



HONG LEONG FINANCE

First Quarter Financial Statements

First quarter financial statements on consolidated results for the three months ended 31 March 2015. These figures have not been audited.

1(a). Unaudited Group Statement of Comprehensive Income For The Quarter Ended 31 March 2015

	1st Qtr 2015	1st Qtr 2014	+ / (-)
	\$'000	\$'000	%
Profit and loss account:			
Interest on loans	53,750	46,478	15.6
Hiring charges	8,360	9,681	(13.6)
Other interest income	6,060	5,313	14.1
Interest income/hiring charges	68,170	61,472	10.9
Less: Interest expense	29,844	25,146	18.7
Net interest income/hiring charges	38,326	36,326	5.5
Fee and commission income	3,594	2,574	39.6
Other operating income	37	37	-
Income before operating expenses	41,957	38,937	7.8
Less: Staff costs	16,934	16,548	2.3
Depreciation of property, plant and equipment	906	636	42.5
Other operating expenses	5,128	4,408	16.3
Profit from operations before allowances/provision	18,989	17,345	9.5
Add/(Less): (Allowances for)/reversal or recovery of doubtful debts	(348)	31	N.M.
Profit before tax	18,641	17,376	7.3
Less: Income tax expense	3,075	2,941	4.6
Profit for the period/Comprehensive income attributable to owners of the Company	15,566	14,435	7.8
Annualised earnings per share (cents)			
- Basic	14.04	13.04	
- Diluted	14.02	13.02	

N.M. – Not meaningful

1(b). Other Information In Relation To The Group Statement of Comprehensive Income

Other operating income includes loss on disposal of plant and equipment amounting to \$1,000 (31 March 2014 : \$Nil).

2(a). Summarised Statements of Financial Position

	Group		Company	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
Number of shares in issue	443,577,003	443,546,503	443,577,003	443,546,503
	\$'000	\$'000	\$'000	\$'000
Share capital	878,745	878,664	878,745	878,664
Reserves	611,980	611,892	611,980	611,892
Accumulated profits	183,594	168,012	180,651	165,081
Equity attributable to owners of the Company	1,674,319	1,658,568	1,671,376	1,655,637
Liabilities				
Deposits and balances of customers	10,623,579	10,468,530	10,627,544	10,472,491
Trade and other payables	116,324	118,680	115,035	117,385
Current tax payable	14,484	16,269	14,477	16,262
Total liabilities	10,754,387	10,603,479	10,757,056	10,606,138
Total equity and liabilities	12,428,706	12,262,047	12,428,432	12,261,775
Assets				
Cash at banks and in hand	1,255,204	1,082,543	1,254,395	1,081,737
Statutory deposit with the Monetary Authority of Singapore	283,607	282,905	283,607	282,905
Singapore Government securities	1,274,311	1,258,688	1,274,311	1,258,688
Hire purchase receivables	1,244,223	1,229,864	1,244,223	1,229,864
Loans, advances and factoring receivables	8,432,898	8,457,898	8,432,898	8,457,898
Allowances for doubtful debts	9,677,121 (105,204)	9,687,762 (105,222)	9,677,121 (105,204)	9,687,762 (105,222)
	9,571,917	9,582,540	9,571,917	9,582,540
Other receivables, deposits and prepayments	13,898	23,686	13,898	23,685
Subsidiaries and long term investments	546	546	1,081	1,081
Property, plant and equipment	28,019	27,553	28,019	27,553
Deferred tax assets	1,204	3,586	1,204	3,586
Total assets	12,428,706	12,262,047	12,428,432	12,261,775
Acceptances, guarantees and other obligations on behalf of customers	10,383	11,174	10,383	11,174

2(b). Net Asset Value

Net asset value per share (\$)	3.77	3.74	3.77	3.73
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2(c). There are no outstanding borrowings and debt securities as at 31 March 2015 (31 December 2014 : \$Nil) for the Group and the Company.

3. Consolidated Statement of Cash Flows

	31 Mar 2015	31 Mar 2014
	\$'000	\$'000
Operating activities		
Comprehensive income after tax	15,566	14,435
Adjustments for:		
Impact of accrual of interest income	1,249	2,447
Impact of accrual of interest expense	(702)	(10,414)
Allowances for doubtful debts and receivables	868	731
Depreciation of property, plant and equipment	906	636
Loss on disposal of property, plant and equipment	1	-
Value of employee services received for issue of share options	113	140
Income tax expense	3,075	2,941
	21,076	10,916
Changes in working capital:		
Loans, advances and receivables	9,723	(40,038)
Other receivables, deposits and prepayments	8,571	2,557
Singapore Government securities	(15,623)	(17,125)
Deposits and balances of customers	155,049	40,995
Trade and other payables	(1,654)	811
Cash generated from/(used in) operations	177,142	(1,884)
Income taxes paid	(2,478)	(2,759)
Cash flows from/(used in) operating activities	174,664	(4,643)
Investing activities		
Purchase of property, plant and equipment	(1,373)	(34)
Cash flows used in investing activities	(1,373)	(34)
Financing activities		
Proceeds from exercise of share options	72	569
Cash flows from financing activities	72	569
Net increase/(decrease) in cash and cash equivalents	173,363	(4,108)
Cash and cash equivalents at 1 January	1,365,448	1,343,101
Cash and cash equivalents at 31 March	1,538,811	1,338,993

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

	31 Mar 2015	31 Mar 2014
	\$'000	\$'000
Cash at banks and in hand	1,255,204	1,075,758
Statutory deposit with the Monetary Authority of Singapore	283,607	263,235
Cash and cash equivalents at 31 March	1,538,811	1,338,993

In addition to the cash and cash equivalents above, marketable Singapore Government securities amounted to \$1,274,311,000 (31 March 2014 : \$1,218,776,000) for the Group.

4. Statements of Changes in Equity

Group	Share capital \$'000	Statutory reserve \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1 January 2015	878,664	601,809	2,307	7,776	168,012	1,658,568
Issue of shares under share option scheme	72					72
Value of employee services received for issue of share options				113		113
Value of employee services transferred for share options exercised or lapsed	9			(25)	16	-
Comprehensive income for the period					15,566	15,566
At 31 March 2015	878,745	601,809	2,307	7,864	183,594	1,674,319
At 1 January 2014	876,389	586,109	2,307	7,484	173,982	1,646,271
Issue of shares under share option scheme	569					569
Value of employee services received for issue of share options				140		140
Value of employee services transferred for share options exercised or lapsed	73			(91)	18	-
Comprehensive income for the period					14,435	14,435
At 31 March 2014	877,031	586,109	2,307	7,533	188,435	1,661,415
Company						
At 1 January 2015	878,664	601,809	2,307	7,776	165,081	1,655,637
Issue of shares under share option scheme	72					72
Value of employee services received for issue of share options				113		113
Value of employee services transferred for share options exercised or lapsed	9			(25)	16	-
Comprehensive income for the period					15,554	15,554
At 31 March 2015	878,745	601,809	2,307	7,864	180,651	1,671,376
At 1 January 2014	876,389	586,109	2,307	7,484	171,161	1,643,450
Issue of shares under share option scheme	569					569
Value of employee services received for issue of share options				140		140
Value of employee services transferred for share options exercised or lapsed	73			(91)	18	-
Comprehensive income for the period					14,420	14,420
At 31 March 2014	877,031	586,109	2,307	7,533	185,599	1,658,579

5. Review Of The Performance Of The Group

Net loan assets including hire purchase receivables (net of allowances) stood at \$9,572 million at the end of the financial period under review. This was a slight decrease of 0.1% or \$11 million over the previous year's base of \$9,583 million as at 31 December 2014, and an increase of 4.9% or \$445 million over the figure of \$9,127 million as at 31 March 2014.

Deposits and balances of customers amounted to \$10,624 million as at 31 March 2015. This was an increase of 1.5% or \$155 million over the previous year's base of \$10,469 million as at 31 December 2014, and an increase of 6.8% or \$677 million over the base as at 31 March 2014. Cash and cash equivalents (including balances with the Monetary Authority of Singapore) together with Singapore Government securities held as liquid assets amounted to \$2,813 million as at 31 March 2015.

The Group recorded profit from operations before allowances/provision of \$19.0 million for the financial period under review, an increase of 9.5% from \$17.3 million for the previous corresponding period. Group profit before tax was arrived at after a charge for provision (net of write back of provision/recoveries) amounting to \$348,000 against a write back of \$31,000 in the previous corresponding period. Accordingly, Group profit after tax for the financial period under review amounted to \$15.6 million, an increase of \$1.1 million or 7.8% over the previous corresponding period. The Group continues to maintain adequate individual and collective provisions in respect of its loan portfolio.

For the financial period under review, total interest income/hiring charges increased by 10.9% due to the increase in loan base and a slightly higher loan yield compared to the previous corresponding period. Interest expense for the financial period under review registered an increase of \$4.7 million or 18.7% over the previous corresponding period. This was due to a higher interest payable on deposits resulting from a combination of marginally higher prevailing interest rates and a larger deposits base. Net interest income/hiring charges for the financial period under review increased 5.5% mainly due to higher loan base and loan yield.

Fee and commission income improved by 39.6% to \$3.6 million with higher fee income from some lending products offset by a decrease in non-lending fee income. Higher depreciation on computer equipment accounted for the increase in depreciation on property, plant and equipment. Staff costs were controlled. An increase of 16.3% in other operating expenses was due mainly to increased business promotion expenses.

Group shareholders' funds as at 31 March 2015 totalled \$1,674 million (31 December 2014 : \$1,659 million) amounting to \$3.77 per share (31 December 2014 : \$3.74 per share).

There has been no forecast or prospect statement previously disclosed to shareholders in respect of the period under review.

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

Based on advance estimates by the Ministry of Trade and Industry, the Singapore economy grew by 2.1% on a year-on-year basis in the first quarter of 2015. This is the same rate of growth as the last quarter in 2014. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded at a slower pace of 1.1% compared to the 4.9% in the preceding quarter. The manufacturing sector continued to decline, the services sector was flat whilst the construction sector showed some growth compared to the last quarter. The Monetary Authority of Singapore at the same time said that the Singapore dollar would be allowed to continue appreciating at a modest pace as GDP is on track to grow between 2% to 4% this year.

The slowdown in GDP growth continues as we face internal headwinds and challenges from a combination of lower productivity locally with a lead time for adjustment, manpower supply shortages, inflationary pressures and the lacklustre property and motor vehicle markets. The external markets are also showing uneven growth with the current period of uncertainty and volatility extending beyond the last two years.

Under the above scenarios, Hong Leong Finance remains focused on ensuring a healthy and robust balance sheet with careful underwriting risk parameters. We will continue to help and support our Singapore SMEs during these stressful times with loan packages tailored to their needs. Our 28 branches island-wide continue to support our HDB dwellers with the right HDB loan. We have also rolled out very competitive deposit campaigns for our loyal customers. With our history of over 50 years and customer centric culture, Hong Leong Finance will continue to be relevant to all customers.

7. Dividends

The directors are not recommending the payment of an interim dividend (31 March 2014 : Nil) in respect of the financial period under review.

8. Shares Issued and Outstanding Convertibles

Since the end of the previous quarter,

- (i) the Company issued 23,000 shares at an exercise price of \$2.28 per share and 7,500 shares at an exercise price of \$2.56 per share upon exercise of options under the Hong Leong Finance Share Option Scheme 2001 (the "Share Option Scheme"); and
- (ii) options to 53,000 shares under the Share Option Scheme lapsed upon cessation of employment of participants.

As at the end of the period, unissued shares of the Company under option amounted to 23,024,455 shares (31 March 2014 : 22,409,865 shares).

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

9. Accounting Policies

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

For the current financial year, the Group has adopted the following applicable FRSs:-

- Amendments to FRS 19 : Defined Benefit Plans : Employee Contributions
- Improvements to FRSs (January 2014)
- Improvements to FRSs (February 2014)

The adoption of these FRSs does not have a material impact on the financial statements for the financial period under review.

Save as disclosed, accounting policies and methods of computation used in the financial statements for the financial period under review are consistent with those applied in the audited financial statements for the year ended 31 December 2014.

10. Shareholders' Mandate for Interested Person Transactions

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

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

Dated this 23rd day of April 2015

Directors' Confirmation

The Directors hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the Group's unaudited interim financial statements for the quarter ended 31 March 2015 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Kwek Leng Beng

Director

Po'ad bin Shaik Abu Bakar Mattar

Director

Singapore

23 April 2015