumption	GRI 302-1, TCFD	Total energy consumption 2,132 MWhs
SOCIAL		
Gender Diversity	GRI 405-1	Current employees by gender Female: 75% Male: 25%
	GRI 401-1	New hires by gender Female: 10% Male: 18%
		Turnover by gender Female: 10% Male: 11%
Age-Based Diversity	GRI 405-1	Current employees by age groups Under 30 years old: 4% 30-50 years old: 43% Over 50 years old: 53%
	GRI 401-1	New hires by age groups Under 30 years old: 88% 30-50 years old: 17% Over 50 years old: 2%
	GRI 401-1	Turnover by age groups Under 30 years old: 48% 30-50 years old: 12% Over 50 years old: 5%
Employment	GRI 401-1	Total turnover 61 (10%) Subsidiaries are not included
	GRI 2-7	Total number of employees 619
Development & Training	GRI 404-1	Average training hours per employee 21 hours
		Average training hours per employee by gender Female: 21 hours Male: 21 hours
Occupational Health & Safety	GRI 403-9	Fatalities 0 case
		High-consequence injuries 0 case
		Recordable injuries 0 case
		Recordable work-related ill health cases 0 case
GOVERNANCE		
Board Composition	GRI 2-9	Board independence 60%
	GRI 2-9, GRI 405-1	Women on the board 20%
Management Diversity	GRI 2-9, GRI 405-1	Women in the management team 31%
Ethical Behaviour	GRI 205-2, GRI 205-3	Anti-corruption disclosures Zero incident
	GRI 205-2	Anti-corruption training for employees 100% completion by all eligible employees
Certifications	Commonly reported metric	List of relevant certifications Singapore Governance and Transparency Index (SGTI) (Jointly released by SID, NUS CGS and CPA Australia) Ranked in the Top 50 among 474 public listed companies in the SGTI 2023
Alignment with Frameworks	SGX Listing Rules (Mainboard) 711A and 711B, Practice Note 7.6	Alignment frameworks and practices With reference to GRI Standards and TCFD
Assurance	SGX Listing Rules (Mainboard) 711A and 711B, Practice Note 7.6	Assurance sustainability report <u>Data Collection and Independent Assurance</u> We apply a standardised approach to data collection and analysis in accordance with our Sustainability Reporting Policy ("SR Policy") to ensure that the sustainability reporting process is fair, consistent and transparent. The SR Policy was reviewed and updated in 2023. The sustainability reporting process has been reviewed independently by internal audit.

GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES

Statement of use	Hong Leong Finance Limited (HLF) has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards.		
GRI 1 used	GRI 1: Foundation 2021		
GRI Standard	Disclosure	Reference and Response	
GRI 2: General Disclosures 2021	2-1	Organisational details	Overview (Page 1) Directory of Services, Corporate Directory, Board of Directors (Pages 9-18) Branches & SME Centres (Inside back cover)
	2-2	Entities included in the organisation's sustainability reporting	Notes to the Financial Statements (Page 128) Reporting Scope (Page 53)
	2-3	Reporting period, frequency and contact point	Sustainability Report (Page 53) Directors' Statement (Page 85)
	2-4	Restatements of information	Economic and Customer Value Creation Key Initiatives (Page 60) PayNow transaction data has been expanded to include deposits, not loan payments only.
	2-5	External assurance	Data Collection and Independent Assurance (Page 53)
	2-6	Activities, value chain and other business relationships	Directory of Services (Page 9) Corporate Profile (Page 11)
	2-7	Employees	Employees in Numbers (Pages 68, 72)
	2-9	Governance structure and composition	Corporate Governance Report (Pages 20-21) Sustainability Governance (Pages 57, 72)
	2-10	Nomination and selection of the highest governance body	Corporate Governance Report (Page 33)
	2-11	Chair of the highest governance body	Corporate Governance Report (Page 31)
	2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance Report (Pages 20-22) Sustainability Governance Structure (Page 57) EESG Materiality Assessment (Pages 54 & 57) Stakeholder Engagement (Pages 58-59)
	2-13	Delegation of responsibility for managing impacts	Corporate Governance Report (Pages 22, 24-25)
	2-14	Role of the highest governance body in sustainability reporting	Corporate Governance Report (Page 22) Sustainability Governance (Page 57)
	2-15	Conflicts of interest	Corporate Governance Report (Pages 22-23)
	2-17	Collective knowledge of the highest governance body	Corporate Governance Report (Pages 24, 28, 30) Sustainability Governance (Page 57)
	2-19	Remuneration policies	Corporate Governance Report (Pages 35-39)
	2-20	Process to determine remuneration	Corporate Governance Report (Pages 35-39)
	2-22	Statement on sustainable development strategy	Chairman Statement (Pages 4-6) Board Statement (Page 54) Environment - Strategy (Page 63)
	2-23	Policy commitments	Overview (Page 1) Corporate Governance Report (Pages 44, 47-48) Sustainability-Related Policies and Guidelines (Page 57) Governance (Page 67)
	2-24	Embedding policy commitments	Regulatory Compliance (Page 67) Information Technology Security (Page 67) Corporate Governance Report (Pages 44, 47-48) Sustainability-Related Policies and Guidelines (Page 57) Culture and Conduct (Page 68)

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES

GRI Standard	Disclosure	Reference and Response
	2-25 Processes to remediate negative impacts	Stakeholders Engagement (Pages 58-59) Materiality Assessment (Pages 54, 57) Our Sustainability Approach (Page 56) Responsible Finance (Page 64)
	2-26 Mechanisms for seeking advice and raising concerns	Corporate Governance Report (Pages 44, 47-48) Regulatory Compliance (Page 67)
	2-27 Compliance with laws and regulations	Corporate Governance Report (Pages 47-48) Regulatory Compliance (Page 67)
	2-28 Membership associations	Our memberships with organisations include the Singapore Business Federation, The Association of Banks in Singapore, the Finance Houses Association of Singapore, and the Singapore National Employers Federation.
	2-29 Approach to stakeholder engagement	Corporate Governance Report (Page 47) Stakeholder Engagement (Pages 58-59)
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality Assessment (Pages 54, 57)
	3-2 List of material topics	Sustainability Approach (Page 56) Sustainability Report (Pages 60-71)
	3-3 Management of material topics	Sustainability Report (Pages 60-71)
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Direct Economic Impact (Page 60)
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Corporate Governance Report (Page 44) Regulatory Compliance (Page 67) SGX Core ESG Metrics (Page 72)
	205-3 Confirmed incidents of corruption and actions taken	SGX Core ESG Metrics (Page 72)
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Environmental Footprint (Page 66) SGX Core ESG Metrics (Page 72)
	302-4 Reduction of energy consumption	Environmental Footprint (Page 66)
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	Environmental Footprint (Page 66) SGX Core ESG Metrics (Page 72)
	305-5 Reduction of GHG emissions	Environmental Footprint (Page 66)
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employees in Numbers (Page 68) SGX Core ESG Metrics (Page 72)
GRI 403: Occupational Health and Safety 2018	403-9 Work-related injuries	SGX Core ESG Metrics (Page 72)
	403-10 Work-related ill health	SGX Core ESG Metrics (Page 72)
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Employee Training (Page 70) SGX Core ESG Metrics (Page 72)
	404-2 Programmes for upgrading employee skills and transition assistance programmes	Employee Training (Page 69)
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Corporate Governance Report (Pages 28-30) Information on Employees (Page 68) SGX Core ESG Metrics (Page 72)
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Regulatory Compliance (Page 67)

MATERIAL TOPIC		
Supporting Communities Non-GRI	Key activities undertaken for the community, including employee volunteerism	Page 71

TCFD CONTENT INDEX

Recommended disclosures, including supplemental guidance for financial sector (banks)

TCFD Recommendations	Disclosure Reference
GOVERNANCE	
a) Describe the board's oversight of climate-related risks and opportunities.	"Sustainability Governance Structure"
b) Describe management's role in assessing and managing climate-related risks and opportunities.	
STRATEGY	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	"Addressing Climate Change"
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	
RISK MANAGEMENT	
a) Describe the organisation's processes for identifying and assessing climate-related risks.	"Addressing Climate Change"
b) Describe the organisation's processes for managing climate-related risks.	
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	
METRICS AND TARGET	
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	"Addressing Climate Change"
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	

FINANCIAL ANALYSIS AND REVIEW

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

	Group		
	2023	2022	Variance*
	\$mil	\$mil	+ / (-) %
KEY FINANCIAL INDICATORS			
Selected Profit and Loss Items			
Net interest income/hiring charges	202.2	242.2	(16.5)
Fee and commission income	10.0	16.4	(39.2)
Other operating income	0.1	0.1	(2.0)
Income before operating expenses	212.3	258.7	(17.9)
Less: Operating expenses	104.9	98.8	6.1
Profit from operations before allowances	107.4	159.9	(32.8)
Add/(Less): (Allowances for)/reversal or recovery of doubtful debts and other financial assets	4.6	(2.8)	(>100)
Profit before tax	112.0	157.1	(28.7)
Profit after tax attributable to owners	93.4	130.9	(28.7)
Selected Balance Sheet Items			
Loans, advances and receivables (net of allowances)	11,659	11,651	0.1
Deposits and balances of customers	12,648	12,030	5.1
Total assets	14,957	14,276	4.8
Total liabilities	12,897	12,235	5.4
Total equity	2,060	2,041	1.0
Key Financial Ratios			
Net interest margin (%)	1.5	1.8	
Net interest income/total income (%)	95.2	93.6	
Non-interest income/total income (%)	4.8	6.4	
Cost/income ratio (%)	49.4	38.2	
Loans/deposits ratio (%)	92	97	
Non-performing loans ratio (%)			
- Secured by collateral	0.5	1.6	
- Unsecured and fully provided for	-	0.1	
Return on equity (%)	4.6	6.5	
Return on assets (%)	0.6	1.0	
Capital adequacy ratio (%)	16.3	16.1	
Earnings per share (cents)			
- per basic share	20.8	29.2	
- per diluted share	20.8	29.2	
Net assets per share (\$)			
- per basic share	4.59	4.55	
- per diluted share	4.47	4.43	

- Ratio less than 0.1%.

* Calculated based on actual figures before rounding.

	2023	2022
	cents	cents
Dividend per share (tax exempt)		
- interim	3.50	3.75
- final	9.00	13.25
Total	12.50	17.00

FINANCIAL OVERVIEW

The Group recorded a net profit of \$93.4 million for full year ended 31 December 2023, attributed to operating income of \$212.3 million and write-back of \$4.6 million ECL allowances. Riding on the high interest rate environment, the Group has attained higher interest income on sustained asset yields while managing the higher cost of deposit driven by the market factors. Compared with a year ago, net profit declined by 28.7% on high base due to lower net interest margins on moderated loan growth.

Net interest income for 2023 decreased by 16.5% to \$202.2 million, on lower net interest margin of 1.5%.

Fee and commission income decreased by 39.2% to \$10.0 million for the full year 2023 from lending business due to subdued property financing activities in the financial market.

For full year 2023, staff costs rose by 9.6% to \$80.5 million, mainly on annual increment as well as investment in resources to accelerate our key digital transformation initiatives and strengthen our compliance and risk management. Other operating expenses reduced by 3.8% to \$16.9 million for full year 2023, attributed to well-controlled business transaction and marketing expenses.

For the full year 2023, net allowances for loans and other financial assets was a net reversal at \$4.6 million due to lower allowance for non credit-impaired loans on updated risk parameters. The non-performing loan ratio is well managed at 0.5%.

The Group continues to stay vigilant in its credit risk management and set aside adequate loss allowances to cover its loan portfolio.

Net loan assets totalling \$11,659 million as at 31 December 2023, increased by 0.1% or \$8 million over the previous year's base of \$11,651 million as at 31 December 2022. The loan portfolio remained largely secured.

Deposits and balances of customers increased to \$12,648 million as at 31 December 2023, representing an increase of 5.1% or \$618 million over the previous year's base of \$12,030 million as at 31 December 2022. Cash and cash equivalents including statutory deposit with the Monetary Authority of Singapore ("MAS") together with Singapore Government debt securities, MAS Bills and MAS FRN held as liquid assets amounted to \$3,209 million as at 31 December 2023 (31 December 2022: \$2,549 million). The Group maintained liquidity buffer above regulatory Minimum Liquid Asset ("MLA") and stayed well-positioned to weather the market uncertainties.

Group shareholders' funds as at 31 December 2023 totalled \$2,060 million (31 December 2022: \$2,041 million) with higher net asset value at \$4.59 per share (31 December 2022: \$4.55 per share). The Group's Capital Adequacy Ratio stood at 16.3% as at 31 December 2023, well above regulatory requirement and remained strong to support lending activities.

An interim dividend of 3.5 cents per share (tax exempt one-tier) was paid on 31 August 2023. With the proposed payment of a final dividend of 9 cents per share (tax exempt one-tier) in respect of the financial year ended 31 December 2023, the total distribution for 2023 at 12.5 cents per share will amount to approximately \$56.1 million, compared to 17 cents per share amounting to \$76.2 million for 2022. This represents a dividend payout ratio of 60.0% for financial year 2023, as compared with 58.2% in financial year 2022. The proposed final dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting.

This report is made up to the date of the release of the financial statements announcement for the full year ended 31 December 2023 based on figures that have been audited.

FINANCIAL ANALYSIS AND REVIEW

ANALYSIS OF PERFORMANCE

Net Interest Income

Net interest income for 2023 decreased by 16.5% to \$202.2 million from \$242.2 million in 2022 on lower net interest margin of 1.5% in 2023 (2022: 1.8%).

The table below shows the average balance and net interest margin attributed to the interest-bearing assets and liabilities:

	Group					
	2023			2022		
	Average Balance \$mil	Interest \$mil	Average Rate %	Average Balance \$mil	Interest \$mil	Average Rate %
Interest-bearing Assets						
Loans, advances and receivables	11,655	498.4	4.3	11,276	307.3	2.7
Singapore Government debt securities, MAS Bills and MAS Floating Rate Note	1,560	47.3	3.0	1,466	23.3	1.6
Other assets	708	23.4	3.3	557	6.5	1.2
Total	13,923	569.1	4.1	13,299	337.1	2.5
Interest-bearing Liabilities						
Deposits and balances of customers	11,987	365.6	3.0	11,415	94.4	0.8
Borrowings from MAS SGD Facility (secured)	24	0.1	0.4	44	–	0.2
Borrowings from Enterprise Singapore (unsecured)	3	0.1	2.2	4	0.1	2.2
Borrowings from bank (unsecured)	–	–	–	1	–	1.8
Total	12,014	365.8	3.0	11,464	94.5	0.8
Net interest income/margin as a percentage of interest-bearing assets	–	203.3 [#]	1.5	–	242.6 [#]	1.8

[#] Before deducting interest expense on lease liabilities of \$1.1 million (2022: \$0.4 million).

Volume and Rate Analysis

The table below shows the changes in net interest income attributable to the impact of volume and changes in interest rates:

Increase/(decrease) for 2023 over 2022 due to change in	Group		
	Volume \$mil	Rate \$mil	Total \$mil
Interest Income			
Loans, advances and receivables	10.3	180.8	191.1
Singapore Government debt securities, MAS Bills and MAS Floating Rate Note	1.6	22.4	24.0
Other assets	1.7	15.2	16.9
Net	13.6	218.4	232.0
Interest Expense			
Deposits and balances of customers	4.7	266.5	271.2
Borrowings from MAS SGD Facility (secured)	–	0.1	0.1
Borrowings from Enterprise Singapore (unsecured) ⁻	–	–	–
Borrowings from bank (unsecured) ⁻	–	–	–
Net	4.7	266.6	271.3
Net interest income	8.9	(48.2)	(39.3)

⁻ Amount less than \$0.1 million.

Non-Interest Income

Fee and commission income from the loan and financing business declined by \$6.4 million or 41.1% with lower loan commitment and review fee income from lending activities. Fees from non-lending business remained stable.

	Group		
	2023 \$mil	2022 \$mil	Variance* + / (-) %
Fee and Commission Income			
Loan related and other financing business	9.2	15.6	(41.1)
Non-lending business including corporate advisory services and other trailer fees	0.8	0.8	–
	10.0	16.4	(39.2)
Other Operating Income	0.1	0.1	(2.0)
Total	10.1	16.5	(38.8)

* Calculated based on actual figures before rounding.

FINANCIAL ANALYSIS AND REVIEW

Operating Expenses

Total operating expenses increased by 6.1% to \$104.9 million in 2023 from \$98.8 million in 2022 attributed to higher staff costs partially offset by lower business costs.

	Group		
	2023	2022	Variance*
	\$mil	\$mil	+ / (-) %
Staff costs	80.5	73.4	9.6
Depreciation of property, plant and equipment	7.5	7.9	(4.8)
Other operating expenses	16.9	17.5	(3.8)
Total	104.9	98.8	6.1
Group staff strength – period end	619	606	2.1

Analysis of Gross Loan Portfolio

(a) Customer loans by product group

The Group continues to focus on its key pillar business with mortgage loans for residential, commercial and industrial properties made up 45% of total portfolio (2022: 45%). Mixed development made up 12% of total portfolio (2022: 13%). Hotels and other properties component stood at 15% of the total (2022: 13%) of which Hotels made up of 11% (2022: 10%). Other properties loan include dormitories, association and church/temple. The housing and HDB loans component stood at 11% of the total (2022: 12%) of which HDB home loans made up of 6% (2022: 7%). Hire Purchase Vehicles formed 14% of total loan portfolio as at 31 December 2023 (2022: 14%) with remaining portfolios supporting other corporate loans (Hire Purchase Industrial/Equipment/Trade Finance).

	Group			
	2023		2022	
	\$mil	%	\$mil	%
Mortgage properties	5,243	45	5,307	45
Mixed Development	1,448	12	1,497	13
Hotels and other properties	1,771	15	1,569	13
Housing and HDB Home Loans	1,264	11	1,385	12
Hire Purchase Vehicles/Industrial	1,757	15	1,711	15
Share Loans	91	1	83	1
Others	105	1	124	1
Total	11,679	100	11,676	100

* Calculated based on actual figures before rounding.

(b) Customer loans by remaining contractual maturity

	Group			
	2023		2022	
	\$mil	%	\$mil	%
Reviewable/due within 1 year	3,632	31	2,938	25
Due after 1 year but within 3 years	3,599	31	3,842	33
Due after 3 years but within 5 years	1,650	14	2,006	17
Over 5 years	2,798	24	2,890	25
Total	11,679	100	11,676	100

(c) Non-performing loans

Non-performing loans comprised 0.5% (2022: 1.6%) secured loan and 0.03% (2022: 0.1%) unsecured loan of the total portfolio. The Group maintains full ECL allowances for all non-performing loans where the net outstanding debt is not covered by the value of the collateral held, taking into consideration the net realisable value of the collaterals. The NPL ratio decreased to a low of 0.5% (2022: 1.7%) with the settlement of one main mortgage loan which is fully collateralised. The non-performing exposures remained largely secured. There are no loans and advances graded as doubtful as at 31 December 2023 and 2022.

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

	Group		
	2023	2022	Variance*
	\$mil	\$mil	+ / (-) %
Substandard	60.7	190.2	(68.1)
Loss	3.0	3.7	(18.8)
Total	63.7	193.9	(67.2)
(i) Secured non-performing loans ("NPLs")	60.7	190.2	(68.1)
Secured NPLs as % of total NPLs	95.2	98.1	(2.9%pt)
(ii) Unsecured NPLs	3.0	3.7	(18.8)
Specific allowances for NPLs	4.2	4.6	(7.2)
(iii) Specific allowances as % of total NPLs	6.6	2.4	4.2%pt

* Calculated based on actual figures before rounding.

FINANCIAL ANALYSIS AND REVIEW

(c) Non-performing loans (continued)

Analysis of non-performing loans by industrial classification

	Group			
	2023		2022	
	\$'000	%	\$'000	%
Manufacturing	1,701	3	2,357	1
Building and construction	9,905	15	129,336	67
General commerce	509	1	689	1
Transport, storage and communication	2,224	3	2,426	1
Professional and private individuals	44,477	70	52,748	27
Others	4,861	8	6,336	3
Total	63,677	100	193,892	100

Analysis of non-performing loans by period overdue

	Group			
	2023		2022	
	\$'000	%	\$'000	%
Over 180 days	14,482	23	11,942	6
Over 90 to 180 days	7,456	12	11,123	6
Less than 90 days	18,880	29	21,996	11
Not overdue	22,859	36	148,831	77
Total	63,677	100	193,892	100

Funding Sources

Total funding (including total equity) increased by 4.8% in 2023 to \$14,957 million from \$14,276 million in 2022. Customers' deposits was \$618 million or 5.1% higher in 2023 closing at \$12,648 million from \$12,030 million in 2022. There are no bank borrowings outstanding as at 31 December 2023. The Group maintained strong liquidity buffer amidst tight financial conditions.

	Group		
	2023	2022	Variance*
	\$mil	\$mil	+ / (-) %
Fixed deposits	12,460	11,780	5.8
Savings deposits and other balances of customers	175	224	(21.9)
Current accounts and other deposits	13	26	(49.5)
Total customer deposits	12,648	12,030	5.1
Other liabilities	249	205	21.9
Total shareholders' equity	2,060	2,041	1.0
Total	14,957	14,276	4.8
Customer deposits by remaining contractual maturity			
On demand/up to 1 year	12,486	11,017	13.3
Over 1 year to 3 years	162	1,013	(84.0)
Total customer deposits	12,648	12,030	5.1

Capital Adequacy Ratio

As at 31 December 2023, the capital adequacy ratio was 16.3% as compared to 16.1% a year ago. The Group maintains strong capital adequacy ratio well above the minimum regulatory requirement.

	Group	
	2023	2022
	\$mil	\$mil
Share capital	892	891
Reserves	1,066	1,011
Eligible total capital	1,958	1,902
Risk-weighted assets	12,015	11,790
Ratio	16.3%	16.1%

Date : 23 February 2024

* Calculated based on actual figures before rounding.

DIRECTORS' STATEMENT

Year ended 31 December 2023

The directors are pleased to present their statement to the members of Hong Leong Finance Limited (the "Company") together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2023.

In our opinion:-

- (a) the consolidated financial statements of the Group set out on pages 96 to 158 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 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 in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

Kwek Leng Beng
 Kwek Leng Peck
 Kwek Leng Kee
 Kevin Hangchi
 Peter Chay Fook Yuen
 Tan Tee How
 Tan Siew San
 Christian Gautier de Charnace
 Clarence Yeo Gek Leong
 Jeann Low Ngiap Jong (appointed on 27 April 2023)

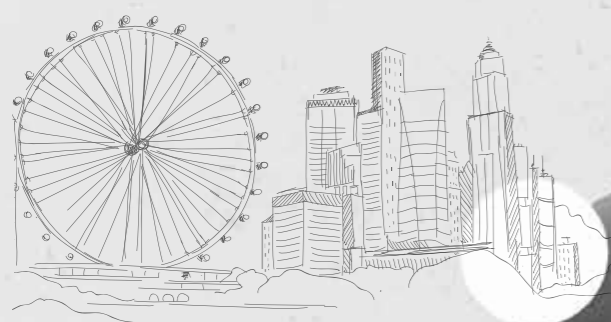
DIRECTORS' INTERESTS

Except as disclosed in this statement, 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 its related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year. The directors 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 under Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those of their spouses and children below 18 years of age) in shares and/or share options in the Company and in related corporations are as follows:-

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DIRECTORS' STATEMENT

Year ended 31 December 2023

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year/date of appointment	At end of the year
The Company		
Shares		
Kwek Leng Beng	6,667,567	6,667,567
Kwek Leng Peck	517,359	517,359
Kwek Leng Kee	1,595,079	1,595,079
Kevin Hangchi	648,016	648,016
Options to subscribe for shares under the Hong Leong Finance Share Option Scheme 2001		
Kwek Leng Beng	983,500	1,156,000
Immediate and Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd.		
Ordinary Shares		
Kwek Leng Beng	2,320	2,320
Kwek Leng Peck	10,921	10,921
Kevin Hangchi	518	518
Related Corporations		
Hong Leong Holdings Limited		
Ordinary Shares		
Kwek Leng Beng	259,000	259,000
Kwek Leng Peck	381,428	381,428
Kwek Leng Kee	997,000	997,000
Kevin Hangchi	354,833	354,833

DIRECTORS' STATEMENT

Year ended 31 December 2023

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year/date of appointment	At end of the year
Related Corporations (continued)		
City Developments Limited		
Ordinary Shares		
Kwek Leng Beng	397,226	397,226
Kwek Leng Peck	43,758	43,758
Kevin Hangchi	50,000	50,000
Preference Shares		
Kwek Leng Beng	144,445	144,445
Kevin Hangchi	29,925	29,925
Hong Realty (Private) Limited		
Ordinary Shares		
Kwek Leng Beng	1,110	1,110
Kwek Leng Peck	150	150
Kwek Leng Kee	300	300
Kevin Hangchi	24	24
Hong Leong Asia Ltd.		
Ordinary Shares		
Kwek Leng Beng	660,000	660,000
Kwek Leng Peck	8,870,700	8,870,700
Kwek Leng Kee	300,000	300,000

DIRECTORS' STATEMENT

Year ended 31 December 2023

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year/date of appointment	At end of the year
Related Corporations (continued)		
Millennium & Copthorne Hotels New Zealand Limited		
Ordinary Shares		
Kwek Leng Beng	906,000	906,000
Redeemable Non-Voting Preference Shares		
Kwek Leng Beng	453,000	453,000
Sun Yuan Holdings Pte Ltd		
Ordinary Shares		
Kwek Leng Beng	15,000,000	15,000,000
	Other holdings in which the director is deemed to have an interest	
	At beginning of the year/date of appointment	At end of the year
Immediate and Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd.		
Ordinary Shares		
Kwek Leng Beng	40,744	40,744
Kwek Leng Kee	47,019	47,019

The directors' interests in the Company as at 31 December 2023 disclosed above remained unchanged as at 21 January 2024.

Except as disclosed under the section on "Share Options" in this statement, 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' STATEMENT

Year ended 31 December 2023

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). The Share Option Scheme was extended at the annual general meeting of the Company held on 23 April 2010 for a further period of 10 years from 31 January 2011 to 30 January 2021. At the Company's annual general meeting held on 25 June 2020, the shareholders approved the second extension of the duration of the Share Option Scheme for another period of 10 years from 31 January 2021 to 30 January 2031.

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

Peter Chay Fook Yuen (Chairman)
Kwek Leng Peck
Tan Siew San
Clarence Yeo Gek Leong

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.

(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
20.9.2023	20.9.2024 to 19.9.2033	3,258,000 (net of options not accepted)	\$2.48

DIRECTORS' STATEMENT

Year ended 31 December 2023

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

- (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	172,500	5,780,000	2,064,000	2,560,000	1,156,000

- (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.
- (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 16,170,025 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.

DIRECTORS' STATEMENT

Year ended 31 December 2023

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive members of the Board of Directors:-

Peter Chay Fook Yuen (Chairman)
Tan Tee How
Clarence Yeo Gek Leong
Jeann Low Ngiam Jong (appointed on 27 April 2023)

The Audit Committee performed its functions in accordance with its terms of reference which include those specified in the Act, the Listing Manual of Singapore Exchange Securities Trading Limited ("Listing Manual") and the Code of Corporate Governance.

In the performance of its functions, the Audit Committee met with the Company's internal and external auditors, and reviewed their audit plans as well as the scope and results of their examination and their evaluation of the Company's system of internal controls.

The Audit Committee also reviewed, *inter-alia*, the following:-

- assistance provided by the Company's officers to the internal and external auditors;
- half-yearly and annual financial statements of the Group and of the Company prior to their submission to the directors of the Company for approval; and
- the nature and level of audit and non-audit fees of the external auditors.

The Audit Committee has full access to management and is given the resources required by it to discharge its functions. It has full authority and the discretion to invite any director or executive officer or third-party advisor to attend its meetings.

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

In appointing the auditors for the Company and its subsidiaries, the Company has complied with Rules 712 and 715 of the Listing Manual.

AUDITORS

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

On behalf of the Board of Directors

Kwek Leng Beng
Director

Peter Chay Fook Yuen
Director

Singapore

23 February 2024

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 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 96 to 158.

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 Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 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 12 to the financial statements)

The key audit matter

The Group's loans, advances and receivables to customers represent 78% of its total assets. Given the magnitude of loans, advances and receivables and coupled with the estimation uncertainty over ECL allowances, the impairment of loans, advances and receivables is considered a key audit risk.

SFRS(I) 9 "Financial Instruments" requires the Group to determine the probability weighted estimate of the expected credit loss ("ECL") of loans, advances and receivables to customers.

The Group has developed models to calculate the ECL allowances for non credit-impaired exposures. Significant judgement and assumptions are required in the following areas:

- Appropriateness of the model methodology and parameters including the probability of default and loss given default;
- Identification of exposures with significant increase in credit risk; and
- Incorporation of economic scenarios.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hong Leong Finance Limited

The ECL allowances for credit-impaired exposures is highly subjective due to the judgement applied by management in estimating the realisable value of collaterals, if relevant, and consequently the ECL.

How the matter was addressed in our audit

In respect of credit exposures, we tested the design, implementation and operating effectiveness of the key controls in place over the credit approval and review process. We performed sample checks of credit reviews on loans and advances to critically assess the appropriateness of the credit grading and any objective evidence of impairment.

For a sample of credit-impaired exposures, we critically assessed the expected recoveries from realisable values of collaterals and other possible sources of repayment. This includes checking the valuation of collaterals, where possible, to externally derived evidence, such as real estate valuations.

In respect of non credit-impaired exposures, we assessed the appropriateness of the model, methodology and parameters for compliance with SFRS(I) 9 requirements. We tested the accuracy and integrity of the data used to compute the ECL allowances. We also applied sensitivity analysis to assess the impact of different economic scenarios on ECL.

For a sample of non credit-impaired exposures, we re-calculated the ECL allowance using the modelled attributes to test the mathematical accuracy of the calculations produced by the ECL model.

We found that the methodology and parameters adopted by management in the ECL model were appropriate and the ECL allowances computation was consistent with the ECL model.

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 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.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hong Leong Finance Limited

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hong Leong Finance Limited

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Tan Chun Wei (Chen Junwei).

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

23 February 2024

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

	Note	Group		Company	
		31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Number of shares in issue	4	448,543,933	448,131,733	448,543,933	448,131,733
		\$'000	\$'000	\$'000	\$'000
Share capital	4	891,578	890,553	891,578	890,553
Reserves	4	841,547	811,724	841,547	811,724
Accumulated profits		327,155	338,419	323,492	334,904
Equity attributable to owners of the Company		2,060,280	2,040,696	2,056,617	2,037,181
Liabilities					
Deposits and balances of customers	6	12,647,934	12,030,183	12,652,388	12,034,533
Borrowings	7	17,922	36,509	17,922	36,509
Trade and other payables	8	211,884	140,975	210,232	139,639
Current tax payable		17,584	26,146	17,573	26,145
Deferred tax liabilities	9	2,012	1,003	2,012	1,003
Total liabilities		12,897,336	12,234,816	12,900,127	12,237,829
Total equity and liabilities		14,957,616	14,275,512	14,956,744	14,275,010
Assets					
Cash at banks and in hand	10	1,156,773	584,669	1,155,367	583,633
Statutory deposit with the Monetary Authority of Singapore	10	342,362	339,438	342,362	339,438
Singapore Government debt securities, MAS bills and MAS Floating Rate Note ("FRN")	11	1,710,012	1,625,349	1,710,012	1,625,349
Loans, advances and receivables	12	11,659,382	11,650,972	11,659,382	11,650,972
Other receivables, deposits and prepayments	13	28,091	25,153	28,090	25,152
Subsidiaries	14	–	–	535	535
Investments (long-term)	15	–	–	–	–
Property, plant and equipment	16	60,996	49,931	60,996	49,931
Total assets		14,957,616	14,275,512	14,956,744	14,275,010
Acceptances, guarantees and other obligations on behalf of customers	17	249	759	249	759

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	Note	Group	
		2023	2022
		\$'000	\$'000
Profit and loss account:			
Interest on loans		450,330	266,018
Hiring charges		48,071	41,322
Other interest income		70,699	29,837
Interest income/hiring charges		569,100	337,177
Less: Interest expense		366,890	94,944
Net interest income/hiring charges	18	202,210	242,233
Fee and commission income	19	9,952	16,359
Other operating income	20	146	149
Income before operating expenses		212,308	258,741
Less: Staff costs	21	80,453	73,380
Depreciation of property, plant and equipment	16	7,560	7,940
Other operating expenses	22	16,892	17,556
Total operating expenses		104,905	98,876
Profit from operations before allowances		107,403	159,865
Add/(Less): (Allowances for)/reversal or recovery of doubtful debts and other financial assets	10, 12, 13	4,626	(2,753)
Profit before income tax		112,029	157,112
Less: Income tax expense	23	18,655	26,233
Profit for the year/Comprehensive income attributable to owners of the Company		93,374	130,879
Earnings per share (cents)	24		
Basic		20.82	29.21
Diluted		20.81	29.19

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Share capital \$'000	Statutory reserve \$'000	Capital reserve \$'000	Share option reserve \$'000	Regulatory loss allowance reserve \$'000	Accumulated profits \$'000	Total equity \$'000
Group							
At 1 January 2022	889,771	765,950	2,307	2,468	7,867	294,184	1,962,547
Issue of shares under share option scheme	727						727
Value of employee services received for issue of share options				316			316
Value of employee services transferred for share options exercised or lapsed	55			(581)		526	–
Final dividend of 8.25 cents per share (tax exempt one-tier) paid in respect of year 2021						(36,969)	(36,969)
Interim dividend of 3.75 cents per share (tax exempt one-tier) paid in respect of year 2022						(16,804)	(16,804)
Adjustment under MAS 811					676	(676)	–
Comprehensive income for the year						130,879	130,879
Transfer to Statutory reserve		32,721				(32,721)	–
At 31 December 2022	890,553	798,671	2,307	2,203	8,543	338,419	2,040,696
At 1 January 2023	890,553	798,671	2,307	2,203	8,543	338,419	2,040,696
Issue of shares under share option scheme	958						958
Value of employee services received for issue of share options				375			375
Value of employee services transferred for share options exercised or lapsed	67			(488)		421	–
Final dividend of 13.25 cents per share (tax exempt one-tier) paid in respect of year 2022						(59,424)	(59,424)
Interim dividend of 3.50 cents per share (tax exempt one-tier) paid in respect of year 2023						(15,699)	(15,699)
Adjustment under MAS 811					6,592	(6,592)	–
Comprehensive income for the year						93,374	93,374
Transfer to Statutory reserve		23,344				(23,344)	–
At 31 December 2023	891,578	822,015	2,307	2,090	15,135	327,155	2,060,280

The statutory reserve is maintained in compliance with the provisions of Section 18 of the Finance Companies Act 1967.

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Share capital \$'000	Statutory reserve \$'000	Capital reserve \$'000	Share option reserve \$'000	Regulatory loss allowance reserve \$'000	Accumulated profits \$'000	Total equity \$'000
Company							
At 1 January 2022	889,771	765,950	2,307	2,468	7,867	290,720	1,959,083
Issue of shares under share option scheme	727						727
Value of employee services received for issue of share options				316			316
Value of employee services transferred for share options exercised or lapsed	55			(581)		526	–
Final dividend of 8.25 cents per share (tax exempt one-tier) paid in respect of year 2021						(36,969)	(36,969)
Interim dividend of 3.75 cents per share (tax exempt one-tier) paid in respect of year 2022						(16,804)	(16,804)
Adjustment under MAS 811					676	(676)	–
Comprehensive income for the year						130,828	130,828
Transfer to Statutory reserve		32,721				(32,721)	–
At 31 December 2022	890,553	798,671	2,307	2,203	8,543	334,904	2,037,181
At 1 January 2023	890,553	798,671	2,307	2,203	8,543	334,904	2,037,181
Issue of shares under share option scheme	958						958
Value of employee services received for issue of share options				375			375
Value of employee services transferred for share options exercised or lapsed	67			(488)		421	–
Final dividend of 13.25 cents per share (tax exempt one-tier) paid in respect of year 2022						(59,424)	(59,424)
Interim dividend of 3.50 cents per share (tax exempt one-tier) paid in respect of year 2023						(15,699)	(15,699)
Adjustment under MAS 811					6,592	(6,592)	–
Comprehensive income for the year						93,226	93,226
Transfer to Statutory reserve		23,344				(23,344)	–
At 31 December 2023	891,578	822,015	2,307	2,090	15,135	323,492	2,056,617

The statutory reserve is maintained in compliance with the provisions of Section 18 of the Finance Companies Act 1967.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Note	2023 \$'000	2022 \$'000
Operating activities			
Profit for the year		93,374	130,879
Adjustments for:-			
Impact of accrual of interest income		1,787	(3,215)
Impact of accrual of interest expense		61,018	36,764
(Reversal)/allowances for impairment loss on loans, advances and receivables		(4,508)	2,948
Interest expense on lease liabilities		1,129	368
Interest expense on borrowings		173	173
Depreciation of property, plant and equipment		7,560	7,940
Loss on disposal of property, plant and equipment		1	-
Value of employee services received for issue of share options		375	316
Income tax expense	23	18,655	26,233
		179,564	202,406
Changes in working capital:-			
Loans, advances and receivables		(3,897)	(958,446)
Other receivables, deposits and prepayments		(4,798)	(4,975)
Singapore Government debt securities, MAS Bills and MAS FRN		(84,663)	(267,674)
Deposits and balances of customers		617,751	1,223,312
Trade and other payables		270	(1,316)
Cash generated from operations		704,227	193,307
Income taxes paid		(26,208)	(17,219)
Cash flows from operating activities		678,019	176,088
Investing activities			
Purchase of property, plant and equipment		(2,935)	(1,431)
Cash flows used in investing activities		(2,935)	(1,431)
Financing activities			
Payment for lease liabilities		(6,070)	(6,576)
Proceeds from exercise of share options		958	727
Proceeds from borrowings		300	76,793
Repayment of borrowings		(18,819)	(93,986)
Interest paid		(1,302)	(541)
Dividends paid		(75,123)	(53,773)
Cash flows used in financing activities		(100,056)	(77,356)
Net increase in cash and cash equivalents		575,028	97,301
Cash and cash equivalents at beginning of year		924,107	826,806
Cash and cash equivalents at end of year	10	1,499,135	924,107

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 23 February 2024.

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. (the "Ultimate Holding Company"), 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 2023 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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 (International) (SFRS(I)).

(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 SFRS(I) 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 prospectively.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 3(e) Impairment and Note 25, Financial Risk Management.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2023:-

- Amendments to SFRS(I)1-12: Deferred tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to SFRS(I)1-12: International Tax Reform – Pillar Two Model Rules
- Amendments to SFRS(I)1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies
- Amendments to SFRS(I)1-8: Definition of Accounting Estimates

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Amendments to SFRS(I)1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences.

For leases, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases by applying the ‘integrally linked’ approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of SFRS(I)1-12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised (see Note 9).

Global minimum top-up tax

The Group has adopted Amendments to SFRS(I)1-12: International Tax Reform – Pillar Two Model Rules upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax that may arise from the jurisdictional adoption of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), and require new disclosures about the Pillar Two exposure.

Material accounting policy information

The Group adopted Amendments to SFRS(I)1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies for the first time in 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The accounting policies have been applied consistently to all periods presented in these financial statements by Group entities, except as explained above which addresses changes in material accounting policies and SFRS(I)1-12.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(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) Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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 (“FVTPL”)) and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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

(ii) Classification and subsequent measurement

Non-derivative financial assets

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

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

Financial assets at amortised cost

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets: Business model assessment

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

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

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

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

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

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

Financial liabilities are classified as measured at amortised cost. Financial liabilities are initially measured at fair value less any directly attributable transaction cost. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities 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.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when:

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

The Group also derecognises certain assets when it charges off balances pertaining to the assets deemed to be uncollectible.

Financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(iv) Offsetting

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

(v) 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.

(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 issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

Expected credit losses ("ECLs") are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Loss allowances for ECLs for financial guarantees issued, if any, are presented in the Group's statement of financial position under 'Loans, advances and receivables'.

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(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 for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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.

(d) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

As a lessee (continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in trade and other payables in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Impairment

- (i) Non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised costs.

Loans, advances and receivables

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

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

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

The Group considers significant increase in credit risk when an asset is more than 30 days past due.

The Group considers loans, advances and receivables to be in default if they are classified as non-performing loans.

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

- the borrower is unlikely to pay its credit obligations to the Group in full; or
- the financial asset is more than 90 days past due.

Other financial assets

The Group considers financial guarantee ("FG") contracts to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Group in full. The Group only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The Group considers Singapore Government securities and bank deposits to have low credit risk when their credit risk rating is equivalent to "investment grade" assigned by internationally recognised external credit rating agencies.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Impairment (continued)

(i) Non-derivative financial assets (continued)

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3b(iii).

Measurement of ECLs

The 3 main components used to measure ECLs are:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

The components are generally derived from internally developed statistical models using historical data, adjusted for forward-looking information.

Probability of default

The 12-month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instruments, respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk.

The PD is derived using historical default rates adjusted for forward-looking information and reflecting current portfolio composition and market data.

For portfolios without sufficient default data, forward-looking proxy PDs from external credit agencies are used.

Loss given default

LGD is the percentage of exposure the Group might lose in the event the borrower defaults. The Group adopts three approaches for LGD:-

- Historical write-off;
- Collateral hair-cut; and
- Proxy LGD.

Historical write-off is calculated for portfolios with sufficient default data. For portfolio without sufficient default data, collateral hair-cut approach or Proxy LGD is used.

Exposure at default

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

To compute the final ECL, the Group applies forward-looking adjustments and management overlay, taking into account past events, current conditions and future macroeconomic conditions. Forward-looking scenario that takes into account stressed economic condition is incorporated.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Impairment (continued)

(i) Non-derivative financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Loss allowances for FG are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FG less the cumulated income recognised.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) 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.

(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).

(g) 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.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Recognition of income and expense (continued)

(i) Interest (continued)

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.

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) Offsetting

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Government grants

Government grants are recognised as a receivable when there is reasonable assurance that the grant will be received. Grants that compensate the Group for expenses incurred are recognised in profit or loss as an offset against related expenses in the periods in which the expenses are recognised.

(j) 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

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
 - at the time of the transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences;
- 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 assets and liabilities are offset only if certain criteria are met.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the assets 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Income tax (continued)

Global minimum top-up tax

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Ultimate Holding Company's group entities operate. The Ultimate Holding Company's group entities are in scope of the enacted or substantively enacted legislation. The Ultimate Holding Company will perform the assessment of the potential exposure to Pillar Two income taxes and the impact of the Pillar Two legislation on the financials of its group entities.

The Ultimate Holding Company has determined that the global minimum top-up tax is an income tax in the scope of SFRS(I)1-12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

(k) 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.

(l) 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 majority of the revenue for the Group is from the same business segment. Its principal 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 18 and 19.

(m) New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The new standards, interpretations and amendments to standards are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

4. CAPITAL AND RESERVES

Share capital

	Note	Company	
		2023 Number of shares	2022 Number of shares
Fully paid shares, with no par value:-			
At 1 January		448,131,733	447,817,233
Issue of shares under share option scheme	5	412,200	314,500
At 31 December		448,543,933	448,131,733

In 2023, pursuant to the Hong Leong Finance Share Option Scheme 2001 ("Share Option Scheme"), the Company issued new shares fully paid in cash as follows:-

Exercise price	Company	
	2023 Number of shares	2022 Number of shares
\$2.56	6,100	–
\$2.45	6,000	17,500
\$2.34	30,500	33,500
\$2.23	70,500	44,000
\$2.58	4,500	–
\$2.31	198,100	213,500
\$2.38	96,500	6,000
	412,200	314,500

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 2023

4. CAPITAL AND RESERVES (CONTINUED)

Reserves

	Group and Company	
	2023 \$'000	2022 \$'000
Statutory reserve	822,015	798,671
Capital reserve	2,307	2,307
Share option reserve	2,090	2,203
Regulatory loss allowance reserve	15,135	8,543
	841,547	811,724

The statutory reserve is maintained in compliance with the provisions of Section 18 of the Finance Companies Act 1967.

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 and lapse/expiry of share options respectively.

The regulatory loss allowance reserve is maintained in compliance with Monetary Authority of Singapore Notice 811 to maintain additional loss allowance through an appropriation of its accumulated profits when the Accounting Loss Allowance under SFRS(I) 9 falls below the Minimum Regulatory Allowance.

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 9 cents per share, tax exempt one-tier, amounting to \$40,369,000 (2022: 13.25 cents per share, tax exempt one-tier, amounting to \$59,424,000) 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 3.5 cents per share, tax exempt one-tier, amounting to \$15,699,000 (2022: 3.75 cents per share, tax exempt one-tier, amounting to \$16,804,000) paid on 31 August 2023 (2022: 1 September 2022).

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). The Share Option Scheme was extended at the Annual General Meeting of the Company held on 23 April 2010 for a further period of 10 years from 31 January 2011 to 30 January 2021. At the Company's Annual General Meeting held on 25 June 2020, the shareholders approved the second extension of the duration of the Share Option Scheme for another period of 10 years from 31 January 2021 to 30 January 2031.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

5. EMPLOYEE SHARE OPTIONS (CONTINUED)

Information regarding the Share Option Scheme is as follows:-

- 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.
- 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.
- All options are settled by delivery of shares upon receipt of the exercise price in cash.
- 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 2023 \$	Number of options 2023 '000	Weighted average exercise price 2022 \$	Number of options 2022 '000
At 1 January	2.49	14,932	2.49	15,286
Granted	2.48	3,765	2.45	2,532
Not accepted	2.48	(507)	2.45	(371)
Lapsed	2.53	(1,608)	2.48	(2,201)
Exercised	2.32	(412)	2.31	(314)
At 31 December	2.49	16,170	2.49	14,932
Exercisable at 31 December	2.49	12,529	2.50	12,370

The options outstanding at 31 December 2023 have an exercise price in the range of \$2.23 to \$2.66 (2022: \$2.23 to \$2.66) and a weighted average remaining contractual life of 6.3 years (2022: 6.2 years).

The weighted average share price at the date of exercise for share options exercised in 2023 was \$2.32 (2022: \$2.31).

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

5. EMPLOYEE SHARE OPTIONS (CONTINUED)

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	25.9.2013	25.9.2014	23.9.2015	23.9.2016	21.9.2017	25.9.2018	23.9.2019	23.9.2020	22.9.2021	21.9.2022	20.9.2023
Fair value at grant date	\$0.36	\$0.29	\$0.17	\$0.13	\$0.20	\$0.11	\$0.08	\$0.17	\$0.17	\$0.19	\$0.10
Share price	\$2.60	\$2.67	\$2.30	\$2.22	\$2.60	\$2.58	\$2.60	\$2.30	\$2.37	\$2.46	\$2.50
Exercise price	\$2.56	\$2.66	\$2.34	\$2.23	\$2.61	\$2.58	\$2.62	\$2.31	\$2.38	\$2.45	\$2.48
Expected volatility	25.7%	20.5%	15.0%	14.8%	14.8%	13.1%	12.9%	15.7%	15.7%	14.5%	13.2%
Expected option life	5.6 to 10 years	5.8 to 10 years	5.9 to 10 years	6.0 to 10 years	5.9 to 10 years	5.9 to 10 years	5.9 to 10 years	6.1 to 10 years	6.3 to 10 years	6.3 to 10 years	6.3 to 10 years
Expected dividend yield	4.6%	4.5%	4.4%	4.5%	3.9%	5.4%	5.8%	3.3%	3.8%	4.9%	6.7%
Risk-free interest rate (based on government bonds)	1.1 to 2.4%	1.7 to 2.5%	2.3 to 2.7%	1.4 to 1.8%	1.7 to 2.1%	2.4 to 2.6%	1.6 to 1.7%	0.5 to 0.9%	1.0 to 1.4%	3.2%	3.3 to 3.4%

Employee expenses:-

	2023 \$'000	2022 \$'000
Share options granted in		
2019	-	4
2020	8	22
2021	11	186
2022	275	104
2023	81	-
Total expense recognised as employee costs	375	316

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

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)
Date of grant of options	25.9.2013	25.9.2014	23.9.2015	23.9.2016	21.9.2017	25.9.2018
Expiry date	24.9.2023	24.9.2024	22.9.2025	22.9.2026	20.9.2027	24.9.2028
Exercise price	\$2.56	\$2.66	\$2.34	\$2.23	\$2.61	\$2.58
Number of options outstanding at 1.1.2023	910,000	1,189,500	647,500	668,000	1,056,500	1,912,000
Options lapsed	(903,900)	(45,000)	(15,000)	(24,500)	(49,000)	(92,000)
Options exercised (1.1.2023 to 31.12.2023)	(6,100)	–	(30,500)	(70,500)	–	(4,500)
Number of options outstanding at 31.12.2023	–	1,144,500	602,000	573,000	1,007,500	1,815,500
Number of options exercisable at 1.1.2023	910,000	1,189,500	647,500	668,000	1,056,500	1,912,000
Number of options exercisable at 31.12.2023	–	1,144,500	602,000	573,000	1,007,500	1,815,500
Option exercise period of options outstanding at 31.12.2023						
25.9.2015 to 24.9.2024	vested on 25.9.2015	905,310				
	vested on 25.9.2016	117,810				
	vested on 25.9.2017	121,380				
23.9.2016 to 22.9.2025	vested on 23.9.2016		500,435			
	vested on 23.9.2017		40,225			
	vested on 23.9.2018		61,340			
23.9.2017 to 22.9.2026	vested on 23.9.2017			456,755		
	vested on 23.9.2018			57,255		
	vested on 23.9.2019			58,990		
21.9.2018 to 20.9.2027	vested on 21.9.2018				816,885	
	vested on 21.9.2019				93,885	
	vested on 21.9.2020				96,730	
25.9.2019 to 24.9.2028	vested on 25.9.2019					1,523,045
	vested on 25.9.2020					144,045
	vested on 25.9.2021					148,410

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

5. EMPLOYEE SHARE OPTIONS (CONTINUED)

	(7)	(8)	(9)	(10)	(11)
Date of grant of options	23.9.2019	23.9.2020	22.9.2021	21.9.2022	20.9.2023
Expiry date	22.9.2029	22.9.2030	21.9.2031	20.9.2032	19.9.2033
Exercise price	\$2.62	\$2.31	\$2.38	\$2.45	\$2.48
Number of options outstanding at 1.1.2023	2,754,000	2,158,000	1,483,000	2,153,000	–
Options granted	–	–	–	–	3,765,000
Options not accepted	–	–	–	–	(507,000)
Options lapsed	(152,500)	(122,640)	(73,280)	(109,955)	(19,500)
Options exercised (1.1.2023 to 31.12.2023)	–	(198,100)	(96,500)	(6,000)	–
Number of options outstanding at 31.12.2023	2,601,500	1,837,260	1,313,220	2,037,045	3,238,500
Number of options exercisable at 1.1.2023	2,754,000	1,967,600	1,264,915	–	–
Number of options exercisable at 31.12.2023	2,601,500	1,837,260	1,221,590	1,726,165	–
Option exercise period of options outstanding at 31.12.2023					
23.9.2020 to 22.9.2029	vested on 23.9.2020	2,200,170			
	vested on 23.9.2021	197,670			
	vested on 23.9.2022	203,660			
23.9.2021 to 22.9.2030	vested on 23.9.2021		1,477,700		
	vested on 23.9.2022		184,800		
	vested on 23.9.2023		174,760		
22.9.2022 to 21.9.2031	vested on 22.9.2022			1,123,415	
	vested on 22.9.2023			98,175	
	vesting on 22.9.2024			91,630	
21.9.2023 to 20.9.2032	vested on 21.9.2023				1,726,165
	vesting on 21.9.2024				153,120
	vesting on 21.9.2025				157,760
20.9.2024 to 19.9.2033	vesting on 20.9.2024				2,787,925
	vesting on 20.9.2025				221,925
	vesting on 20.9.2026				228,650

6. DEPOSITS AND BALANCES OF CUSTOMERS

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Fixed deposits	12,459,756	11,780,085	12,464,210	11,784,435
Savings deposits and other balances of customers	175,114	224,230	175,114	224,230
Current accounts and other deposits	13,064	25,868	13,064	25,868
Total deposits and balances of customers	12,647,934	12,030,183	12,652,388	12,034,533
Non-current	162,275	1,013,301	162,275	1,013,301
Current	12,485,659	11,016,882	12,490,113	11,021,232
Total	12,647,934	12,030,183	12,652,388	12,034,533

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

7. BORROWINGS

	Group and Company	
	2023	2022
	\$'000	\$'000
Due after 12 months		
Borrowings from MAS SGD Facility	–	23,723
Borrowings from Enterprise Singapore	1,530	2,478
	1,530	26,201
Due within 12 months		
Borrowings from MAS SGD Facility	15,389	8,941
Borrowings from Enterprise Singapore	1,003	1,367
	16,392	10,308
Total borrowings	17,922	36,509

Borrowings from MAS SGD Facility is secured by assignment of eligible loan agreements amounting to \$19,722,000 (2022: \$40,465,000) as collaterals under Enterprise Singapore's Enhanced Enterprise Financing Scheme.

Borrowings from Enterprise Singapore represents unsecured advances from Enterprise Singapore 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 Enterprise Singapore.

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

	Group and Company			
	Bank Borrowings	Borrowings from MAS SGD Facility	Borrowings from Enterprise Singapore	Total
	\$'000	\$'000	\$'000	\$'000
2023				
Balance at 1 January	–	32,664	3,845	36,509
Changes from financing cash flows				
Proceeds from borrowings	–	300	–	300
Repayment of borrowings	–	(17,575)	(1,244)	(18,819)
Interest paid	–	(106)	(67)	(173)
Total changes from financing cash flows	–	(17,381)	(1,311)	(18,692)
Other changes				
Written off	–	–	(68)	(68)
Interest expense	–	106	67	173
Total other changes	–	106	(1)	105
Balance as at 31 December	–	15,389	2,533	17,922

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

7. BORROWINGS (CONTINUED)

	Group and Company			
	Bank Borrowings	Borrowings from MAS SGD Facility	Borrowings from Enterprise Singapore	Total
	\$'000	\$'000	\$'000	\$'000
2022				
Balance as at 1 January	–	51,855	1,867	53,722
Changes from financing cash flows				
Proceeds from borrowings	50,000	23,723	3,070	76,793
Repayment of borrowings	(50,000)	(42,914)	(1,072)	(93,986)
Interest paid	(14)	(80)	(79)	(173)
Total changes from financing cash flows	(14)	(19,271)	1,919	(17,366)
Other changes				
Written off	–	–	(20)	(20)
Interest expense	14	80	79	173
Total other changes	14	80	59	153
Balance as at 31 December	–	32,664	3,845	36,509

8. TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Due after 12 months				
Lease liabilities	35,054	24,542	35,054	24,542
Due within 12 months				
Interest payable	132,520	71,502	132,565	71,530
Other trade payables and accrued operating expenses	36,434	36,540	35,166	35,276
Other payables	2,079	1,703	1,650	1,603
Lease liabilities	5,797	6,688	5,797	6,688
	176,830	116,433	175,178	115,097
Total trade and other payables	211,884	140,975	210,232	139,639

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

8. TRADE AND OTHER PAYABLES (CONTINUED)

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

	Group and Company	
	2023	2022
	\$'000	\$'000
Lease Liabilities		
Balance as at 1 January	31,230	36,691
Changes from financing cash flows		
Payment of lease liabilities	(6,070)	(6,576)
Interest paid	(1,129)	(368)
Total changes from financing cash flows	(7,199)	(6,944)
Other changes		
New leases	15,691	1,115
Interest expense	1,129	368
Total other changes	16,820	1,483
Balance as at 31 December	40,851	31,230

9. DEFERRED TAX

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group and Company			
	Assets		Liabilities	
	2023	2022	2023	2022
		Restated		Restated
	\$'000	(Note 3)	\$'000	(Note 3)
		\$'000		\$'000
Trade and other payables (including lease liabilities)	7,205	5,514	-	-
Loans, advances and receivables	-	-	2,573	1,452
Property, plant and equipment (including right-of-use assets)	-	-	6,641	5,062
Other items	-	-	3	3
Net deferred tax assets/liabilities	7,205	5,514	9,217	6,517

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

9. DEFERRED TAX (CONTINUED)

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

	Group and Company				
	At 1 January 2022 restated	Recognised in profit or loss (Note 23)	At 31 December 2022 restated	Recognised in profit or loss (Note 23)	At 31 December 2023
	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities/(assets)					
Trade and other payables (including lease liabilities)	(6,439)	925	(5,514)	(1,691)	(7,205)
Loans, advances and receivables	1,337	115	1,452	1,121	2,573
Property, plant and equipment (including right-of-use assets)	6,057	(995)	5,062	1,579	6,641
Other items	15	(12)	3	-	3
Net deferred tax liabilities/(assets)	970	33	1,003	1,009	2,012

Deferred tax assets relate primarily to timing differences in respect of provisions and loss 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.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Cash at banks and in hand	1,156,855	584,731	1,155,449	583,695
Less: Loss allowances				
At 1 January	62	42	62	42
Allowances made during the year	20	20	20	20
At 31 December	82	62	82	62
Cash at banks and in hand, net	1,156,773	584,669	1,155,367	583,633
Statutory deposit with the Monetary Authority of Singapore	342,362	339,438	342,362	339,438
Total	1,499,135	924,107	1,497,729	923,071

11. SINGAPORE GOVERNMENT DEBT SECURITIES, MAS BILLS AND MAS FLOATING RATE NOTE

	Group and Company	
	2023	2022
	\$'000	\$'000
Singapore Government debt securities, MAS Bills and MAS Floating Rate Note ("FRN")		
- Within 12 months	1,301,673	1,083,503
- After 12 months	408,339	541,846
	1,710,012	1,625,349
Market value	1,705,716	1,611,734

Singapore Government debt securities, MAS bills and MAS FRN are classified at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

12. LOANS, ADVANCES AND RECEIVABLES

	Group and Company	
	2023	2022
	\$'000	\$'000
(a) Loans, advances and receivables at amortised cost		
Due after 12 months		
Loans, advances and hire purchase receivables	8,119,030	8,795,391
Less: Unearned charges and interest	71,200	57,935
	8,047,830	8,737,456
Less: Allowances for doubtful debts		
- Loans and advances	11,964	16,126
- Hire purchase receivables	1,876	2,437
	13,840	18,563
	8,033,990	8,718,893
Due within 12 months		
Loans, advances, factoring receivables and hire purchase receivables	3,678,704	2,978,025
Less: Unearned charges and interest	47,052	39,716
	3,631,652	2,938,309
Less: Allowances for doubtful debts		
- Loans, advances and factoring receivables	5,501	5,251
- Hire purchase receivables	759	979
	6,260	6,230
	3,625,392	2,932,079
Total loans, advances and receivables	11,659,382	11,650,972
(b) Allowances for doubtful debts		
Stage 3 loss allowances		
At 1 January	4,561	10,190
Net allowances reversed during the year	(214)	(401)
Receivables written off against allowances	(112)	(5,228)
At 31 December	4,235	4,561
Stages 1 & 2 loss allowances		
At 1 January	20,232	16,883
Net allowances made/(reversed) during the year	(4,367)	3,349
At 31 December	15,865	20,232
Total allowances for doubtful debts	20,100	24,793

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

12. LOANS, ADVANCES AND RECEIVABLES (CONTINUED)

In addition to the above, included in allowances for doubtful debts and other financial assets net of reversal or recovery of doubtful debts are net recoveries of bad debts amounting to \$138,000 (2022: \$215,000), as recorded in the Consolidated Statement of Comprehensive Income.

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

	Group and Company					
	2023			2022		
	Receivables \$'000	Interest \$'000	Principal \$'000	Receivables \$'000	Interest \$'000	Principal \$'000
Due within 1 year	552,214	45,738	506,476	529,330	38,698	490,632
Due after 1 year but within 5 years	1,207,857	68,547	1,139,310	1,159,020	55,725	1,103,295
Due after 5 years	113,907	2,444	111,463	119,405	2,154	117,251
Total	1,873,978	116,729	1,757,249	1,807,755	96,577	1,711,178

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

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Interest receivables	10,025	11,812	10,025	11,812
Deposits	2,029	1,933	2,029	1,933
Prepayments	1,831	2,436	1,830	2,435
Other receivables	14,279	8,972	14,279	8,972
Less: Loss allowances				
At 1 January	-	-	-	-
Allowances made during the year	73	-	73	-
At 31 December	73	-	73	-
Other receivables, net	14,206	8,972	14,206	8,972
Total	28,091	25,153	28,090	25,152
Non-current	2,109	2,766	2,109	2,766
Current	25,982	22,387	25,981	22,386
Total	28,091	25,153	28,090	25,152

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

14. SUBSIDIARIES

	Company	
	2023 \$'000	2022 \$'000
Unquoted equity investments, at cost	535	535

Details of the subsidiaries are as follows:-

Name of Subsidiary	Principal place of business / Country of incorporation	Effective equity held by the Group	
		2023 %	2022 %
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.

15. INVESTMENTS (LONG-TERM)

	Group and Company	
	2023 \$'000	2022 \$'000
Unquoted equity securities	12	12
Less: Impairment losses at 1 January and 31 December	12	12
Net investments	-	-

Unquoted equity securities are classified as FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

16. PROPERTY, PLANT AND EQUIPMENT

	Group and Company							Total \$'000
	Freehold land \$'000	Freehold buildings \$'000	Leasehold buildings \$'000	Office equipment, fixtures and fittings \$'000	Computer equipment \$'000	Motor vehicles \$'000	Work-In- Progress \$'000	

Cost

At 1 January 2022	50	2,938	89,011	13,976	10,550	543	-	117,068
Additions	-	-	1,115	149	22	-	1,260	2,546
Disposals	-	-	-	(94)	(107)	(5)	-	(206)
At 31 December 2022	50	2,938	90,126	14,031	10,465	538	1,260	119,408
Additions	-	-	15,691	343	210	-	2,382	18,626
Disposals	-	-	-	(227)	(319)	-	-	(546)
At 31 December 2023	50	2,938	105,817	14,147	10,356	538	3,642	137,488

Accumulated depreciation and impairment losses

At 1 January 2022	-	1,838	35,862	13,584	10,050	409	-	61,743
Depreciation charge for the year	-	60	7,259	181	333	107	-	7,940
Disposals	-	-	-	(94)	(107)	(5)	-	(206)
At 31 December 2022	-	1,898	43,121	13,671	10,276	511	-	69,477
Depreciation charge for the year	-	60	7,119	196	158	27	-	7,560
Disposals	-	-	-	(226)	(319)	-	-	(545)
At 31 December 2023	-	1,958	50,240	13,641	10,115	538	-	76,492

Carrying amount

At 1 January 2022	50	1,100	53,149	392	500	134	-	55,325
At 31 December 2022	50	1,040	47,005	360	189	27	1,260	49,931
At 31 December 2023	50	980	55,577	506	241	-	3,642	60,996

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties held at 31 December are as follows:-

	Group and Company	
	2023 \$'000	2022 \$'000
Freehold Land and Buildings		
(1) Property with carrying amount more than \$500,000 to \$1,000,000 comprises 1 shop unit held as branch premises.	784	811
(2) Properties with carrying amounts up to \$500,000 each comprise 2 shop units held as branch premises.	246	279
Total	1,030	1,090
Leasehold Buildings		
(1) Properties with carrying amounts exceeding \$1,000,000 each are as follows:-		
(a) 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.	1,225	1,283
(b) 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.	1,174	1,216
(c) 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.	6,618	6,794
(d) A shop unit at Block 531 Upper Cross Street #01-50, Singapore, comprising 1,098 sq. ft. on a 83-year lease commencing July 1996 held as branch premises.	3,218	3,289
(2) Properties with carrying amounts more than \$500,000 to \$1,000,000 each comprise 5 (2022: 4) shop units held as branch premises.	3,356	3,516
(3) Properties with carrying amounts up to \$500,000 each comprise 5 shop units held as branch premises and 4 industrial units used as warehousing facilities.	1,395	1,559
Total	16,986	17,657

Property, plant and equipment includes right-of-use assets of \$38.6 million (2022: \$29.3 million) related to leasehold buildings.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

17. 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:-

	Group and Company	
	2023 \$'000	2022 \$'000
Guarantees	249	759
Total	249	759

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

18. NET INTEREST INCOME/HIRING CHARGES

	Group	
	2023 \$'000	2022 \$'000
<i>Interest income/hiring charges</i>		
Loans, advances and receivables	498,401	307,340
Deposits placed	23,439	6,479
Singapore Government debt securities, MAS bills and MAS FRN	47,260	23,358
Total interest income/hiring charges	569,100	337,177
<i>Interest expense</i>		
Deposits and balances of customers	365,588	94,403
Borrowings	173	173
Lease liabilities	1,129	368
Total interest expense	366,890	94,944
Net interest income/hiring charges	202,210	242,233

19. FEE AND COMMISSION INCOME

	Group	
	2023 \$'000	2022 \$'000
Fee and commission income arising from:-		
Loans and advances	9,166	15,571
Non-lending activities	771	771
Others	15	17
Total	9,952	16,359

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

20. OTHER OPERATING INCOME

	Group	
	2023	2022
	\$'000	\$'000
Loss on disposal of plant and equipment	(1)	-
Other operating income	147	149
Total	<u>146</u>	<u>149</u>

21. STAFF COSTS

	Group	
	2023	2022
	\$'000	\$'000
Short-term employee benefits	72,239	66,008
CPF contributions to defined contribution plans	7,839	7,056
Share-based payments	375	316
Total	<u>80,453</u>	<u>73,380</u>

22. OTHER OPERATING EXPENSES

	Group	
	2023	2022
	\$'000	\$'000
Audit fees to auditors	477	446
Non-audit fees to auditors	100	98
Operating lease expenses	120	77
IT-related expenses	3,058	2,730
Other expenses	13,137	14,205
Total	<u>16,892</u>	<u>17,556</u>

Included in other expenses are fee and commission expenses arising from loans, advances and receivables amounting to \$873,000 (2022: \$3,002,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

23. INCOME TAX EXPENSE

	Note	Group	
		2023	2022
		\$'000	\$'000
Current tax expense			
Current year		17,588	26,204
Adjustment for prior years		58	(4)
		<u>17,646</u>	<u>26,200</u>
Deferred tax expense			
Origination and reversal of temporary differences	9	1,009	33
Income tax expense		<u>18,655</u>	<u>26,233</u>

Adjustment for prior years of \$58,000 (2022: reversal of \$4,000) relates to additional tax for prior years being taken up (2022: tax write back) following the finalisation of tax assessment.

Reconciliation of income tax expense

	Group	
	2023	2022
	\$'000	\$'000
Profit after tax for the year	93,374	130,879
Income tax expense	18,655	26,233
Profit before income tax	<u>112,029</u>	<u>157,112</u>
Tax calculated using Singapore tax rate of 17% (2022: 17%)	19,045	26,709
Tax effect of:-		
Exempt income not taxable for tax purposes	(30)	(21)
Enhanced tax deductions	(125)	(1)
Income taxed at a 10% concessionary tax rate	(628)	(751)
Expenses not deductible for tax purposes	334	310
Others	1	(9)
	<u>18,597</u>	<u>26,237</u>
Adjustment for prior years	58	(4)
Income tax expense	<u>18,655</u>	<u>26,233</u>
Effective tax rate (%)	16.6	16.7

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

24. EARNINGS PER SHARE

(a) Basic earnings per share

	Group	
	2023	2022
	\$'000	\$'000
Basic earnings per share is based on:-		
Profit after tax for the year attributable to owners of the Company	93,374	130,879
	2023	2022
	Number of	Number of
	shares	shares
	'000	'000
Issued shares at 1 January	448,132	447,817
Effect of share options exercised	261	226
Weighted average number of shares during the year	448,393	448,043

(b) Diluted earnings per share

	Group	
	2023	2022
	\$'000	\$'000
Diluted earnings per share is based on:-		
Profit after tax for the year attributable to owners of the Company	93,374	130,879

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:-

	Group	
	2023	2022
	Number of	Number of
	shares	shares
	'000	'000
Weighted average number of:-		
shares used in the calculation of basic earnings per share	448,393	448,043
potential shares issuable under share options	304	261
Weighted average number of issued and potential shares assuming full conversion	448,697	448,304

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

24. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (continued)

Outstanding share options that were not included in the computation of diluted earnings per share because the share options were anti-dilutive amounted to 10,118,380 at exercise price of \$2.45 to \$2.66 as at 31 December 2023 (2022: 10,085,670 at exercise price of \$2.38 to \$2.66).

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.

25. 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. The objective is to manage businesses and its related risks in a way that creates balanced and sustainable value for the Group's customers, shareholders and the community. Where risk is assumed, it is within a calculated and controlled framework; and is supported by a strong risk culture and risk management approach. 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 Report.

Risk management framework

The Group's risk management framework provides the principles and guidance for our risk management activities. 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 Board Risk Committee ("BRC"), a dedicated risk committee at board level oversees and reports to the Board on matters relating to the risk function of the Group. The BRC reviews the adequacy and effectiveness of and approves the risk management framework, related risk management policies and systems. Management, through its Management Risk Committee and Assets and Liabilities Committee, is accountable to the BRC and Board for ensuring the effectiveness of the risk management framework. A risk management team is accountable to the BRC 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 regularly monitor risks and adherence to limits. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

25. 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 debt securities, MAS Bills and MAS FRN, 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. Credit exposures and limits are managed to align with the Group's risk appetite, to maintain the target business mix and that there is no undue risk concentration. Credit concentration limits are reviewed on a regular basis after taking into account business, economic, financial and regulatory environments.

The Board of Directors has delegated responsibility for the management of credit risk oversight to its BRC whilst reserving for itself and various committees approval authority for exposures exceeding pre-set limits. Risk Management and Credit Control departments are 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 assess the developments in the current operating environment that are relevant to borrower segments as well as to determine the impact of staging migration and collateral shocks to the Capital Adequacy Ratio. This enables the Group to identify potentially risky portfolio segments, and plan preventive actions, where applicable.

Environmental, Social and Governance Factors

The Group incorporates Responsible Financing practices into the business model when deciding on credit extensions to corporate borrowers. This is done as part of the adoption of the Guidelines on Responsible Financing issued by the Association of Banks in Singapore. The Group implements an Environmental, Social and Governance ("ESG") Risk Assessment tool to evaluate customers from industries with elevated ESG risk profiles. This risk assessment tool is to ensure that material ESG matters are considered for new borrowing customers, new credit applications and periodic reviews.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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.

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

	Group and Company			Total \$'000
	12-month expected credit loss Not credit- impaired \$'000	Lifetime expected credit loss Not credit- impaired \$'000	Lifetime expected credit loss Credit- impaired \$'000	
2023				
Performing accounts				
- neither past due nor impaired	11,179,244	290,429	-	11,469,673
- past due but not impaired	100,706	45,426	-	146,132
Substandard	-	-	60,639	60,639
Loss	-	-	3,038	3,038
Gross amount	11,279,950	335,855	63,677	11,679,482
Stage 1 & 2 loss allowances	(15,661)	(204)	-	(15,865)
Stage 3 loss allowances	-	-	(4,235)	(4,235)
Carrying amount	11,264,289	335,651	59,442	11,659,382
2022				
Performing accounts				
- neither past due nor impaired	10,638,959	729,083	-	11,368,042
- past due but not impaired	76,023	37,808	-	113,831
Substandard	-	-	190,152	190,152
Loss	-	-	3,740	3,740
Gross amount	10,714,982	766,891	193,892	11,675,765
Stage 1 & 2 loss allowances	(14,620)	(5,612)	-	(20,232)
Stage 3 loss allowances	-	-	(4,561)	(4,561)
Carrying amount	10,700,362	761,279	189,331	11,650,972

There are no loans and advances graded as doubtful as at 31 December 2023 and 2022.

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 2023

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Exposure to 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 2023		
Substandard	60,639	59,442
Loss	3,038	–
Total	63,677	59,442
31 December 2022		
Substandard	190,152	189,331
Loss	3,740	–
Total	193,892	189,331

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 \$11,604,085,000 (2022: \$11,593,592,000). An estimate of the financial effect of collateral and other security enhancements held against credit-impaired loans and advances to customers on maximum credit risk exposure amounted to \$58,823,000 (2022: \$188,285,000). The Group's claim against such collateral has been limited to the obligations of the respective obligors.

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.

	Group and Company	
	2023	2022
	\$'000	\$'000
Motor vehicles	–	35
Properties	–	150,500
Total	–	150,535

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Exposure to credit risk (continued)

The Group's collateral management framework is to pursue timely realisation of the collateral in an orderly manner.

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

	Loans and advances to customers	
	2023	2022
	\$'000	\$'000
Gross carrying amount	11,679,482	11,675,765
Concentration by sector		
Hire purchase/block discounting	1,757,249	1,711,178
Housing loans secured by property under finance	1,165,854	1,233,905
Other loans and advances:-		
Manufacturing	32,343	34,595
Building and construction	5,554,149	5,324,941
General commerce	56,671	68,176
Transport, storage and communication	155,649	106,411
Investment and holding companies	718,119	1,089,637
Professional and private individuals	200,294	239,391
Hotels, restaurants and boarding houses	1,505,897	1,311,655
Service companies	426,261	422,681
Others	106,996	133,195
Total	11,679,482	11,675,765

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

Financial guarantees comprising guarantees issued by the Company to third parties on behalf of customers amounted to \$249,000 as at 31 December 2023 (2022: \$759,000). 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 2023

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Reconciliation of Loss Allowance

Reconciliation of impairment provision

	12-month ECL Not credit- impaired \$'000	Lifetime ECL Not credit- impaired \$'000	Lifetime ECL Credit- impaired \$'000	Total \$'000
2023				
Balance as at 1 January	14,620	5,612	4,561	24,793
New financial assets originated or purchased	5,351	8	99	5,458
Financial assets repaid	(5,917)	(3,003)	(923)	(9,843)
Financial assets written off	–	–	(112)	(112)
Transfer to 12-month ECL – not credit-impaired	2,239	(2,239)	–	–
Transfer to Lifetime ECL – not credit-impaired	(79)	79	–	–
Transfer to Lifetime ECL – credit-impaired	(6)	(25)	31	–
Others	(547)	(228)	579	(196)
Balance as at 31 December	15,661	204	4,235	20,100
2022				
Balance as at 1 January	13,077	3,806	10,190	27,073
New financial assets originated or purchased	7,113	2,615	39	9,767
Financial assets repaid	(4,952)	(870)	(1,478)	(7,300)
Financial assets written off	–	–	(5,228)	(5,228)
Transfer to 12-month ECL – not credit-impaired	12	(12)	–	–
Transfer to Lifetime ECL – not credit-impaired	(163)	163	–	–
Transfer to Lifetime ECL – credit-impaired	(193)	(46)	239	–
Others	(274)	(44)	799	481
Balance as at 31 December	14,620	5,612	4,561	24,793

Write-off still under enforcement activity

The contractual amount of outstanding on loans and advances to customers that were written off during the reporting period, and are still subject to enforcement activity was \$0.1 million (2022: \$5.2 million).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Cash at banks and in hand

The Group and the Company held cash at banks and in hand of \$1,156,773,000 and \$1,155,367,000 respectively at 31 December 2023 (2022: \$584,669,000 and \$583,633,000 respectively). The cash at banks and in hand are mainly held with bank and financial institution counterparties, which are rated AA- to A-, based on various international credit ratings.

Impairment on cash at banks and in hand has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash at banks and in hand have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash at banks and in hand to those used for loans and advances.

Statutory deposit with the Monetary Authority of Singapore

The Group and the Company held statutory deposit with the Monetary Authority of Singapore of \$342,362,000 at 31 December 2023 (2022: \$339,438,000) which is rated AAA, based on various international credit ratings. Hence, the Group considers that its statutory deposits have low credit risk and the amount of allowance is negligible.

Singapore Government Debts Securities, MAS Bills and MAS Floating Rate Note

The Group and the Company held Singapore Government debt securities, MAS bills and MAS FRN of \$1,710,012,000 at 31 December 2023 (2022: \$1,625,349,000) which is rated AAA, based on various international credit ratings. Hence, the Group considers that its Singapore Government debt securities, MAS bills and MAS FRN have low credit risk and the amount of allowance is negligible.

(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 statement of financial position exposures.

Management of liquidity risk

The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both business-as-usual 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 business-as-usual, and maintaining soundness in times of stress.

The Group is currently funded by equity and deposits. Liquidity risk arises from the management of the net funding position after accounting for the ongoing cash flows from assets and 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 BRC. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Liquidity risk is also mitigated through the diversification of the Company's loans and deposits and the close monitoring of exposure to minimise concentration risk.

Contingency funding plans, which guide the Group's actions and responses, are in place to address potential liquidity crises using early warning indicators. Crisis escalation procedures and various strategies including funding, communication and managerial actions to be taken have been developed to minimise the impact of 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 ("MAS") and reserve assets principally comprising Singapore Government debt securities, MAS bills and MAS FRN) to net liabilities (computed in accordance with MAS Notice 806) 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	
	2023	2022
At 31 December	18.15%	17.48%
Average for the period	16.84%	16.58%
Maximum for the period	18.15%	17.69%
Minimum for the period	16.09%	16.10%

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

25. 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
Group							
31 December 2023							
<i>Non-derivative financial liabilities</i>							
Deposits and balances of customers	12,647,934	(12,998,838)	(1,168,241)	(2,358,640)	(9,305,986)	(165,971)	-
Borrowings from MAS SGD Facility	15,389	(15,543)	-	-	(15,543)	-	-
Borrowings from Enterprise Singapore	2,533	(2,560)	(204)	(155)	(655)	(1,546)	-
Other liabilities	37,205	(37,205)	(15,205)	-	(22,000)	-	-
Lease liabilities	40,851	(45,655)	(613)	(1,227)	(5,090)	(21,558)	(17,167)
	12,743,912	(13,099,801)	(1,184,263)	(2,360,022)	(9,349,274)	(189,075)	(17,167)
Financial guarantees	-	(249)	(249)	-	-	-	-
	12,743,912	(13,100,050)	(1,184,512)	(2,360,022)	(9,349,274)	(189,075)	(17,167)
Undrawn loan commitments	-	(1,218,269)	(973,264)	(245,005)	-	-	-
	12,743,912	(14,318,319)	(2,157,776)	(2,605,027)	(9,349,274)	(189,075)	(17,167)
31 December 2022							
<i>Non-derivative financial liabilities</i>							
Deposits and balances of customers	12,030,183	(12,333,183)	(1,942,323)	(825,663)	(8,505,676)	(1,059,521)	-
Borrowings from MAS SGD Facility	32,664	(32,911)	(5,593)	-	(3,366)	(23,952)	-
Borrowings from Enterprise Singapore	3,845	(3,876)	(449)	(175)	(754)	(2,498)	-
Other liabilities	36,371	(36,371)	(17,748)	(10)	(18,613)	-	-
Lease liabilities	31,230	(32,642)	(586)	(1,181)	(5,239)	(15,781)	(9,855)
	12,134,293	(12,438,983)	(1,966,699)	(827,029)	(8,533,648)	(1,101,752)	(9,855)
Financial guarantees	-	(759)	(759)	-	-	-	-
	12,134,293	(12,439,742)	(1,967,458)	(827,029)	(8,533,648)	(1,101,752)	(9,855)
Undrawn loan commitments	-	(1,305,398)	(1,149,746)	(155,652)	-	-	-
	12,134,293	(13,745,140)	(3,117,204)	(982,681)	(8,533,648)	(1,101,752)	(9,855)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	Carrying amount	Gross nominal outflow	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Company							
31 December 2023							
<i>Non-derivative financial liabilities</i>							
Deposits and balances of customers	12,652,388	(13,003,431)	(1,168,600)	(2,358,640)	(9,310,220)	(165,971)	-
Borrowings from MAS SGD Facility	15,389	(15,543)	-	-	(15,543)	-	-
Borrowings from Enterprise Singapore	2,533	(2,560)	(204)	(155)	(655)	(1,546)	-
Other liabilities	35,508	(35,508)	(13,529)	-	(21,979)	-	-
Lease liabilities	40,851	(45,655)	(613)	(1,227)	(5,090)	(21,558)	(17,167)
	12,746,669	(13,102,697)	(1,182,946)	(2,360,022)	(9,353,487)	(189,075)	(17,167)
Financial guarantees	-	(249)	(249)	-	-	-	-
	12,746,669	(13,102,946)	(1,183,195)	(2,360,022)	(9,353,487)	(189,075)	(17,167)
Undrawn loan commitments	-	(1,218,269)	(973,264)	(245,005)	-	-	-
	12,746,669	(14,321,215)	(2,156,459)	(2,605,027)	(9,353,487)	(189,075)	(17,167)
31 December 2022							
<i>Non-derivative financial liabilities</i>							
Deposits and balances of customers	12,034,533	(12,337,637)	(1,942,670)	(825,663)	(8,509,783)	(1,059,521)	-
Borrowings from MAS SGD Facility	32,664	(32,911)	(5,593)	-	(3,366)	(23,952)	-
Borrowings from Enterprise Singapore	3,845	(3,876)	(449)	(175)	(754)	(2,498)	-
Other liabilities	35,007	(35,007)	(16,407)	-	(18,600)	-	-
Lease liabilities	31,230	(32,642)	(586)	(1,181)	(5,239)	(15,781)	(9,855)
	12,137,279	(12,442,073)	(1,965,705)	(827,019)	(8,537,742)	(1,101,752)	(9,855)
Financial guarantees	-	(759)	(759)	-	-	-	-
	12,137,279	(12,442,832)	(1,966,464)	(827,019)	(8,537,742)	(1,101,752)	(9,855)
Undrawn loan commitments	-	(1,305,398)	(1,149,746)	(155,652)	-	-	-
	12,137,279	(13,748,230)	(3,116,210)	(982,671)	(8,537,742)	(1,101,752)	(9,855)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

Interest rate risk is the risk to the Group's earnings and capital arising from exposure to adverse movements in interest rates. Interest rate risk arises primarily from timing differences in the maturity (for fixed rate) and repricing (for floating rate) of assets and liabilities.

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 and long term within approved risk appetite. Interest rate risk exposures are measured and monitored using a combination of repricing gap, present value of 1 basis point and income simulation modeling. The BRC approves policies, strategies and limits in the management of interest rate risk. Policies and limits are reviewed regularly to ensure that they remain relevant.

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 debt securities, MAS bills and MAS FRN intended to be held to maturity, the Group's exposure to interest rate risk relates primarily to the Group's loan portfolio, deposits and any interest-bearing borrowings. Interest rate risk arises 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 2023

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk (continued)

Repricing analysis (continued)

	Note	Group				Non-interest bearing
		Carrying amount \$'000	Up to 1 year \$'000	Over 1 to 5 years \$'000	After 5 years \$'000	
31 December 2023						
Financial assets						
Loans, advances and receivables	12	11,659,382	9,979,694	1,530,251	149,437	–
Singapore Government debt securities, MAS bills and MAS FRN	11	1,710,012	1,301,673	408,339	–	–
Cash at banks and in hand	10	1,156,773	1,080,405	–	–	76,368
Statutory deposit with the Monetary Authority of Singapore	10	342,362	–	–	–	342,362
Other assets		26,260	–	–	–	26,260
Financial liabilities						
Deposits and balances of customers	6	12,647,934	12,431,389	162,275	–	54,270
Borrowings from MAS SGD Facility	7	15,389	15,389	–	–	–
Borrowings from Enterprise Singapore	7	2,533	1,003	1,530	–	–
Other liabilities	8	171,033	–	–	–	171,033
Lease liabilities	8	40,851	–	–	–	40,851
31 December 2022						
Financial assets						
Loans, advances and receivables	12	11,650,972	9,469,640	2,023,767	157,565	–
Singapore Government debt securities, MAS bills and MAS FRN	11	1,625,349	1,083,503	541,846	–	–
Cash at banks and in hand	10	584,669	487,647	–	–	97,022
Statutory deposit with the Monetary Authority of Singapore	10	339,438	–	–	–	339,438
Other assets		22,717	–	–	–	22,717
Financial liabilities						
Deposits and balances of customers	6	12,030,183	10,905,357	1,013,301	–	111,525
Borrowings from MAS SGD Facility	7	32,664	8,941	23,723	–	–
Borrowings from Enterprise Singapore	7	3,845	1,367	2,478	–	–
Other liabilities	8	109,745	–	–	–	109,745
Lease liabilities	8	31,230	–	–	–	31,230

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk (continued)

Repricing analysis (continued)

	Note	Company				Non-interest bearing
		Carrying amount \$'000	Up to 1 year \$'000	Over 1 to 5 years \$'000	After 5 years \$'000	
31 December 2023						
Financial assets						
Loans, advances and receivables	12	11,659,382	9,979,694	1,530,251	149,437	–
Singapore Government debt securities, MAS bills and MAS FRN	11	1,710,012	1,301,673	408,339	–	–
Cash at banks and in hand	10	1,155,367	1,078,999	–	–	76,368
Statutory deposit with the Monetary Authority of Singapore	10	342,362	–	–	–	342,362
Other assets		26,260	–	–	–	26,260
Financial liabilities						
Deposits and balances of customers	6	12,652,388	12,435,843	162,275	–	54,270
Borrowings from MAS SGD Facility	7	15,389	15,389	–	–	–
Borrowings from Enterprise Singapore	7	2,533	1,003	1,530	–	–
Other liabilities	8	169,381	–	–	–	169,381
Lease liabilities	8	40,851	–	–	–	40,851
31 December 2022						
Financial assets						
Loans, advances and receivables	12	11,650,972	9,469,640	2,023,767	157,565	–
Singapore Government debt securities, MAS bills and MAS FRN	11	1,625,349	1,083,503	541,846	–	–
Cash at banks and in hand	10	583,633	486,611	–	–	97,022
Statutory deposit with the Monetary Authority of Singapore	10	339,438	–	–	–	339,438
Other assets		22,717	–	–	–	22,717
Financial liabilities						
Deposits and balances of customers	6	12,034,533	10,909,707	1,013,301	–	111,525
Borrowings from MAS SGD Facility	7	32,664	8,941	23,723	–	–
Borrowings from Enterprise Singapore	7	3,845	1,367	2,478	–	–
Other liabilities	8	108,409	–	–	–	108,409
Lease liabilities	8	31,230	–	–	–	31,230

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

25. 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:-

	Group	
	2023	2022
	\$'000	\$'000
+ 100 basis points parallel shift in yield curves	37,614	45,124
- 100 basis points parallel shift in yield curves	(45,720)	(52,259)

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.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'interest rate benchmark reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. In Singapore, the Steering Committee for SOR and SIBOR transition to SORA (SC-STs) together with the Association of Banks in Singapore (ABS) and Singapore Foreign Exchange Market Committee (SFEMC), has identified the Singapore Overnight Rate Average (SORA) as the alternative interest rate benchmark to replace SIBOR and SOR in Singapore. As at 31 December 2023, the Group's main IBOR exposures were referenced to SIBOR. The timeline for SORA to replace SIBOR is by end December 2024.

The Group has established an internal SORA Working Group, which reports to the Assets & Liabilities Committee (ALCO), in its oversight of the interest rate benchmark transition. The SORA Working Group comprises members from the business units, risk management, finance, treasury, legal, information technology and operations departments. To ensure a smooth transition from SIBOR to SORA, amendments to loan contracts, changes to systems, processes, risk and valuation models, as well as, communications with relevant counterparties and assessments of related tax and accounting implications will be required.

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract'). The following tables show the total amounts of unreformed non-derivative financial assets and loan commitments and those with appropriate fallback language at 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk (continued)

Interest rate benchmark reform (continued)

The amounts of loans and advances to customers are shown at their gross carrying amounts. The amounts of loan commitments are shown at their committed amounts.

	SIBOR		SOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause
	\$'000	\$'000	\$'000	\$'000
1 January 2023				
Loans and advances	2,188,939	103,785	511,185	413,119
Loan commitments	264,989	22,509	16,057	2,193
31 December 2023				
Loans and advances	416,028	16,357	-	-
Loan commitments	125,962	-	-	-

(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 eligible total capital to total risk-weighted assets.

The Group's eligible total 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 2023

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Capital management (continued)

Regulatory capital (continued)

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

	2023	2022
	\$'000	\$'000
Share capital	891,578	890,553
Accumulated profits	263,296	240,411
Statutory reserve	798,671	765,950
Capital reserve	2,307	2,307
Share option reserve	2,203	2,468
Eligible total capital	1,958,055	1,901,689
Risk-weighted assets	12,015,313	11,790,124
Capital adequacy ratio	16.3%	16.1%

The Group has complied with all externally imposed capital requirements. There were no changes in the Group's approach to capital management during the year.

26. 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 debt securities, MAS bills and MAS FRN

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

26. FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (continued)

In accordance with the accounting policy on Financial Instruments, 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:-

	Note	Group			
		Carrying amount 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
		\$'000	\$'000	\$'000	\$'000
Financial assets					
Loans, advances and receivables	12	11,659,382	11,614,897	11,650,972	11,559,319
Singapore Government debt securities, MAS bills and MAS FRN	11	1,710,012	1,705,716	1,625,349	1,611,734
		13,369,394	13,320,613	13,276,321	13,171,053
Financial liabilities					
Deposits and balances of customers	6	(12,647,934)	(12,817,235)	(12,030,183)	(12,215,281)
		721,460	503,378	1,246,138	955,772

	Note	Company			
		Carrying amount 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
		\$'000	\$'000	\$'000	\$'000
Financial assets					
Loans, advances and receivables	12	11,659,382	11,614,897	11,650,972	11,559,319
Singapore Government debt securities, MAS bills and MAS FRN	11	1,710,012	1,705,716	1,625,349	1,611,734
		13,369,394	13,320,613	13,276,321	13,171,053
Financial liabilities					
Deposits and balances of customers	6	(12,652,388)	(12,821,698)	(12,034,533)	(12,219,699)
		717,006	498,915	1,241,788	951,354

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

26. FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (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/Company 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 \$2.74 billion (2022: \$3.05 billion) against a carrying value of \$2.782 billion (2022: \$3.142 billion). Singapore Government debt securities, MAS bills and MAS FRN are Level 1 instruments with fair value of \$1.71 billion (2022: \$1.61 billion). The portion of deposits and balances of customers being Level 2 instruments have a fair value of \$10.54 billion (2022: \$10.52 billion) against a carrying value of \$10.37 billion (2022: \$10.34 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.

27. COMMITMENTS

(a) 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 \$3,000,000 (2022: \$3,924,000).

(b) 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 \$1,218,269,000 (2022: \$1,305,398,000).

28. 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) 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Key Management Personnel Compensation

Key management personnel compensation comprised:-

	Group	
	2023	2022
	\$'000	\$'000
Short-term employee benefits	5,028	5,003
CPF contributions to defined contribution plans	33	33
Depreciation of motor vehicles	5	21
Other operating expenses including principally directors' fees	1,766	1,436
Share-based payments	31	43
	6,863	6,536

Directors' remuneration (inclusive of fees) included in key management personnel compensation amounted to \$4,456,000 (2022: \$4,146,000).

Key management personnel of the Company participate in the Share Option Scheme as described in Note 5. During the year, options to 344,500 (2022: 244,500) shares were granted to key management personnel. These share options are subject to a vesting schedule.

Options held by key management personnel at the end of the year are as follows:-

	2023	2022
Granted on		
25.9.2013	–	76,000
25.9.2014	236,000	236,000
23.9.2015	71,000	71,000
23.9.2016	71,000	71,000
21.9.2017	171,500	171,500
25.9.2018	271,500	271,500
23.9.2019	331,000	331,000
23.9.2020	309,000	309,000
22.9.2021	173,500	173,500
21.9.2022	244,500	244,500
20.9.2023	344,500	–

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

	2023	2022
Granted on		
25.9.2014	160,000	160,000
21.9.2017	115,000	115,000
25.9.2018	156,000	156,000
23.9.2019	172,000	172,000
23.9.2020	163,000	163,000
22.9.2021	90,000	90,000
21.9.2022	127,500	127,500
20.9.2023	172,500	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

28. 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:-

	Group		
	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 2022	–	205	142,683
Increase	–	–	564
(Decrease)	–	(119)	(80,666)
As at 31 December 2022	–	86	62,581
Increase	–	–	10
(Decrease)	–	(47)	(26,561)
As at 31 December 2023	–	39	36,030
Undrawn loan commitments:			
As at 1 January 2022	–	–	10,000
Increase	–	–	–
(Decrease)	–	–	(10,000)
As at 31 December 2022	–	–	–
Increase	–	–	–
(Decrease)	–	–	–
As at 31 December 2023	–	–	–
(b) Stage 3 loss allowances			
As at 31 December 2022	–	–	–
As at 31 December 2023	–	–	–
(c) Other receivables, deposits and prepayment			
Outstanding balances:			
As at 1 January 2022	–	1,245	–
Increase	–	–	–
(Decrease)	–	–	–
As at 31 December 2022	–	1,245	–
Increase	–	62	–
(Decrease)	–	(2)	–
As at 31 December 2023	–	1,305	–
(d) Deposits and balances of customers			
Outstanding balances:			
As at 1 January 2022	126,391	415,731	30,202
Increase	–	5	716
(Decrease)	(24,928)	(149,082)	(14,525)
As at 31 December 2022	101,463	266,654	16,393
Increase	–	8,057	6,293
(Decrease)	(49,830)	(80,976)	(4,890)
As at 31 December 2023	51,633	193,735	17,796

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Other Related Party Transactions (continued)

	Group		
	Holding Company \$'000	Fellow Subsidiaries and Associates of Holding Company \$'000	Key Management Personnel* \$'000
(e) Trade and other payables			
Outstanding balances:			
As at 1 January 2022	167	949	16
Increase	389	1,089	61
(Decrease)	–	(176)	–
As at 31 December 2022	556	1,862	77
Increase	–	2,099	59
(Decrease)	(287)	(740)	(15)
As at 31 December 2023	269	3,221	121
(f) Lease liabilities			
As at 31 December 2022	–	13,852	–
As at 31 December 2023	–	24,957	–
(g) Profit and loss transactions			
Year ended 31 December 2023			
- Interest income on loans and advances and hiring charges in respect of hire purchase receivables	–	2	2,218
- Interest expense on deposits	(2,338)	(8,054)	(547)
- Fee, commission and other income	–	–	4
- Other operating expenses	–	(722)	–
- Stage 3 allowances for doubtful debts	–	–	–
- Interest expense on lease liabilities	–	(882)	–
Year ended 31 December 2022			
- Interest income on loans and advances and hiring charges in respect of hire purchase receivables	–	5	1,951
- Interest expense on deposits	(1,385)	(4,457)	(217)
- Fee, commission and other income	–	–	2
- Other operating expenses	–	(720)	–
- Stage 3 allowances for doubtful debts	–	–	–
- Interest expense on lease liabilities	–	(144)	–
(h) Cash outflows relating to operating leases			
- Lease payments			
Year ended 31 December 2022	–	(4,951)	–
Year ended 31 December 2023	–	(5,141)	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Other 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 2022	-	205	142,683	-
Increase	-	-	564	-
(Decrease)	-	(119)	(80,666)	-
As at 31 December 2022	-	86	62,581	-
Increase	-	-	10	-
(Decrease)	-	(47)	(26,561)	-
As at 31 December 2023	-	39	36,030	-
Undrawn loan commitments:				
As at 1 January 2022	-	-	10,000	-
Increase	-	-	-	-
(Decrease)	-	-	(10,000)	-
As at 31 December 2022	-	-	-	-
Increase	-	-	-	-
(Decrease)	-	-	-	-
As at 31 December 2023	-	-	-	-
(b) Stage 3 loss allowances				
As at 31 December 2022	-	-	-	-
As at 31 December 2023	-	-	-	-
(c) Other receivables, deposits and prepayment				
Outstanding balances:				
As at 1 January 2022	-	1,245	-	-
Increase	-	-	-	-
(Decrease)	-	-	-	-
As at 31 December 2022	-	1,245	-	-
Increase	-	62	-	-
(Decrease)	-	(2)	-	-
As at 31 December 2023	-	1,305	-	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Other 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 2022	126,391	415,731	30,202	4,335
Increase	-	5	716	15
(Decrease)	(24,928)	(149,082)	(14,525)	-
As at 31 December 2022	101,463	266,654	16,393	4,350
Increase	-	8,057	6,293	104
(Decrease)	(49,830)	(80,976)	(4,890)	-
As at 31 December 2023	51,633	193,735	17,796	4,454
(e) Trade and other payables				
Outstanding balances:				
As at 1 January 2022	167	942	16	12
Increase	389	1,089	61	23
(Decrease)	-	(176)	-	(1)
As at 31 December 2022	556	1,855	77	34
Increase	-	2,099	59	17
(Decrease)	(287)	(740)	(15)	-
As at 31 December 2023	269	3,214	121	51
(f) Lease liabilities				
As at 31 December 2022	-	13,852	-	-
As at 31 December 2023	-	24,957	-	-

* 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 2023

29. LEASES

Leases as lessee (SFRS(I) 16)

The Group leases properties and motor vehicles. The leases typically run for a period of three to nine years, with options to renew the lease after that date. Previously, these leases were classified as operating leases under SFRS(I)1-17. None of the leases contain contingent rentals.

The Group leases motor vehicle with one year contract term. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties presented as property, plant and equipment (see note 16).

	Leasehold buildings	
	2023 \$'000	2022 \$'000
Balance at 1 January	29,348	34,821
Depreciation charge for the year	(6,448)	(6,588)
Additions to right-of-use assets	15,691	1,115
Balance at 31 December	38,591	29,348

	2023 \$'000	2022 \$'000
<i>Amounts recognised in profit or loss</i>		
Interest on lease liabilities	1,129	368
Expenses relating to short-term leases	25	46
Expenses relating to leases of low-value assets	95	31

Amount recognised in consolidated statement of cash flows

Total cash outflow for leases	7,199	6,944
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Extension options

Some property leases contain extension options exercisable by the Group up to nine years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

ANALYSIS OF SHAREHOLDINGS

as at 4 March 2024

Number of Shares in Issue :	448,560,433
Class of Shares :	Ordinary shares ("Shares")
Number of Shareholders :	11,590
Voting Rights :	1 vote for 1 share

Pursuant to the Finance Companies Act 1967, the Company does not hold treasury shares and accordingly, there were no treasury shares held as at 4 March 2024. As at 4 March 2024, there were also no Shares held as subsidiary holdings in the Company. 'Subsidiary holdings' is defined in the Listing Manual of Singapore Exchange Securities Trading Limited ("Listing Manual") to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act 1967.

Range of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	361	3.12	14,477	0.00
100 – 1,000	1,798	15.51	1,194,202	0.27
1,001 – 10,000	7,009	60.48	31,724,908	7.07
10,001 – 1,000,000	2,395	20.66	116,981,356	26.08
1,000,001 and above	27	0.23	298,645,490	66.58
	11,590	100.00	448,560,433	100.00

Based on the information available to the Company as at 4 March 2024, approximately 50.45% of the total number of issued Shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual is complied with.

MAJOR SHAREHOLDERS LIST - TOP 20 AS AT 4 MARCH 2024

No.	Name	No. of Shares Held	%*
1.	Hong Leong Investment Holdings Pte. Ltd.	116,507,363	25.97
2.	DBS Nominees (Private) Limited	25,083,370	5.59
3.	Hong Realty (Private) Limited	23,271,370	5.19
4.	Hong Leong Corporation Holdings Pte Ltd	19,685,812	4.39
5.	Garden Estates (Pte.) Limited	16,710,670	3.73
6.	Hong Leong Foundation	13,854,823	3.09
7.	United Overseas Bank Nominees (Private) Limited	10,747,380	2.40
8.	Raffles Nominees (Pte.) Limited	10,215,841	2.28
9.	City Developments Limited	9,149,817	2.04
10.	Citibank Nominees Singapore Pte Ltd	6,669,391	1.49
11.	Tudor Court Gallery Pte Ltd (in member's voluntary liquidation)	6,517,000	1.45
12.	Chng Gim Huat	5,770,000	1.29
13.	Hong Leong Holdings Limited	5,460,422	1.22
14.	Phillip Securities Pte Ltd	4,719,052	1.05
15.	Hong Leong Enterprises Pte. Ltd.	4,485,047	1.00
16.	OCBC Nominees Singapore Private Limited	2,736,913	0.61
17.	Chow Joo Ming	2,600,000	0.58
18.	HSBC (Singapore) Nominees Pte Ltd	2,398,260	0.53
19.	Morph Investments Ltd	2,160,000	0.48
20.	Kwek Leng Kee	1,595,079	0.36
		290,337,610	64.74

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 4 March 2024.

ANALYSIS OF SHAREHOLDINGS

as at 4 March 2024

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders as at 4 March 2024)

	← No. of Shares →		Total Interest	% *
	Direct Interest	Deemed Interest		
Hong Realty (Private) Limited	23,271,370	23,678,335 ⁽¹⁾	46,949,705	10.47
Hong Leong Enterprises Pte. Ltd.	4,485,047	19,968,812 ⁽²⁾	24,453,859	5.45
Hong Leong Investment Holdings Pte. Ltd.	116,507,363	89,353,395 ⁽³⁾	205,860,758	45.89
Davos Investment Holdings Private Limited	-	205,860,758 ⁽⁴⁾	205,860,758	45.89
Kwek Holdings Pte Ltd	-	205,860,758 ⁽⁴⁾	205,860,758	45.89

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 4 March 2024.

Notes:

⁽¹⁾ Hong Realty (Private) Limited ("HR") is deemed under Section 4 of the Securities and Futures Act 2001 ("SFA") 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 voting shares thereof.

⁽²⁾ Hong Leong Enterprises Pte. Ltd. ("HLE") is deemed under Section 4 of the SFA 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 voting shares thereof.

⁽³⁾ Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is deemed under Section 4 of the SFA to have an interest in the 89,353,395 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 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. (Does not include shares disposed. As the disposal did not result in any overall percentage level changes in HLIH's total interest in HLF, no notification of the change was required to be given under the SFA.)

⁽⁴⁾ Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 4 of the SFA 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 voting shares in HLIH. (Does not include shares disposed. As the disposal did not result in any overall percentage level changes in Davos' and KH's total interest in HLF, no notification of the change was required to be given under the SFA.)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-Fourth Annual General Meeting (the "Meeting") of HONG LEONG FINANCE LIMITED (the "Company") will be held at M Hotel, Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Thursday, 25 April 2024 at 10.00 a.m. for the following purposes:

A) ORDINARY BUSINESS

1. To receive the Directors' Statement and Audited Financial Statements for the year ended 31 December ("FY") 2023 and the Auditors' Report thereon. Resolution 1
2. To declare a final one-tier tax exempt dividend of 9 cents per share for FY 2023 ("Final Dividend"). Resolution 2
3. To approve Directors' Fees of \$1,689,185 for FY 2023 (FY 2022: \$1,366,000). Resolution 3
4. To re-elect the following Directors retiring in accordance with the Company's Constitution and who, being eligible, offer themselves for re-election as Directors of the Company:
 - (a) Mr Kwek Leng Kee Resolution 4(a)
 - (b) Mr Kevin Hangchi Resolution 4(b)
 - (c) Mr Peter Chay Fook Yuen Resolution 4(c)
 - (d) Mr Christian Gautier de Charnace Resolution 4(d)

Key information on the Directors who are proposed to be re-elected can be found under the sections on 'Board of Directors' and 'Additional Information on Directors Seeking Re-election at the 64th Annual General Meeting' of the Annual Report 2023.

5. To re-appoint KPMG LLP as Auditors and to authorise the Directors to fix their remuneration. Resolution 5

(B) SPECIAL BUSINESS

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

6. That authority be and is hereby given to the Directors to: Resolution 6
 - (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 is 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 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 10% of the total number of issued shares of the Company (as calculated in accordance with sub-paragraph (2) below);
 - (2) (subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares of the Company shall be based on the total number of issued shares 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 Section 161 of the Companies Act 1967 of Singapore, the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST) and the Constitution for the time being of the Company; and
 - (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next annual general meeting ("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.
7. 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 as may be required to be issued pursuant to the exercise of the options granted under the SOS, provided that the aggregate number of shares to be issued pursuant to the SOS shall not exceed 15% of the total number of issued shares of the Company from time to time.

Resolution 7

BY ORDER OF THE BOARD

Yeo Swee Gim, Joanne
Ng Siew Ping, Jaslin
Company Secretaries

Singapore,
27 March 2024

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

Ordinary Business

1. With reference to Resolution 2, the Share Transfer Books and Register of Members will be closed from 5.00 p.m. on 8 May 2024 up to (and including) 9 May 2024. Registrable transfers received up to 5.00 p.m. on 8 May 2024 will be registered to determine shareholders' entitlement to the Final Dividend. If approved at the Meeting, it will be paid on 24 May 2024.
2. With reference to Resolution 3, the Directors' Fees of \$1,689,185 for FY 2023 will be payable upon approval of the shareholders at the Meeting. The structure of fees payable to Directors for FY 2023 can be found in the 'Corporate Governance Report' which is included within the Company's Annual Report 2023.
3. With reference to Resolution 4(b), Mr Kevin Hangchi will, upon re-election as a Director of the Company, remain as chairman of the Board Sustainability Committee and a member of the Board Risk Committee ("BRC").
4. With reference to Resolution 4(c), Mr Peter Chay Fook Yuen will, upon re-election as a Director of the Company, remain as Lead Independent Director, chairman of the Audit Committee, Remuneration Committee and Hong Leong Finance Share Option Scheme 2001 Committee, and a member of the BRC and Nominating Committee. Mr Chay is considered independent by the Board.
5. With reference to Resolution 4(d), Mr Christian Gautier de Charnace will, upon re-election as a Director of the Company, remain as a member of the BRC. Mr de Charnace is considered independent by the Board.

Special Business

6. Resolution 6, if passed, will empower the Directors of the Company from the date of the Meeting until the next AGM (unless such authority is revoked or varied at a general meeting) to issue shares and/or make or grant Instruments that might require shares to be issued up to a number not exceeding 50% of the Company's total number of issued shares, of which up to 10% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued under this ordinary resolution will be calculated based on the total number of issued shares of the Company at the time that this ordinary resolution is passed, after adjusting for 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 any subsequent bonus issue, consolidation or subdivision of shares.
7. Resolution 7, 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 of the Company pursuant to the exercise of such options under the SOS subject to such limit as prescribed in the SOS. (see note below on voting restrictions)

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

Please note that a shareholder who is eligible to participate in the SOS (other than as a director and/or employee of Hong Leong Investment Holdings Pte. Ltd. and its subsidiaries (but not including the Company)) should abstain from voting at the Meeting in respect of the ordinary resolution set out in Resolution 7 in relation to the SOS, and accordingly 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.

NOTICE OF ANNUAL GENERAL MEETING

Meeting Notes:

Format of Meeting

1. The Meeting will be held in a wholly physical format. **There will be no option for Shareholders to participate virtually.** Shareholders, including CPF and SRS investors who hold the Company's shares through CPF Agent Banks or SRS Operators, and (where applicable) duly appointed proxies and representatives will be able to ask questions and vote by attending the Meeting.

Attendees are required to bring along their NRIC/passport so as to enable the Company to verify their identities.

Printed copies of this Notice and the accompanying proxy form are sent by post to members. These documents will also be published on the Company's website at the URL <https://www.hlf.com.sg/investor-relations/agm.php> and the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

2. All resolutions at the Meeting shall be voted on by way of a poll. Polling will be done by way of an electronic poll voting system and members 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.

Access to Documents

3. The Annual Report 2023 is available on the Company's website at the URL https://www.hlf.com.sg/downloads/annual_report/ar2023.pdf and may also be accessed on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

Shareholders may request for a printed copy of the Annual Report 2023 in the following manner:

- (a) by completing and submitting the Request Form which is sent to them by post; or
- (b) by completing and submitting the Request Form via email to the Company's Registrar at hlf@boardroomlimited.com, with "Request for Printed Copy of 2023 Annual Report" as the subject header of the email; or
- (c) by completing and submitting the online Request Form at the URL <https://www.hlf.com.sg/forms/form-ar.php>,

in either case, by 5.00 p.m. on 11 April 2024.

NOTICE OF ANNUAL GENERAL MEETING

Submission of Questions

4. Shareholders, including CPF and SRS investors, may submit substantial and relevant questions related to the resolutions to be tabled for approval at the Meeting, in advance of the Meeting, in the following manner:

- (a) via email to gcasecretary@cdl.com.sg; or
- (b) by post to the Company, Corporate Secretariat, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581.

When submitting questions, Shareholders should provide the following details: (a) full name as it appears in the CDP/CPF/SRS/scrip share records; (b) address; (c) number of shares held in the Company; and (d) the manner in which the shares are held in the Company (e.g., via CDP, CPF, SRS and/or scrip based), for verification purposes. All questions submitted in advance must be received by 5.00 p.m. on 11 April 2024.

5. The Company will address substantial and relevant questions (which are related to the Company's Annual Report and other agenda items set out in this Notice) received from Shareholders by 5.00 p.m. on 11 April 2024 by publishing its responses to such questions on the Company's website at the URL <https://www.hlf.com.sg/investor-relations/agm.php> and the SGX website at the URL <https://www.sgx.com/securities/company-announcements> at least 48 hours prior to the closing date and time for the lodgement/receipt of instruments appointing a proxy(ies).

Appointment of Proxy(ies)

6. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967.

7. A proxy need not be a member of the Company.

NOTICE OF ANNUAL GENERAL MEETING

8. Completion and return of the form of proxy shall not preclude a member from attending, speaking and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this form of proxy to the Meeting.
9. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to the voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
10. The instrument appointing a proxy(ies) must be submitted to the Company in the following manner:
 - (a) if submitted by post, be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
 - (b) if submitted electronically, via email to the Company's Share Registrar at hlf@boardroomlimited.com,
 in either case, by 10.00 a.m. on 22 April 2024, being not less than 72 hours before the time for holding the Meeting.
11. A member who wishes to submit an instrument of proxy by post or via email can either use the printed copy of the proxy form, which is sent to him/her/it by post, or download a copy of the proxy form from the Company's website or the SGX-ST website, and complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

CPF/SRS Investors

12. CPF or SRS investors who hold shares in the Company through CPF Agent Banks/SRS Operators:
 - (a) may attend and vote at the Meeting if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or
 - (b) may appoint the Chairman of the Meeting as proxy to vote on their behalf at the Meeting, in which case they should approach their CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 16 April 2024.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, and/or submitting any question prior to the Meeting in accordance with this Notice, 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 the proxy(ies) and representative(s) appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Meeting (including any adjournment thereof); and enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines by the relevant authorities (collectively, the "Purposes");
- (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes;
- (c) agrees to provide the Company with written evidence of such prior consent upon reasonable request; and
- (d) agrees to indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 64TH ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Kee	Kevin Hangchi	Peter Chay Fook Yuen	Christian Gautier de Charnace
Age	69	51	64	74
Date of appointment	1 September 2001	1 October 2016	11 June 2019	5 August 2020
Job Title	Non-Executive and Non-Independent Director	Non-Executive and Non-Independent Director Chairman of the Board Sustainability Committee and member of the Board Risk Committee ("BRC")	Non-Executive and Lead Independent Director Chairman of the Audit Committee ("AC"), Remuneration Committee ("RC") and Hong Leong Finance Share Option Scheme 2001 Committee ("SOSC"), and a member of the BRC and Nominating Committee	Non-Executive and Independent Director Member of the BRC
Date of last re-election as Director (if applicable)	29 April 2021	29 April 2022	29 April 2022	29 April 2021
Country of principal residence	Singapore	Singapore	Singapore	Thailand
Board of Directors' (the "Board") comments on the re-election (including rationale, selection criteria, and the search and nomination process)	<p>The Board reviewed the recommendation of the Nominating Committee ("NC") on the re-election of Mr Kwek Leng Kee, Mr Kevin Hangchi, Mr Peter Chay Fook Yuen and Mr Christian Gautier de Charnace, and took into account, <i>inter alia</i>:</p> <ul style="list-style-type: none"> • their skills sets and contributions to the effectiveness of the Board (which includes their level of attendance and participation at Board, Board Committee and Non-Executive Directors' meetings, where applicable); • their time commitment especially for Directors who have multiple board representations and/or other principal commitments; and • their confirmation that they continue to remain fit and proper for continued appointment on the Board. 		<p>The Board recommends the re-election of Mr Kwek Leng Kee, Mr Kevin Hangchi, Mr Peter Chay Fook Yuen and Mr Christian Gautier de Charnace as Directors of the Company.</p> <p>For more details on the NC's evaluation process, please refer to Principle 4: Board Membership and Principle 5: Board Performance on pages 32 to 35 of the Corporate Governance Report.</p>	
Whether appointment is executive, and if so, the area of responsibility	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 64TH ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Kee	Kevin Hangchi	Peter Chay Fook Yuen	Christian Gautier de Charnace
Professional qualification, working experience and occupation(s) during the past 10 years	<p>Has more than 35 years of experience in property investment, property development and the building and construction materials business. As the Assistant Managing Director of Hong Leong Holdings Limited ("HLH"), he spearheaded the establishment, and oversees the operation, of its subsidiary in Chengdu, People's Republic of China since 2012. Prior to that, he also had many years of experience in a large Beijing project which was successfully completed in 1996. He continues to be a director of Beijing Hong Gong Garden Villa House Property Development Co., Ltd.</p> <p><u>June 1982 to Present</u> Assistant Managing Director of HLH</p> <p><u>May 1983 to Present</u> Director of Tripartite Developers Pte. Limited</p>	<p>Extensive global transactional experience across many of the Hong Leong Group's entities which include listings and public offerings, mergers and acquisitions as well as capital markets issuances and banking facilities.</p> <p><u>January 2009 to Present</u> Senior Vice President of Hong Leong Management Services Pte. Ltd.</p> <p>Holds a BSc (Social Sciences) (Hons) Degree in Accounting and Law from the University of Southampton, United Kingdom.</p> <p>Called to the English Bar and admitted to the Rolls as a Barrister-At-Law (Middle Temple) and was also called to the Singapore Bar.</p>	<p>Has over 30 years of experience in auditing and advisory work across various industries, primarily in real estate, financial institutions and healthcare, and specific experience in corporate restructuring, insolvency and corporate finance related work.</p> <p><u>2010 to September 2017</u> Deputy Managing Partner, KPMG LLP</p> <p><u>February 2018 to Present</u> Managing Director of Advisory Plus Pte. Ltd.</p> <p>Holds a Bachelor of Commerce majoring in Accounting, Finance and Systems from the University of New South Wales, Australia.</p> <p>Fellow of the Institute of Singapore Chartered Accountants and a member of the Institute of Chartered Accountants in Australia.</p>	<p>Has over 40 years of broad and diversified international banking experience in corporate and institutional banking and had held various executive management positions having responsibilities in the areas of corporate finance, investment banking, fund raising, capital markets and advisory transactions for clients.</p> <p><u>November 2018 to Present</u> Director of Golden Agri-Resources Ltd</p> <p><u>January 2018 to Present</u> Independent President Commissioner of PT BNP Paribas Sekuritas Indonesia</p> <p><u>1980 to 2017</u> BNP Paribas:</p> <ul style="list-style-type: none"> • CEO Investment Banking Asia Pacific (October 2013 to 2017) • Managing Director and successively Head of Capital Markets and Corporate Finance for Asia Pacific (1993 to 2013) • Various Management positions in BNP Paribas (1980 to 1990) <p>Graduated from Institut d'Etudes Politiques de Paris in Economy and Finance, and also holds a Bachelor's degree from the University of Law in Paris.</p>
Shareholding interest in the Company and its subsidiaries	Please refer to the Directors' Statement in the Annual Report 2023.	Please refer to the Directors' Statement in the Annual Report 2023.	Nil	Nil
Relationship (including immediate family relationship) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries	<p>Cousin of Mr Kwek Leng Beng (Chairman/Managing Director) and Mr Kwek Leng Peck, and uncle of Mr Kevin Hangchi.</p> <p>Director and shareholder of Hong Realty (Private) Limited ("HR"), Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and Davos Investment Holdings Private Limited, all of which are substantial shareholders of the Company. HR and HLIH are also related corporations of the Company.</p> <p>Please refer to the Directors' Statement on his shareholding interests in HR and HLIH.</p>	<p>Nephew of Mr Kwek Leng Beng (Chairman/Managing Director), Mr Kwek Leng Peck and Mr Kwek Leng Kee.</p> <p>Shareholder of HR and HLIH. HR and HLIH are substantial shareholders and related corporations of the Company.</p> <p>Please refer to the Directors' Statement on his shareholding interests in HR and HLIH.</p>	Nil	Nil

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 64TH ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Kee	Kevin Hangchi	Peter Chay Fook Yuen	Christian Gautier de Charnace
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to Hong Leong Finance Limited ("HLF")	Yes	Yes	Yes	Yes
Other Principal Commitments including directorships	<u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"	<u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"	<u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"	<u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"
<u>Directorships:</u>				
Past (for the last 5 years):	<ul style="list-style-type: none"> 2 subsidiaries of HLH 1 subsidiary of HLIH 	Nil	<ul style="list-style-type: none"> Singapore Business Federation Foundation Limited 	<ul style="list-style-type: none"> 1 subsidiary of CDL* The Hong Kong Country Club
Present:	<ul style="list-style-type: none"> HLF* 6 subsidiaries of CDL* Hong Leong Corporation Holdings Pte. Ltd. HLH and 38 of its subsidiaries and associated companies HLIH and 8 of its subsidiaries HR and 1 subsidiary Davos Investment Holdings Private Limited Guan Hong Plantation Private Limited 	<ul style="list-style-type: none"> HLF* and its 2 subsidiaries 1 subsidiary of CDL* Millennium & Copthorne Hotels New Zealand Limited* and 1 subsidiary 3 subsidiaries of HLIH Hong Leong Nominees (Private) Limited Kwek Holdings Pte Ltd 	<ul style="list-style-type: none"> HLF* Advisory Plus Pte Ltd Advisory Plus Sdn Bhd Global Solar Sdn Bhd 	<ul style="list-style-type: none"> HLF* Golden Agri-Resources Ltd* PT BNP Paribas Sekuritas Indonesia

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 64TH ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Kee	Kevin Hangchi	Peter Chay Fook Yuen	Christian Gautier de Charnace
Responses to questions (a) to (k) under Appendix 7.4.1 of the SGX Listing Manual	Responses to questions (a) to (k) are negative.	<p>Responses to questions (a) to (k) are negative (same as previously announced on 23 September 2016) except for question (j)(i).</p> <p>Mr Hangchi is a non-executive director of Millennium & Copthorne Hotels New Zealand Limited ("MCK"), a company listed on the Main Board of NZX Limited ("NZX"). Mr Hangchi has never held any executive or managerial position in MCK and has never been appointed to any MCK board committees. In November 2023, MCK was found by the NZ Markets Disciplinary Tribunal to have breached certain NZX listing rules relating to the disclosure of certain governance matters and the historical composition of the MCK Audit Committee between 2018 and 2020 and MCK was ordered to pay a financial penalty of NZ\$50,000 and publicly censured.</p> <p>Following such proceedings, the NC and the HLF Board had assessed the suitability of the continued appointment of Mr Hangchi as a Director and noted various factors, <i>inter alia</i>, there was no evidence that any of the breaches were directly attributable to Mr Hangchi. In view of the factors considered, the NC and the HLF Board were of the view that Mr Hangchi continues to remain fit and proper to be a Director of HLF. For further details, please refer to the Company's announcement on 16 November 2023.</p>	Responses to questions (a) to (k) are negative (same as previously announced on 10 June 2019).	Responses to questions (a) to (k) are negative (same as announced on 5 August 2020).

* Listed company
Information as at 4 March 2024.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 64TH ANNUAL GENERAL MEETING

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IMPORTANT

- The Meeting will be held in a wholly physical format. **There will be no option for Shareholders to participate virtually.** Printed copies of the Notice of Meeting and this proxy form are sent by post to members. These documents will also be published on the Company's website at the URL <https://www.hlf.com.sg/investor-relations/agm.php> and the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
 - Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of a proxy(ies).
 - Relevant intermediaries (as defined in Section 181 of the Companies Act 1967) may appoint more than two proxies to attend, speak and vote at the Meeting.
 - This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold shares through their CPF/SRS funds. CPF/SRS investors should contact their respective Agent Banks/SRS operators if they have any queries regarding their appointment as proxies.
- Personal Data Privacy*
- By submitting an instrument appointing a proxy(ies), the member accepts and agrees to the personal data privacy terms set out in the Notice of Meeting dated 27 March 2024.

I/We, (name) _____ with NRIC/Passport/Co. Reg. No.: _____

of (address) _____

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 attend, speak and vote for me/us on my/our behalf at the Sixty-Fourth Annual General Meeting of the Company (the "Meeting") to be held at M Hotel, Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Thursday, 25 April 2024 at 10.00 a.m., and at any adjournment thereof in the following manner as specified below.

NOTE: Voting on all resolutions will be conducted by poll. If you wish to exercise 100% of your votes **For** or **Against** a resolution, please tick with "✓" in the corresponding box against that resolution. If you wish to split your votes, please indicate the number of votes **For** and/or **Against** that resolution. If you wish your proxy/proxies to abstain from voting on a resolution, please indicate with "✓" in the **Abstain** box provided in respect of that resolution. Alternatively, please insert the relevant number of shares in the **Abstain** box provided in respect of that resolution. In any other case, the proxy/proxies may vote or abstain as the proxy/proxies deem(s) fit on any of the below resolutions if no voting instruction is specified, and on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions	For	Against	Abstain
A)	ORDINARY BUSINESS			
1.	Receipt of the Directors' Statement, Audited Financial Statements and the Auditors' Report thereon			
2.	Declaration of a Final Dividend			
3.	Approval of Directors' Fees			
4.	Re-election of Directors:	(a) Mr Kwek Leng Kee		
		(b) Mr Kevin Hangchi		
		(c) Mr Peter Chay Fook Yuen		
		(d) Mr Christian Gautier de Charnace		
5.	Re-appointment of KPMG LLP as Auditors			
B)	SPECIAL BUSINESS			
6.	Authority for Directors to issue shares and/or make or grant offers, agreements or options pursuant to Section 161 of the Companies Act 1967 and the Listing Manual of Singapore Exchange Securities Trading Limited			
7.	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 _____ 2024

TOTAL NO. OF SHARES HELD

 Signature(s) or Common Seal of Member(s)

NOTES: SEE OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf 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 form of proxy will be deemed to relate to all the shares held by you.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967.
3. A proxy need not be a member of the Company.
4. CPF or SRS investors who hold shares in the Company through CPF Agent Banks/SRS Operators:
(a) may vote at the Meeting if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or
(b) may appoint the Chairman of the Meeting as proxy to vote on their behalf at the Meeting, in which case they should approach their CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 16 April 2024.
5. The instrument appointing a proxy(ies) must be submitted to the Company in the following manner:
(a) if submitted by post, be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
(b) if submitted electronically, via email to the Company's Share Registrar at hlf@boardroomlimited.com,
in either case, by 10.00 a.m. on 22 April 2024, being not less than 72 hours before the time appointed for holding the Meeting.
The proxy must bring along his/her NRIC/passport so as to enable the Company to verify his/her identity.
6. This form of proxy must be signed by the appointor or his/her attorney duly authorised in writing. Where the form of proxy is executed by a corporation, it must be executed either under its common seal or signed by a director or an officer or an attorney duly authorised.
7. Completion and submission of the instrument appointing a proxy(ies) by a member will not prevent the member from attending, speaking and voting at the Meeting if the member so wishes. The appointment of the proxy(ies) for the Meeting will be deemed to be revoked if the member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any proxy(ies) appointed under the relevant instrument appointing a proxy(ies) to the Meeting.
8. The Company shall be entitled to reject the form of proxy 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 form of proxy (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any form of proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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**64th AGM
PROXY FORM**

Affix
Postage
Stamp

HONG LEONG FINANCE LIMITED
c/o The Share Registrar
Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632

Fold Here

BRANCHES AND SME CENTRES

BRANCHES

Main Branch 16 Raffles Quay #01-05 Hong Leong Building Singapore 048581 T : 6415 9118 F : 6222 8790	City Square Mall Branch 180 Kitchener Road #B2-41 City Square Mall Singapore 208539 T : 6509 8200 F : 6509 8100	Jurong East Branch Blk 134 Jurong Gateway Road #01-313 Singapore 600134 T : 6564 3880 F : 6564 3787	Serangoon Garden Branch 8 Kensington Park Road Serangoon Garden Estate Singapore 557260 T : 6280 5665 F : 6285 2195
Ang Mo Kio Ave 1 Branch Blk 338 Ang Mo Kio Ave 1 #01-1641 Singapore 560338 T : 6452 8735 F : 6454 3524	Clementi West Branch Blk 725 Clementi West Street 2 #01-216 Singapore 120725 T : 6778 6271 F : 6775 2751	Jurong West Branch Blk 504 Jurong West Street 51 #01-211 Singapore 640504 T : 6569 0361 F : 6569 5918	Tampines Grande Branch 9 Tampines Grande #01-12 Singapore 528735 T : 6784 7326 F : 6784 9057
Balestier Branch 288 Balestier Road #01-02 Balestier 288 Singapore 329731 T : 6250 1083 F : 6254 8801	Ghim Moh Branch Blk 21 Ghim Moh Road #01-209/211 Singapore 270021 T : 6467 3715 F : 6468 3273	Kallang Bahru Branch Blk 66 Kallang Bahru #01-521 Singapore 330066 T : 6296 8067 F : 6294 2907	Toa Payoh Branch Blk 520 Lorong 6 Toa Payoh #02-54 HDB Hub Singapore 310520 T : 6253 4821 F : 6256 5676
Bedok Branch Blk 203 Bedok North Street 1 #01-451 Singapore 460203 T : 6449 0601 F : 6444 3827	Holland Drive Branch Blk 45 Holland Drive #01-351 Singapore 270045 T : 6778 4169 F : 6775 2836	Marine Parade Branch Blk 80 Marine Parade Central #01-790 Singapore 440080 T : 6346 2036 F : 6346 2035	Upper Bukit Timah Branch 140 Upper Bukit Timah Road #01-19/21 Beauty World Plaza Singapore 588176 T : 6469 7438 F : 6468 4181
Bukit Batok Central Branch Blk 641 Bukit Batok Central #01-48 Singapore 650641 T : 6564 8801 F : 6564 9643	Hong Lim Branch Blk 531 Upper Cross Street #01-50 Hong Lim Complex Singapore 050531 T : 6534 5767 F : 6534 5868	Potong Pasir Branch 51 Upper Serangoon Road #01-60/61 The Poiz Centre Singapore 347697 T : 6214 9462 F : 6214 9463	Upper Thomson Branch 219 Upper Thomson Road Singapore 574351 T : 6453 3266 F : 6454 1913
Bukit Merah Branch Blk 125 Bukit Merah Lane 1 #01-156 Singapore 150125 T : 6273 0360 F : 6272 7158	Hougang Branch Blk 208 Hougang Street 21 #01-211/213 Singapore 530208 T : 6288 2396 F : 6281 3046	Redhill (Jln Tiong) Branch Blk 75D Redhill Road #01-100 Singapore 154075 T : 6479 0277 F : 6479 0218	Woodlands Branch Blk 306 Woodlands Street 31 #01-43 Singapore 730306 T : 6368 7928 F : 6368 1448
City Plaza Branch 810 Geylang Road #01-111/114 City Plaza Singapore 409286 T : 6746 8084 F : 6748 2422	Joo Chiat Branch 278 Joo Chiat Road Singapore 427532 T : 6344 8842 F : 6440 2864	Sengkang Branch 1 Sengkang Square #02-35 Compass One Singapore 545078 T : 6384 3696 F : 6386 3364	Yishun Branch Blk 743 Yishun Ave 5 #01-542/544 Singapore 760743 T : 6758 3711 F : 6753 5001

SME CENTRE @ HONG LONG FINANCE

Balestier 288 Balestier Road #01-02 Balestier 288 Singapore 329731 T : 6397 4946 F : 6254 8801	City Plaza 810 Geylang Road #01-111/114 City Plaza Singapore 409286 T : 6846 9710 F : 6748 2422	Hong Lim Blk 531 Upper Cross Street #01-50 Hong Lim Complex Singapore 050531 T : 6534 1909 F : 6534 5868	Potong Pasir 51 Upper Serangoon Road #01-60/61 The Poiz Centre Singapore 347697 T : 6214 9473 F : 6214 9463
Bedok Blk 203 Bedok North Street 1 #01-451 Singapore 460203 T : 6446 7320 F : 6444 3827	City Square 180 Kitchener Road #B2-41 City Square Mall Singapore 208539 T : 6634 4087 F : 6834 3280	Hougang Blk 208 Hougang Street 21 #01-211/213 Singapore 530208 T : 6383 2807 F : 6281 3046	Upper Bukit Timah 140 Upper Bukit Timah Road #01-19/21 Beauty World Plaza Singapore 588176 T : 6463 1365 F : 6468 4181
Bukit Merah Blk 125 Bukit Merah Lane 1 #01-156 Singapore 150125 T : 6274 7535 F : 6272 7158	Clementi West Blk 725 Clementi West Street 2 #01-216 Singapore 120725 T : 6873 3056 F : 6775 2751	Jurong East Blk 134 Jurong Gateway Road #01-313 Singapore 600134 T : 6665 1950 F : 6564 3787	Yishun Blk 743 Yishun Ave 5 #01-542/544 Singapore 760743 T : 6758 3711 F : 6753 5001



HONG LEONG FINANCE

HONG LEONG FINANCE LIMITED

16 RAFFLES QUAY

#01-05 HONG LEONG BUILDING

SINGAPORE 048581

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