



HONG LEONG FINANCE



Thriving
Together

HONG LEONG FINANCE LIMITED

ANNUAL REPORT 2022

Thriving Together

Over the years, Hong Leong Finance has grown to become a household brand and a market leader in the finance industry, built on, among other factors, the trust and support of partners, customers and the community. Our resilient and stable performance, amid a challenging operating environment, attests to the effectiveness of our customer-centric strategy. We aim to do more in meeting the needs of our customers, creating value for our partners and stakeholders and contributing to the betterment of the community.

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OVERVIEW



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 VALUES

- Prudent Sales Focus
- Technologically Driven Culture
- Nurturing Entrepreneurship
- Teamwork
- Integrity
- Customer Service Excellence

AWARDS AND ACCOLADES 2022

TOP 1000
WORLD BANKS

TOP 100
ASEAN BANKS

**BEST-
PERFORMING**
BANK IN
SINGAPORE

The Banker

**MARKET
LEADERS**
IN SINGAPORE

NOTABLE RANKING
IN CORPORATE
BANKING & SME
BANKING

Euromoney

**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
BRANDS

Brand Finance

EXCELLENCE
IN SEARCH
MARKETING
(BRONZE)

Marketing-Interactive

**ASEAN
FINANCE
COMPANY
OF THE YEAR**

Asian Banking & Finance



2021 AWARDS

Top 1000 World Banks
The Banker

Top 100 ASEAN Banks
The Banker

**Best-Performing Bank
in Singapore**
The Banker

Asean Finance Company
Asian Banking & Finance

Top 100 Singaporean Brands
Brand Finance

**Excellence in Search Marketing
(Finalist)**
Marketing-Interactive

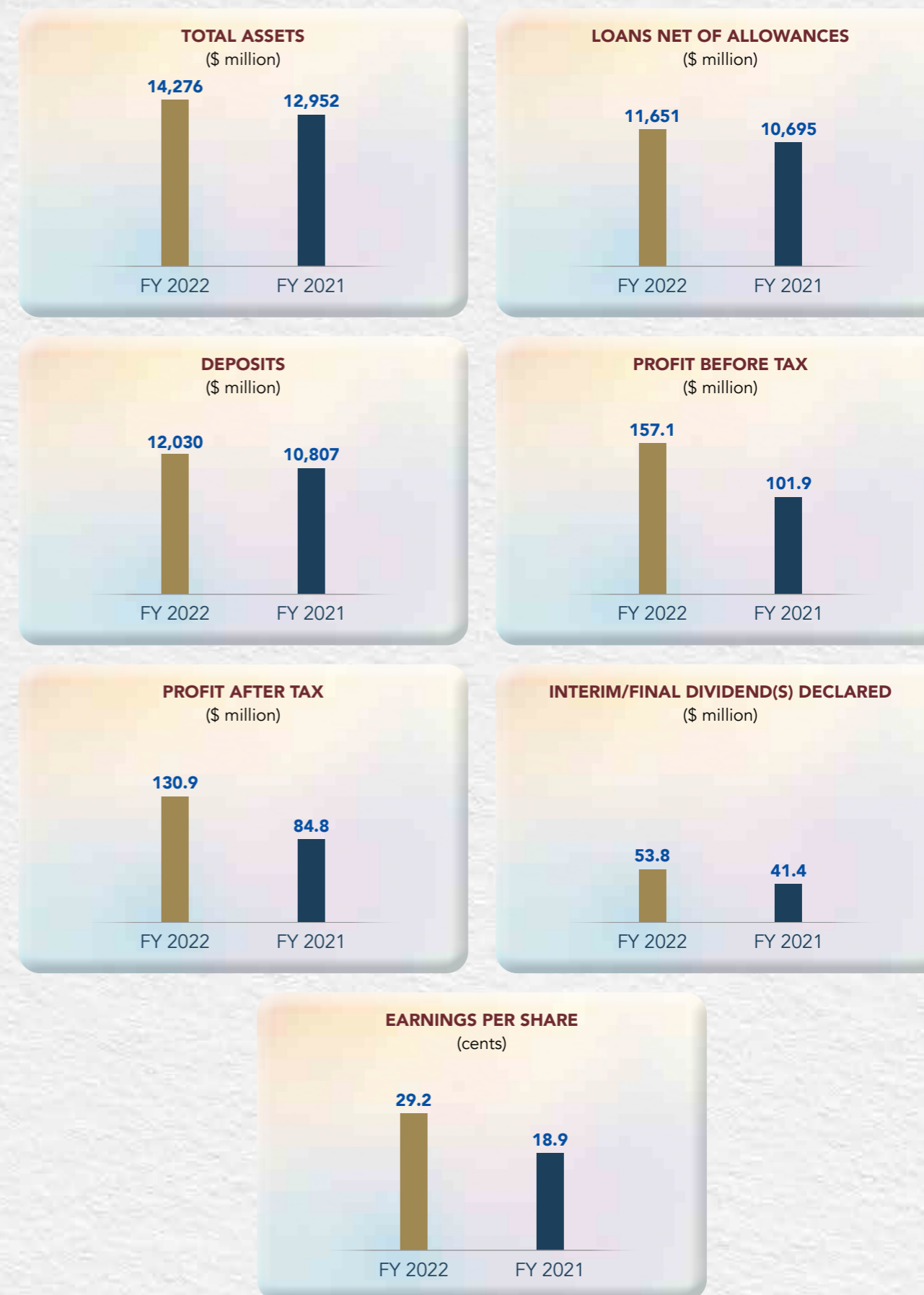


FIVE-YEAR FINANCIAL SUMMARY

		FY2022	FY2021	FY2020	FY2019	FY2018
CAPITAL EMPLOYED						
Total assets	\$million	14,276	12,952	13,365	14,461	13,381
Net equity	\$million	2,041	1,963	1,918	1,914	1,874
Net assets per share	\$	4.55	4.38	4.29	4.28	4.20
SHARE CAPITAL						
Number of shares in issue	million	448.1	447.8	447.6	447.5	445.8
LOANS AND DEPOSITS						
Loans net of allowances	\$million	11,651	10,695	10,948	11,554	10,278
Deposits	\$million	12,030	10,807	11,194	12,307	11,338
PROFIT AND RETAINED EARNINGS						
Profit before tax	\$million	157.1	101.9	74.7	123.9	142.1
Profit after tax	\$million	130.9	84.8	63.9	103.1	118.3
Interim/final dividend(s) declared in the year	\$million	53.8	41.4	60.4	67.0	62.4
Earnings retained for the year	\$million	77.1	43.4	3.5	36.1	55.9
EARNINGS PER SHARE AND DIVIDENDS						
Earnings per share	cents	29.2	18.9	14.3	23.1	26.6
Dividend – tax exempt one-tier*	cents	17.0	12.0	9.0	15.0	15.0
Times covered*		1.7	1.6	1.6	1.5	1.8
Number of Employees		606	608	617	640	634

* 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



CHAIRMAN'S STATEMENT



“
TO CREATE ENDURING
VALUE, WE CONTINUE
TO STRENGTHEN OUR
BUSINESS AND OPERATIONAL
RESILIENCE AND ENHANCE
OUR CAPABILITIES TO PROVIDE
CUSTOMER-CENTRIC SERVICES
AND SOLUTIONS.
”

KWEK LENG BENG
Chairman

OPERATING PERFORMANCE

In the past year, Singapore's economy demonstrated resilience despite the gloomy global outlook with geopolitical conflicts, rising inflation and energy costs, as well as disruption in supply chains and workforce availability.

The Covid-19 pandemic posed significant challenges to small- and medium-sized enterprises (SMEs), especially to their profitability. Many businesses had to enhance capabilities in digital transformation, products and operations, with a greater focus on sustainability. Individuals were also impacted by high inflation and increased cost of living.

Learning to live with Covid-19 has seen an acceleration in the transformation towards a more digital, inclusive, and greener economy.

Hong Leong Finance (“HLF”) is dedicated to making a positive difference. We recognise the importance of sound economic, environmental, social and governance (“EESG”) practices as part of our responsibilities to our stakeholders. To create enduring value, we continue to strengthen our business and operational resilience and enhance our capabilities to provide more customer-centric services and solutions.

BUILDING A BEST-IN-CLASS CUSTOMER-CENTRIC ORGANISATION

To drive continuous profitable growth for the Company, we believe in offering superior service and value propositions to our customers. To this end, we focused on digital transformation, customer-centric solutions, strong employee collaboration, business resilience and high governance standards.

Digital Transformation

Technological progress in the form of improved capabilities and processes, talent and resources, is linked to better economic outcomes. To strategically align with customer needs, we stepped up digitalisation to be more inclusive in our customer offerings and provided training to our employees to support this change.

Significant digital initiatives were rolled out to further enhance our customer service. We built an in-house consumer loan origination system that leveraged system automation to shorten loan disbursement processing time.

We continued to foster partnerships with authorised car distributors and used car dealers to improve customer experience for car loan applications and simplify the purchasing process. In the past two years, we introduced paperless loan application via integration with some

partners' systems for straight-through processing. In 2023, an enhanced digital loan application process will be implemented to serve more car dealers and provide greater security and convenience to our customers.

With increased demand for digital payment solutions, HLF partnered a fintech company to launch HLF FASTPAY, a multi-currency e-wallet that enables customers to enjoy more payment solutions conveniently and securely. The innovative solution offers low transaction costs and attractive exchange rates for over 20 commonly used currencies for ease of travel spending and overseas remittance. Customers found the launch timely as their travel interest was rekindled post-pandemic.

We adopt an omnichannel approach to engage customers of all generations by serving them through their preferred service channels. While we continue to enrich our digital banking solutions to offer financial transactions anytime and anywhere, our network of 28 branches remains a convenient channel for customer interaction especially to those who prefer in-person banking. We will continue to identify and relocate our branches to strategic areas and facilitate closer accessibility to the wider community.

We are honoured to be the Best Performing Bank in Singapore 2022, an accolade awarded by The Banker for two consecutive years since the inauguration of the ranking in 2021. We will continue to invest and grow our capabilities to offer better service to our customers in the future.

Timely and Relevant Solutions

To drive and maintain business partnerships, enhance customer loyalty and improve overall growth, understanding our customers' needs is important to provide satisfying solutions that benefit them.

With the re-opening of borders post-pandemic that promoted economic activity, we helped SMEs stay afloat in their business recovery. We assessed their historical financial performance against their challenges and provided financial support and solutions.

Furthermore, we rendered corporate finance services to growth companies in areas such as corporate restructuring and corporate governance advisory. We also continued to sponsor several Catalyst companies.

In a volatile economic climate, we transited to SORA-based interest rates to offer transparent and reliable borrowing rates to commercial property borrowers, and rolled out a new working capital financing called BizCap Loan to improve SMEs' liquidity.

To help individuals manage inflation, we offered higher deposit rates for customers to grow their savings and fixed rate home loans to protect them from rate hikes.

Our awards, such as Euromoney Market Leaders in Singapore 2022 for Corporate Banking and SME Banking and ASEAN Finance Company 2022 by Asian Banking and Finance, are a testament to our positive contributions towards our customers in the face of changes and unforeseen challenges.

Strong Employee Collaboration

Customer needs are rapidly changing, and the Company will continue to evolve and keep up with the increasing demands and expectations. Teamwork among our employees is imperative to achieve this goal.

To maintain our high service standards, we provided employee training on new digital capabilities and upskilling to improve collaboration and for creation of more positive and personalised customer experiences.

With our employees' service dedication, the HLF brand has remained strong as a household name for more than 60 years. It is in the Top 100 Singaporean Brand 2022 for the fifth year.

Business Resilience

The pandemic has underlined the importance of business resilience. New variants may emerge, and the situation could change quickly. We are also wary of other threats, such as terrorist attacks, sabotages, natural disasters, and climate changes that may impact business continuity.

To build resilience in unexpected scenarios, we continue to strengthen our business continuity management. For example, business impact analyses are performed regularly to enhance our risk mitigating strategies and response capabilities.

“
WE ADOPT AN OMNICHANNEL
APPROACH TO ENGAGE
CUSTOMERS OF ALL GENERATIONS
BY SERVING THEM THROUGH THEIR
PREFERRED SERVICE CHANNELS.
”

CHAIRMAN'S STATEMENT

“
TO MAINTAIN OUR HIGH SERVICE STANDARDS, WE PROVIDED EMPLOYEE TRAINING ON NEW DIGITAL CAPABILITIES AND UPSKILLING TO IMPROVE COLLABORATION AND FOR CREATION OF MORE POSITIVE AND PERSONALISED CUSTOMER EXPERIENCES.
”

We embarked on a review of our operational footprint, starting with our support operations, to manage risks. Adjustments will be made across the operations to keep our employees, processes, systems and business resilient.

High Governance Standards

We continue to revise and strengthen our governance framework, underpinned by a strong risk management culture, leadership, accountability, fairness and transparency. The corporate governance principles are embraced by the leadership team and embedded in the corporate culture.

Our sustainable corporate governance efforts are highly regarded by the investor community. HLF was awarded the ASEAN Corporate Governance Scorecard Asset Class 2022 and was ranked in the Top 80 in the Singapore Governance and Transparency Index 2022 among public listed companies.

Recognised for our strong capital position, HLF was in the Top 1000 World Banks 2022 and Top 100 ASEAN Banks 2022 leaderboards by The Banker.

SUSTAINABILITY AND CLIMATE CHANGE

We enhanced our sustainability governance to ensure material EESG topics are identified and being worked on.

We actively promote hybrid and electric vehicle loans and seek collaboration with like-minded partners to finance green buildings. We also conduct regular EESG risk assessments for all business loan applications and perform annual checks for those operating in high-risk sectors for a low-carbon future.

Managing our offices' direct ecological footprint is also important. Through active employee engagement, increased adoption of paperless workflows and higher usage of energy-efficient devices, our paper and energy consumption levels remained stable despite our employees returning to office.

OUTLOOK

Amid global uncertainties coupled with rising inflation, Singapore's economic growth for 2023 is expected to be slower compared to 2022.

As customers manoeuvre an increasingly challenging and uncertain future, HLF remains committed to supporting their financial needs and help them work towards long-term sustainability. We will also continue to focus on sourcing strategic opportunities, accelerate digital adoption and innovation, and exercise financial prudence with our strong governance practices.

We remain resolute in our collective pursuit to build a resilient customer-centric organisation anchored on sustainable profitable growth for a stronger and greener economy, happier customers and stakeholders.

APPRECIATION

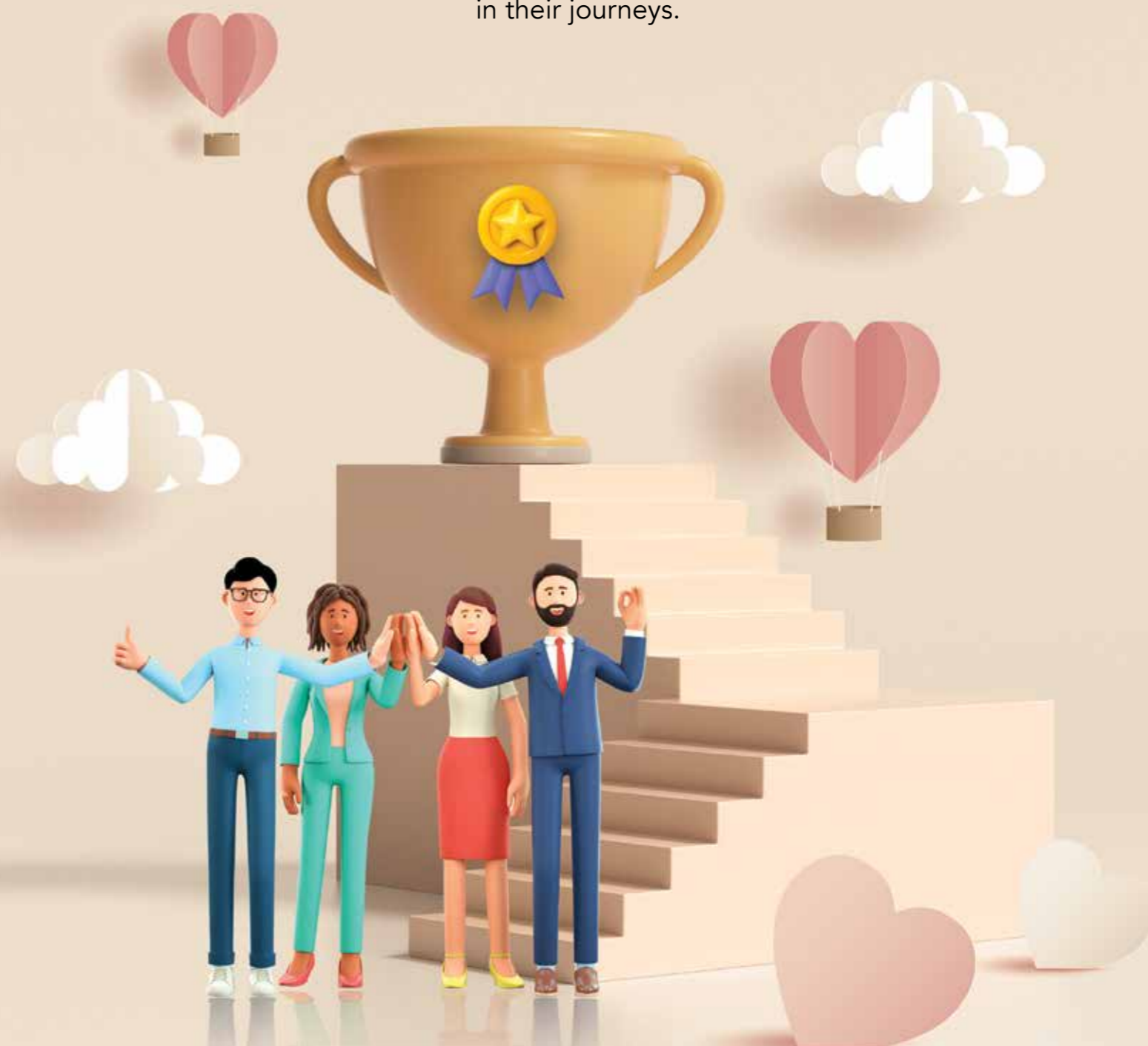
I would like to express our sincere appreciation to our valued customers, partners and shareholders for their continued support, trust and confidence in us. I am also deeply grateful to my fellow Directors for their invaluable advice and guidance during the year and to the management and employees for their commitment and efforts in 2022.

KWEK LENG BENG

Chairman
24 February 2023

WE PUT A PREMIUM ON PERSONAL RELATIONSHIPS

We put customers at the centre of our business. Building strong relationships with our customers provides insights into their business and personal needs, enabling us to support them holistically in their journeys.



DIRECTORY OF SERVICES



SME LOANS

Accounts Receivable Financing
 Block Discounting
 Enterprise Finance Scheme (EFS)
 • Enhanced Trade Loan
 • SME Fixed Assets
 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

Mainboard Issue Manager
 For SGX Listing
 Catalyst Full Sponsor
 Catalyst Continuing Sponsor
 Corporate Advisory
 • Financial Advisory
 • Independent Financial Advisory
 • Mergers and Acquisitions
 • Restructuring
 Equity Fund Raising
 • Initial Public Offering
 • Secondary Fund Raising
 • Underwriting of Shares



PERSONAL LOANS

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



DEPOSITS & SAVINGS

Business Current Account
 Fixed Deposits
 Silver 40 Plus
 Golden 55 Plus
 Fixed Savings Account
 Savings Account
 Savers Plus



SERVICES

HLF FASTPAY*
 Safe Deposit Box

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

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

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
 Tan Siew San
 Independent
 Clarence Yeo Gek Leong
 Independent

PRESIDENT
 Ang Tang Chor
 (Please refer to page 32 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

M & C Services Private Limited
 112 Robinson Road #05-01
 Singapore 068902
 Tel: 6227 6660
 Fax: 6225 1452

INVESTOR RELATIONS

Tel: 6877 8530
 Fax: 6534 3060
 Email: gcasecretary@cld.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: Ian Hong, appointed from commencement of audit of financial statements for the financial year ended 31 December 2018)

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

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

CORPORATE PROFILE



“
WE ARE A CUSTOMER-CENTRIC ORGANISATION, COMMITTED TO DELIVERING PURPOSEFUL VALUE PROPOSITIONS AND INNOVATIVE FINANCIAL SOLUTIONS TO STAY RELEVANT.
 ”

Hong Leong Finance (“HLF”) is an award-winning financial services arm of Hong Leong Group Singapore. It was first listed on the Stock Exchange of Singapore in 1974 as the then Singapore Finance Ltd.

Incorporated in 1961 as a medium-sized enterprise, HLF has evolved to become Singapore’s largest finance company. In 2022, we were recognised as the ‘Best Performing Bank in Singapore’ and ranked as one of the ‘Top 1000 World Banks’, and ‘Top 100 ASEAN Banks’ by The Banker.

HLF has over 60 years of experience in serving businesses and individuals. The Company offers an extensive suite of financial products and services spanning from deposits and savings, corporate and consumer loans to government assistance programmes for SMEs, corporate finance and advisory services.

THE SME SPECIALIST

HLF has supported many local business enterprises with customised financial solutions and services that enabled them to operate successfully and expand swiftly.

To help local businesses increase efficiency and scale greater heights, HLF was the first finance company in Singapore to launch a business current account in 2007. We are also a pioneer in the Local Enterprise Finance Scheme and the only finance company with full sponsorship status for the SGX Catalist Board to support growth companies in their board listing.

To retain our market leadership and deliver customer-centric solutions effectively, HLF maintains a strong network of 12 SME Centres within our 28-branch network to stay close to the business community.

For our strong commitment and dedication towards the community, HLF was twice conferred the ‘Friends of Enterprise’ award by the Spirit of Enterprise. We were also accorded the ‘Euromoney Market Leaders in Singapore 2022’ for two categories, Corporate Banking and SME Banking, with notable recognitions.



THE FRIENDLY NEIGHBOURHOOD BRANCH

Our 28 branches are strategically located in Singapore with 27 of them in residential estates and one branch in the financial district. Over the years, we have earned our customers’ trust and pride ourselves in offering personalised services and meeting their daily needs. The HLF brand is a household name and ranked among the ‘Top 100 Singaporean Brands 2022’ by Brand Finance.



A SUSTAINABLE BUSINESS OPERATION

As a customer-focused company, we are committed to delivering purposeful value propositions and innovative financial solutions to stay relevant. We embrace a high service culture by regularly upskilling our staff, proactively digitalising our processes, and constantly upgrading our systems to create the best customer experience.

We believe in conducting our business profitably, responsibly and sustainably by considering the environment, social and governance factors as we actively seek growth opportunities and robustly manage risks.

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

KWEK LENG BENG / 82 *Chairman/Executive Director*

First appointment as Director

1 March 1979

Appointment as Executive Chairman

28 November 1984

Last re-election as Director

29 April 2021

Will be seeking re-election at the 2023 Annual General Meeting

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 The Institute of Chartered Secretaries and Administrators. 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 6 March 2023

BOARD OF DIRECTORS

KWEK LENG PECK / 66

Non-Executive and Non-Independent Director

First appointment as Director

1 January 1998

Last re-election as Director

29 April 2021

Will be seeking re-election at the 2023 Annual General Meeting

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

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

Other appointments

Nil

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

- City Developments Limited* (Non-Executive Director)
- Tasek Corporation Berhad (Non-Executive Chairman) (delisted and privatized in August 2020)

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 and Hong Leong Corporation Holdings Pte. Ltd. are related companies under the Hong Leong Group of companies.

* listed company

Information as at 6 March 2023

KWEK LENG KEE / 68

Non-Executive and Non-Independent Director

First appointment as Director

1 September 2001

Last re-election as Director

29 April 2021

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 / 50

Non-Executive and Non-Independent Director

First appointment as Director

1 October 2016

Last re-election as Director

29 April 2022

Board committees

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

Present directorships in other listed companies and principal commitments

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

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 6 March 2023

PETER CHAY FOOK YUEN / 63

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

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 / 63

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

- Chip Eng Seng Corporation Ltd* ("CES") (Executive Director)
- Gambling Regulatory Authority (Chairman)
- National Healthcare Group (Chairman)

Other appointments

- Panel of Experts, Singapore Co-operation Enterprise (Member)
- Nomura Singapore Ltd (Chairman)
- Nomura Asia-Pacific Holdings Ltd (Director)
- MOH Holdings Pte Ltd (Director)
- Temus Pte Ltd (Director)

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

Nil

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 1989/90.

TAN SIEW SAN / 71

Non-Executive and Independent Director

First appointment as Director

11 June 2019

Last election as Director

25 June 2020

Will be seeking re-election at the 2023 Annual General Meeting

Board committees

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

- Triton Holding Public Company Limited* (Independent Director)
- Cortina Holdings Limited* (Independent Director)

Other appointments

Nil

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

- P5 Capital Holdings Ltd.* (Independent Director)
- DOD Biotech 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 / 73

Non-Executive and Independent Director

First appointment as Director

5 August 2020

Last election as Director

29 April 2021

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 6 March 2023

CLARENCE YEO GEK LEONG / 63

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

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

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.

* listed company

Information as at 6 March 2023

BOARD OF DIRECTORS

PROPOSED DIRECTOR

JEANN LOW NGIAP JONG / 62

Proposed Appointment as Non-Executive and Independent Director



Proposed appointment as Director

27 April 2023

Present directorships in other listed companies and principal commitments

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

Other appointments

- Prison Fellowship Singapore Limited (Board member)
- Seventy Times Seven (Board 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.

* listed company

manager of a listed trust

Information as at 6 March 2023

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, sustainability 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.

Subject to shareholders' approval at the 2023 AGM, Ms Low is proposed to be appointed as a Director, and if her appointment is approved, she would also be appointed as a member of the Audit Committee and the Board Sustainability Committee (in place of Ms Tan Siew San) following the conclusion of the 2023 AGM.

WE GO THE EXTRA MILE TO ENHANCE CUSTOMER EXPERIENCE

Going the extra mile to listen to our customers and deliver innovative solutions customised to their needs has always been part of our customer-centric approach to help them achieve success and expand their businesses.



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 2022 in making the following public Statement of Support as part of the SIAS Corporate Governance Week 2022 Initiatives organised by SIAS in October 2022:

“As a Company, we are committed to upholding high standards of corporate governance to enhance stakeholder value, a sustainable future, 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 (“CG”) practices with specific reference to the principles and provisions in the Code of Corporate Governance (“2018 Code”). Where the Company’s practices differ from the principles under the 2018 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

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 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)	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 skill set 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) Ms Tan Siew San (ID) Mr Clarence Yeo (ID)	Assists the Board in the review of the Company’s sustainability issues, initiatives and performance as well as emerging CG trends and best practices and reviews the Company’s sustainability and CG 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 CG 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 56 to 83 of this Annual Report 2022 ("AR").

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 (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, CG 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 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 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 2018 Code.

Mr Clarence Yeo who was appointed as an ID on 1 January 2022, attended the induction programmes conducted by the Company in January 2022 and being a first time Director, he has also attended the requisite LED Programme conducted by the SID.

The Directors are also provided with updates and/or briefings from time to time by professional advisors, auditors, Management and the Company Secretaries in areas such as directors' duties and responsibilities, CG practices, relevant legislation, risk management and financial reporting standards. The Directors 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, some of the trainings attended by the Directors included the ACRA-SGX-SID Audit Committee Seminar 2022, SID Directors Conference 2022, Singapore Governance and Transparency Forum, SID AC Chapter Pit Stop Series, briefings and seminars organised by SID and other consultants in relation to board and audit, nominating and remuneration committees matters, and sustainability matters. In addition, in-house seminars were also organised in 2022 and conducted by invited external speakers on the following topics:

- Zero in on Future Value: Turning Risks to Growth Opportunities
- Geopolitical Risks
- Sustainability: Get Ready for IFRS Sustainability Disclosure Standards

In addition, all the Board members have undergone the mandatory sustainability training courses as prescribed by SGX. Members of the AC were also provided with a briefing from the Company's external auditors on applicable Accounting Standards, mandatory climate and board diversity disclosures and cyber security updates during the year.

All the Board members attended various training webinars, seminars and workshops in 2022 which accounted for more than 150 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 Sub-Committees to provide independent review and as a check and balance on the work of those committees involved in the approval of loan and credit proposals. 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 97 to 98 and in the Financial Statements on pages 125 to 129 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 2022. The Board agenda at the Board meetings held in 2022 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 2022. 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 2022.

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 2022, is disclosed on page 28. 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 2022 (Provision 1.5)

	Board	Exco	AC	NC	RC	SOSC	BRC	BSC	NEDs	AGM
Number of meetings held in 2022:	3	1	3	3	2	1	2	2	1	1
Name of Directors	Number of meetings attended in 2022									
Kwek Leng Beng	3	1	N.A.	3	N.A.	N.A.	2	N.A.	N.A.	1
Kwek Leng Peck	3	1	N.A.	N.A.	N.A.	1	2	N.A.	1	1
Kwek Leng Kee	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1	1
Kevin Hangchi	3	N.A.	N.A.	N.A.	N.A.	N.A.	2	2	1	1
Peter Chay Fook Yuen	3	N.A.	3	3	2	1	2	N.A.	1	1
Tan Tee How	3	1	3	N.A.	N.A.	N.A.	2	N.A.	1	1
Tan Siew San	3	1	N.A.	3	2	1	2	2	1	1
Christian de Charnace	3	N.A.	N.A.	N.A.	N.A.	N.A.	2	N.A.	1	1
Clarence Yeo	3	1	3	N.A.	2	1	N.A.	2	1	1

Note:

All Directors including Mr Kwek Leng Beng, the Board Chairman were in attendance at the AGM in 2022 together with the President and the Company's external auditors. The 2022 AGM was held via electronic means.

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 held by each of the Directors ranged from nil to two. 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. Having considered that directors on listed companies now face heavier responsibilities in view of increasing focus on sustainability and governance, on the NC's recommendation, the Board has approved that the maximum number of listed company board representations that a Director may hold, be set at six, 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 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 CG 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 nine members. All members of the Board except for the Board Chairman are NEDs. Based on the NC's recommendation, the Board has determined five of them, being more than half of the Board, to be independent ("5 IDs"), thus providing for a strong and independent element on the Board capable of exercising objective judgement on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision-making. No alternate Directors have been appointed in respect of any of the Directors.

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When reviewing the independence of the 5 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 2018 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 5 IDs are Mr Peter Chay, Mr Tan Tee How, Ms Tan Siew San, Mr Christian de Charnace and Mr Clarence Yeo. None of the 5 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 5 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 5 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 5 IDs.

Board Composition, Size and Diversity (Provision 2.4)

The Company has in place 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 to 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; professional 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 with a view to arriving at an optimal balanced composition of the Board and Board Committees. As prescribed under the BDP, the final decision on the selection of Directors are 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 2022

Targets	Progress
Expand/enhance the Board skill set to achieve the Company's strategic objectives	<p>The NC took diversity into account in its search for new directors to complement the skill set on the Board. Mr Clarence Yeo was appointed to the Board in January 2022 bringing extensive experience in the areas of information technology, as well as digitalisation and cybersecurity. He also has experience in organisational transformation, leading and driving governance, organisational excellence and enterprise risk management.</p> <p>The Board has concurred with the NC to recommend Ms Jeann Low Ngiap Yong for appointment as an additional ID at the upcoming AGM in April 2023 ("2023 AGM"). If her appointment is approved, she will also be appointed as a member of the AC and the BSC after the conclusion of the 2023 AGM.</p> <p>Ms Low is a chartered accountant and has many years of experience in accounts/finance and in corporate functions holding senior positions in a listed company in Singapore. The Board believed that with her background and extensive corporate experience she would enhance the core competencies of the Board and provide fresh perspectives on the Company's strategies and business. Please refer to the 'Board of Directors' and 'Additional Information on Directors seeking re-election/appointment' sections in this AR for more information on Ms Low.</p>
Achieve 20% female representation on the Board	<p>With the proposed appointment of Ms Low, the Company will meet the female board representation target of 20% as recommended by the Council for Board Diversity ("CBD") for listed companies.</p> <p>The NC noted that the CBD has recommended listed companies to have 25% female representation on their boards by 2025 and 30% by 2030.</p> <p>When reviewing candidates for future appointment, the NC will try to ensure that:</p> <ol style="list-style-type: none"> if external search consultants are used to search for candidates for Board appointments, the brief will include a requirement to also present female candidates; when seeking to identify a new Director for appointment to the Board, the NC could request for female candidates to be fielded for consideration; female representation on the Board be continually improved over time; and the NC is gender diverse.
Maintain age diversity with Directors with age ranging from early 50s to above 70s with majority of the Directors in the 60 to 70 range.	<p>The Board has continued to maintain this target.</p>

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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 view of the NC, believes that the size and composition of the Board and Board Committees (including the proposed appointment of Ms Low) provide for diversity in line with the BDP and allow for informed and constructive discussions and effective decision-making at meetings of the Board and Board Committees.

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 2022 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/her 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, Chief Financial Officer ("CFO")/Executive Vice President
- Mr Leong Chee Wah, Senior Vice President (Credit Control, Corporate Finance and Operations Re-Engineering)
- Mr Benjamin Ng, Senior Vice President (Information Technology & Operations)
- Mr Sia Nam Chie, Senior Vice President (Risk Management, Legal & Compliance)
- Mr Jeffrey Toh, Senior Vice President (Corporate & Consumer Business)
- Ms Peh Guat Hong, Senior Vice President (Corporate & Consumer Business)
- Mr David Thong, Senior Vice President (Operations)
- Mr Andrew Low, Senior Vice President (Human Resources)
- Mr Lim Wei Leon, Senior Vice President (Transformation and Innovation)

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.

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. No query or request on any matter which requires the Lead ID's attention was received from the shareholders in 2022. Under the chairmanship of the Lead ID, a meeting of the NEDs was convened in 2022 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 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.

Three NC meetings were held in 2022. 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.

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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 2018 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 the 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 Beng, Mr Kwek Leng Peck and Ms Tan Siew San will be retiring by rotation at the 2023 AGM.

As recommended by the NC, the Board recommends the re-election of Mr Kwek Leng Beng as an executive Director, Mr Kwek Leng Peck as a non-independent NED and Ms Tan Siew San as an ID. In recommending the re-election of these Directors who have offered themselves for re-election at the 2023 AGM, the NC has considered their contribution and performance and recommended to the Board to nominate their re-election at the 2023 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 their dates of 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/appointment'; and the 'Notice of Annual General Meeting' for information on Directors proposed for re-election/appointment at the 2023 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's 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.

As part of the ongoing Board renewal process, Mr Clarence Yeo was appointed to the Board as an ID in January 2022. Mr Yeo's extensive experience, especially in the areas of information technology, digitalisation and cybersecurity provide further diversity to the core competencies and skill set of the Board. To further enhance the core competencies of the Board and provide fresh perspectives on the Company's strategies and business, the Board has, on the recommendation of the NC, proposed Ms Jeann Low for appointment as an additional ID at the 2023 AGM. Information on Ms Low can be found on pages 20 and 174 to 181 of this AR.

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 training 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 2022 are set out in the relevant paragraphs under the subject heading 'Board Orientation and Training' 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.

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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 covers 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 2022. 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 2022.

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.

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 component 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 97 to 98 and the Financial Statements on pages 125 to 129 of the AR.

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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 includes 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 2022 is as follows:

Appointment	Fees per annum (\$)
Director	75,000 (Basic fee)
Additional Fees:	
Board Chairman	20,000
Lead Independent Director	10,000
Executive Committee (Exco)	
- Exco Chairman	30,000
- Exco Member	20,000
Nominating Committee (NC)	
- NC Chairman	18,000
- NC Member	12,000
Remuneration Committee (RC)	
- RC Chairman	18,000
- RC Member	12,000
Hong Leong Finance Share Option Scheme 2001 Committee (SOSC)	
- SOSC Chairman	4,000
- SOSC Member	3,000
Audit Committee (AC)	
- AC Chairman	60,000
- AC Member	40,000
Board Risk Committee (BRC)	
- BRC Chairman	60,000
- BRC Member	40,000
Board Sustainability Committee (BSC)	
- BSC Chairman	6,000
- BSC Member	4,000

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 2022.

The remuneration of each Director for FY 2022 including a breakdown in percentage terms earned through base salary, variable bonuses/allowances, fees, share option grants and other benefits for FY 2022, 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)	2,957,358	37	55	6	1	1	100
Non-executive Directors							
Kwek Leng Peck	138,000	-	-	100	-	-	100
Kwek Leng Kee	75,000	-	-	100	-	-	100
Kevin Hangchi	121,000	-	-	100	-	-	100
Peter Chay Fook Yuen	219,000	-	-	100	-	-	100
Tan Tee How	195,000	-	-	100	-	-	100
Tan Siew San	172,000	-	-	100	-	-	100
Christian Gautier de Charnace	115,000	-	-	100	-	-	100
Clarence Yeo Gek Leong	154,000	-	-	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 2022, which are subject to approval by shareholders as a lump sum at the 2023 AGM.

⁽³⁾ These relate to options granted during FY 2022. The fair value of the options as at the date of grant is \$0.1643 for each share under option taking into account the vesting schedule using the Black-Scholes Option Pricing Formula.

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

For FY 2022, the Company identified the President and the CFO as its KMP (not being a Director or CEO).

The Board does not believe it is in the interest of the Company to disclose the FY 2022 remuneration of its KMP (not being a Director or CEO) whether in bands of \$250,000 or to the nearest thousand dollars having regard to the highly competitive human resource environment.

Remuneration of Director's, CEO's or Substantial Shareholder's Immediate Family Members for FY 2022 (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 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 51 to 54 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 2022 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.

Assurances from the KMP (Provision 9.2)

In relation to Provision 9.2 of the 2018 Code and Rule 1207(10) of the Listing Manual, the AC and the Board received:

- 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
- 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 2022, with the assistance of the BRC, Management, the RMD and Credit Control departments, Compliance 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 2022 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.

Principle 10: Audit Committee

Composition of AC (Provisions 10.2 and 10.3)

The AC comprises three NEDs, all of whom including the chairman of the AC are independent. Two members including the AC chairman possess the relevant accounting or related financial management expertise and experience. Mr Clarence Yeo was appointed a member of the AC with effect from 1 January 2022.

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 external auditors;
- 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;

CORPORATE GOVERNANCE REPORT

- 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 2022. 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 2022, the Group had refreshed its parameters including the assessment and update of macroeconomic factors. 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.

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 three 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.

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 2022. 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 2022 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 2022 are set out below:

	\$’000
Audit fees	446
Non-audit fees	98

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2023, 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.

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 2023 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.

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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 2022 (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 2022 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 and CDLMS, being subsidiaries of HLIH, are IPs.	Cleaning, security and building maintenance services: 114	Not applicable
CDL Management Services Pte Ltd ("CDLMS")		Receipt of corporate secretarial services: 372	Not applicable
		Total:	486

* 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.

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 annually this policy which is administered by the Head of Compliance department.

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 25 years of working experience, out of which 15 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.

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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 2022 IA plan in January 2022 and received regular reports during 2022 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 2022, 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.

However, due to the COVID-19 situation in Singapore, the 2020, 2021 and 2022 AGMs were convened and 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 ("Temporary Order") and the checklist issued by ACRA, MAS and SGX RegCo ("Checklist"). For more details on the 2022 AGM and the forthcoming 2023 AGM, see sections below on the '2022 AGM' and '2023 AGM'.

2022 AGM

In view of the COVID-19 situation, the 2022 AGM was convened and held by electronic means pursuant to the Temporary Order.

The alternative arrangements under the Temporary Order and the Checklist put in place for the 2022 AGM included making available the Annual Report, the Notice of AGM, accompanying proxy form and other related AGM documents on the SGX website and the Company's corporate website. Attendance at the 2022 AGM was via electronic means where shareholders could observe and/or listen to the 2022 AGM proceedings via 'live' audio-visual webcast or 'live' audio only stream and submit questions to the Chairman of the Meeting in advance of the 2022 AGM. Substantial and relevant questions submitted were addressed via SGXNet prior to the AGM and voting was carried out by appointing the Chairman of the Meeting as proxy at the 2022 AGM.

All the Directors including the Board Chairman and the chairmen of the respective Board Committees, members of the Senior Management team including the President and the CFO, and the EA were in attendance at the 2022 AGM which was conducted electronically.

2023 AGM

The forthcoming 2023 AGM will be held, in a wholly physical mode, at Orchard Hotel on 27 April 2023, pursuant to the Temporary Order. Shareholders will be informed of the 2023 AGM through a notification by post.

As part of the Company's commitment towards environmental sustainability, the Notice of AGM, accompanying proxy form and other AGM related documents will only be made available on the SGX website and the Company's corporate website. Arrangements relating to attendance at the 2023 AGM, submission of questions in advance of, or at the 2023 AGM and voting at the 2023 AGM by shareholders or their duly appointed proxy(ies) or representative in the case of corporate shareholder, are set out in a separate announcement to be released by the Company on SGXNet.

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.

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 up to the 2019 AGM. 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 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.

For the 2020 to 2022 AGMs which were held by electronic means, the Chairman of the Meeting was appointed as proxy to vote on behalf of all shareholders. Proxy forms submitted by shareholders were independently verified by the independent scrutineers. Results of the valid votes submitted, showing the number of votes cast for and against each resolution and the respective percentages, were announced by the Chairman at the AGM and thereafter, via SGXNet.

The Company will resume the electronic poll voting at the 2023 AGM.

CORPORATE GOVERNANCE REPORT

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 \$0.1325 per share, a 61% increase from the payout in the preceding year. This will bring the total dividend for FY 2022 to \$0.17 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 2022, 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.

As the 2023 AGM will be held in wholly physical format, shareholders are encouraged to attend 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 56 to 83 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. The code of conduct in practice is in addition to observing the Code of Conduct issued by the Finance Houses Association of Singapore and the Code of Conduct for Banks and Bank Staff issued by the Association of Banks in Singapore, to the extent applicable to the operations of the Company. 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 Management 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 management and material risk personnel to facilitate accountability
- Ascertain that senior management and material risk personnel are fit and proper

CORPORATE GOVERNANCE REPORT

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 which provides guidance and assistance to the Company's officers and employees on matters relating to the prevention, detection, reporting and investigation of fraudulent conducts;
- (iii) Whistleblowing Policy, which provides guidance to the Company's officers, employees and non-employees of the Company that may have any legitimate concerns about any possible improprieties relating to accounting, financial reporting, internal controls and auditing matters or other matters, the same may be raised without fear of reprisals in any forms, discriminating or adverse consequences;
- (iv) Anti-Corruption Policy which provides guidance and assistance to the Company's officers and employees on matters relating to the prevention, detection, reporting and investigation of corruption and bribery;
- (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;

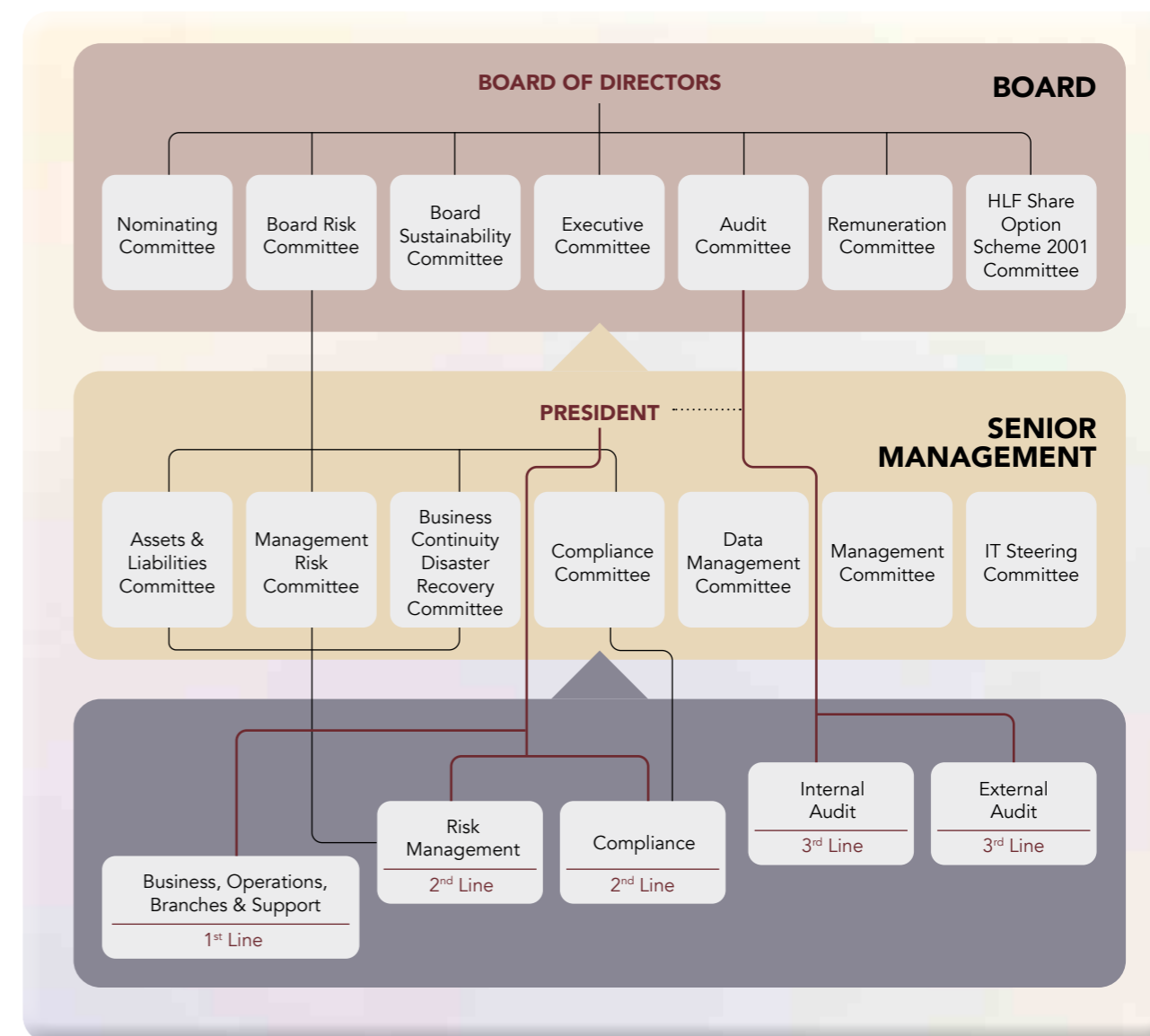
(ix) Complaint Handling Procedures which ensure that all complaints from customers are dealt with professionally, fairly, promptly and diligently and decisions are clearly communicated to customers; and

(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, Market & Liquidity, Operational, 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 Board Risk Committee ("BRC") in carrying out its oversight of the risk management programme;
- Supporting 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 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 strategy is a key driver of the Company's risk profile and as such the strategic choices that are made in terms of the business mix determine how the risk profile changes. The Company is mindful of the changes in its operating environment from time to time and is constantly monitoring and reviewing the economic and strategic risks in order to enhance the management of the same.

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 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 ("CRM") policy details how credit risks are being managed in the company. The CRM policy sets a sound process to identify, measure, monitor and manage credit risk exposures to an acceptable level, consistent with the risk tolerance and aligned with the relevant business strategy. This policy sets forth credit risk principles and provides guidance to relevant business units. It is supplemented by the Credit Manual which details the process and management of credit transactions.

More details on credit risk could be found in the Financial Statements on pages 143 to 149 of the AR.

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 mix limits, which are reviewed regularly to reflect changing business strategies and environment. Exposures are monitored against the limits.

Mitigation

In line with the prevailing business plan, the company will continue to pursue credit risk exposures 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.

SFRS (I) 9 Expected Credit Loss

Effective 1 January 2018, the Company adopted Singapore Financial Reporting Standards (International) 9 Financial Instruments, where a new approach for the estimation of allowance for credit losses based on the Expected Credit Loss ("ECL") model is introduced. It includes more forward-looking information, and addresses the issue of delayed recognition of credit losses. The ECL reflects information about past events, current conditions and forecasts of future economic conditions. Management overlay will be applied where there are model limitations to incorporate certain risks.

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.

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 last assessment. Relationship managers are trained on the Company's ESG framework and policies.

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 Company's market risk management is governed by policies and processes which are subjected to regular reviews to ensure that they remain relevant to the regulations and market practices. 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).

More details on interest rate risk could be found in the Financial Statements on pages 153 to 157 of the AR.

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 the tolerant levels.

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.

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.

More details on liquidity risk could be found in the Financial Statements on pages 149 to 152 of the AR.

RISK MANAGEMENT REPORT

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 at a reasonable cost. 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.

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. Core funding comprising capital, a diversified pool of personal and, to a lesser extent, corporate deposits, is the foundation of our structural liquidity position.

Stress Tests

Liquidity stress tests on adverse crisis scenarios such as name-specific and general market crises are performed regularly. During 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.

OPERATIONAL RISK

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 ensure they remain relevant to the best practices and regulations. The policies require all departments to achieve their objectives through the effective identification, assessment, measurement, and mitigation 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 report their operational risks on both a regular and an event-driven basis. Risks identified through regular operational risk self-assessment are evaluated and appropriate risk responses are implemented. Key risk indicators are implemented to provide early warnings to changes in the risk profiles. Where exceptions are noted or risk events occurred, appropriate action plans are formulated to prevent recurrence.

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. In this regard, every department performs their respective business impact analysis of the disasters on key processes. Recovery strategies are formulated and approved by the respective heads of department, 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

Reputation 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, measurement, mitigation, monitoring and reporting.

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

The Company considers the potential credit risk impact by climate changes to be the most material. 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 67 to 72 of the AR.

WE CARE ABOUT MAKING A DIFFERENCE IN THE COMMUNITY

As a responsible corporate citizen, it is our commitment to serve and give back to the community in ways that are aligned with our values and have a meaningful impact on the wider community.





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ABOUT THIS REPORT

Hong Leong Finance (“HLF”) is pleased to present our Sustainability Report 2022 (“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 2022 (“FY 2022”).

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;
- with reference to the Task Force on Climate-Related Financial Disclosures (“TCFD”) recommendations for climate-related disclosures; and the 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 within FY 2022, though where applicable, data from previous financial years are included for comparison.

Data and External Assurance

We apply a standardised approach to data collection and analysis in accordance with our Sustainability Reporting Policy to ensure that the sustainability reporting process is fair, consistent and transparent. The sustainability practices within HLF are subject to review by internal audit. HLF may also commission external independent assurance on the sustainability report.

We welcome your feedback and suggestions at sustainability@hlf.com.sg.

This SR, which is part of our Annual Report 2022, is published on our website at <https://www.hlf.com.sg/ar.html>.

BOARD STATEMENT

The biggest shaping influence of 2022 was Singapore’s re-opening, learning to live with Covid-19’s unpredictability, and keeping a long-term outlook for economic recovery in an inflationary environment amidst climate concerns. Our Board Sustainability Committee (“BSC”) continues to guide the Senior Management and the Sustainability Report Working Committee in prioritising, formulating and driving the sustainability strategy.

Taking Climate Action

Sustainability is the future and the challenges ahead are an uphill journey. We have chosen to prioritise our actions through customer engagement and dealings in the sectors we are exposed through financial support, to reduce our customers’ carbon footprint as we transition to a low-carbon economy.

We will increase exposure to sustainable responsible finance by supporting more green and sustainable activities. This will be achieved through the implementation of a robust environmental risk management approach that incorporates industry best practices and regulatory requirements. We have embarked on the Task Force on Climate-Related Financial Disclosures (“TCFD”) framework that allows us to identify climate-related risks and opportunities. This framework will provide us with more focused oversight and guidance on our climate-related strategy.

Enhancing Sustainability Approach

Guided by our Sustainability Approach to mitigate sustainability risks, we identified two strong pillars, ‘Sustainable Business Priorities’ and ‘Responsible Business Practices’ that have grounded our thoughts and influenced our decisions. These pillars shaped our business and strategy to achieve customer satisfaction and trust, sustain long-term profitability for our stakeholders and give back to the community.

The Board provides oversight of the sustainability approach and final sign-off on material economic, environmental, social and governance (“EESG”) topics and sustainability report. The BSC provides guidance on the sustainability approach and commitment, and oversees management and monitoring of material topics. The Senior Management ensures proper identification of material topics and execution of sustainability actions.

EESG Materiality Review

We continued to note the relevance of the six material topics identified in our 2021 materiality review, but with greater emphasis on climate actions relating to Material Topics 2 and 3 below.

OUR PERFORMANCE

Material Topic 1: Driving Value Creation

We achieved sustainable profits that were distributed to our stakeholders through employee compensation, taxes to the government and dividends to our shareholders.

The need to advance technology is increasingly vital as we innovate and introduce useful products for more sustained and positive impact. We continued to digitalise and transform to drive customer service excellence. We developed and implemented an in-house consumer loan origination system, integrated partner systems for paperless loan applications, and introduced HLF FASTPAY, a multi-currency e-wallet payment application that offers quick and low-cost local and overseas fund transfers, in collaboration with a local fintech company.

To help customers with their increasing needs to combat inflation, we rolled out several relevant initiatives including a multi-tiered rates savings account for deposit growth and SORA-based financing packages that provide price transparency to better manage cash flow.



SUSTAINABILITY REPORT

Material Topic 2: Responsible Finance

To promote an environmentally friendly ecosystem, we continued to expand our Vehicle-Green Loans portfolio which stands at S\$371 million, a 96% increase over the outstanding amount in 2021.

In line with Singapore Green Plan 2030, we are seeking greater collaboration with lead banks and borrowers to finance green buildings under Building and Construction Authority's Green Mark certification scheme.

We have also mandated the economic, environmental, social and governance ("EESG") risk analysis into our review process for all corporate borrowers.

Material Topic 3: Environmental Management

Our direct ecological footprint as an office-based company is not where we make the greatest impact on the environment. Nevertheless, we continued to engage our employees with talks on climate-related risks. With employees returning to office following the easing of Covid-19 measures, overall A4 and computer paper usage increased marginally by 1%. We have also switched to more energy-efficient lighting systems to reduce overall energy consumption.

Material Topic 4: Employee Well-Being and Development

In addition to safe management measures and hybrid work arrangements, we continued to invest in our employees with future skills and observe fair employment practices for an inclusive and diverse work environment. In 2022, average training hours per employee increased by 120% to 22 hours from 10 hours in 2021.

Material Topic 5: Corporate Governance

Our governance framework is supported by firm leadership from the Board and Senior Management, organisational structure and authority entrustment, as well as oversight mechanisms. At employee level, mandatory trainings and refresher courses are regularly conducted to keep employees abreast on the latest industry updates and best practices.

Material Topic 6: Data Protection, Data Privacy and Cybersecurity

Data management policies, procedures and controls are consistently reviewed and maintained to ensure confidentiality and security of customer information. We also continued to invest in cybersecurity capabilities to safeguard customer funds and information. There was no incident of data breach in 2022.

LOOKING AHEAD

We have made good progress on our sustainability journey and will continue our efforts to build a sustainable business for the benefit of our stakeholders and customers. Moving ahead, we will focus on a 3-C strategic approach – to be climate-centric, customer-centric and compliance-centric in our initiatives and business practices. We will continue to enhance HLF's capability and capacity and collaborate with industry partners to achieve our long-term EESG goals.

“
WE WILL INCREASE EXPOSURE TO SUSTAINABLE RESPONSIBLE FINANCE BY SUPPORTING MORE GREEN AND SUSTAINABLE ACTIVITIES. THIS WILL BE ACHIEVED THROUGH THE IMPLEMENTATION OF A ROBUST ENVIRONMENTAL RISK MANAGEMENT APPROACH THAT INCORPORATES INDUSTRY BEST PRACTICES AND REGULATORY REQUIREMENTS.
 ”

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.

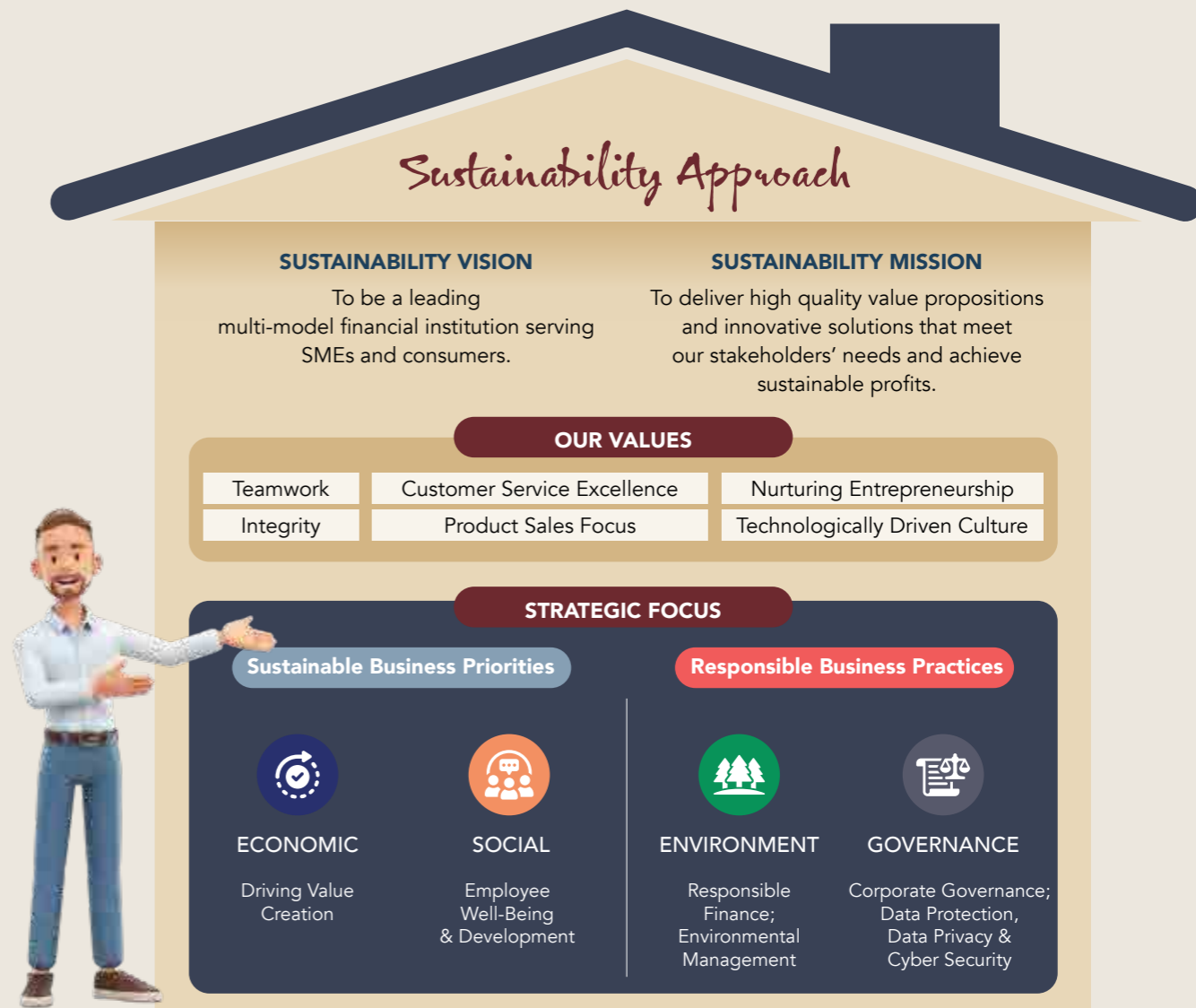
Our Sustainability Approach and Material Topics

Our Sustainability Approach is a cornerstone of our business strategy. Underpinned by our sustainability vision and mission, and driven by corporate values, two strong pillars support our strategic focus. 'Sustainable Business Priorities' represents areas we prioritise to create and sustain long-term profitability for our business and values for our stakeholders, and 'Responsible Business Practices' refers to responsibilities that are fundamental to protecting the value, trust and success of our business.







Sustainability Approach

We conducted a materiality review in 2021 to ensure that our economic, environmental, social and governance ("EESG") topics remain relevant with changing industry trends and stakeholders' expectations. Our review, which involved an appraisal of the existing material topics by the Senior Management, was found to be in line with HLF's strategic formulation. These topics were endorsed by the Board Sustainability Committee ("BSC") and the Board of Directors ("Board").

The six material topics remain relevant for 2022. We deepened efforts to address these topics and will conduct yearly reviews on areas that our organisation has or could have significant impact on the economy, environment, and people as a result of our activities or business relationships.



SUSTAINABILITY REPORT

Material Topics	Why They Are Important To Us
Pillar 1: Sustainable Business Priorities	
 ECONOMIC Driving Value Creation	It is vital for us to drive our business in a way that creates value for our stakeholders. To do so, we invest in digitalisation and constantly upgrade our suite of products and services to meet the changing needs of our SME and individual customers to ensure business sustainability.
 SOCIAL Employee Well-Being and Development	We promote a culture of diversity and inclusion, and organise activities to support the well-being of our employees. We also focus on attracting new talent while retaining our people by developing and re-training them with new skills.
Pillar 2: Responsible Business Practices	
 ENVIRONMENT Responsible Finance	Given the escalating climate change, it is crucial to promote an environment-friendly eco-system. We are strongly committed towards supporting green loans. We also guard against EESG risks in our lending activities and ensure we have a robust lending approach by integrating EESG factors in our credit risk analysis.
 ENVIRONMENT Environmental Management	In line with growing environmental concerns, we seek to reduce our ecological footprint and minimise the use of resources, including managing our paper and energy consumption.
 GOVERNANCE Corporate Governance	Corporate governance is at the core of our DNA, achieved through the cultivation of strong values and putting in place a robust governance framework, risk management process and internal controls. To build a high level of trust with our customers, we provide them with accurate, transparent and fair advice so they can make the best-informed decisions.
 GOVERNANCE Data Protection, Data Privacy and Cybersecurity	To manage the growing threats related to data protection and cybersecurity, we continue to invest in efforts to ensure data protection and to strengthen cybersecurity across our business.

SUSTAINABILITY GOVERNANCE

Robust 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.

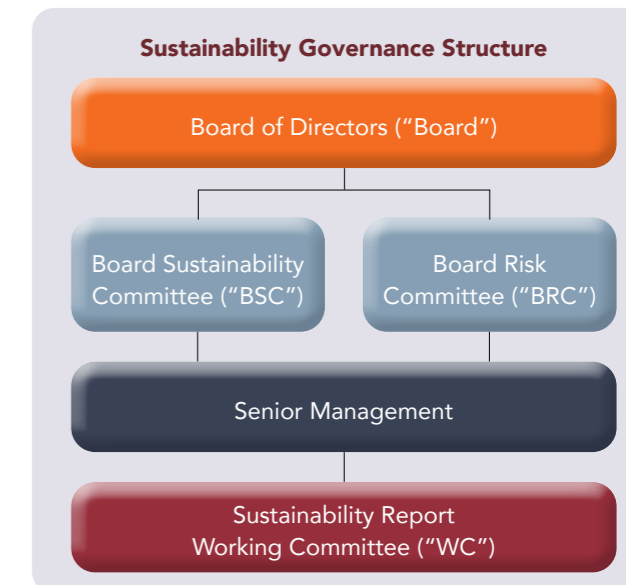
Sustainability Governance Structure

Our Sustainability Governance Structure outlined here is based on accountability, effective delegation and adequate oversight to support sound decision-making. It defines the roles and responsibilities of the Board, BSC and Senior Management as part of our strategy to become a purpose-driven organisation to advance the interests of our stakeholders.

The Board and BSC provide oversight and guidance on our sustainability approach and strategy including climate-related risks, opportunities and commitments, and management of material issues. The BSC meets at least twice a year to engage with the Senior Management so that key opportunities and pertinent risks are discussed and considered, including the interests of stakeholders and shareholders.

Further, the Board Risk Committee ("BRC") provides oversight of the EESG risk management, such as ensuring the impact of climate changes on credit, market, operational and liquidity risks are properly managed, as an enhancement to our sustainability governance.

The Senior Management ensures proper execution of sustainability actions along with those related to climate risks via periodic reviews and monitoring of progress through monthly meetings. The Sustainability Report Working Committee ("WC") comprising key heads of departments manages and executes our sustainability action plans.



Sustainability Reporting Policy

Our commitment towards sustainability reporting with integrity, consistency and transparency is defined in the Sustainability Reporting Policy. It is done with the highest ethical standards and in compliance with all applicable laws and regulatory requirements.

The Sustainability Reporting Policy outlines the overarching principles and approach to sustainability. It is implemented across our business to assess, mitigate and manage sustainability risks within the Company's operations, as well as business relations.





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
 CUSTOMERS	<ul style="list-style-type: none"> → Website feedback form → Calls to Customer Service Centre → Formal correspondence → Face-to-face meetings → Emails, SMS alerts → Sustainability Report ("SR") → Annual Report ("AR") 	<ul style="list-style-type: none"> → Customers' challenges and priorities on business recovery post pandemic → Scam concerns → Feedback on products and services 	<ul style="list-style-type: none"> → New loan packages and enhanced savings products were rolled out to assist customers in their business continuity and inflation management → Provided regular updates on scam alerts; set up a Fraud and Scam Awareness Team ("HLF-FSAT") to equip employees with relevant knowledge to assist customers → Acted on feedback and suggestions received by the Customer Experience Committee and implemented customer delivery improvements → Continued to enhance and innovate products and services for customers
 EMPLOYEES	<ul style="list-style-type: none"> → Performance appraisals → 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 → Skills upgrade → Career development 	<ul style="list-style-type: none"> → Continued workplace safe management measures → Launched new training topics across core, adaptive and future-enabled skills categories
 REGULATORS	<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 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 → Established HLF-FSAT → Enhanced Money Laundering and Terrorism Financing monitoring controls through a screening system

Our Key Stakeholders	Forms of Engagement	Key Topics Raised	Our Response
 INVESTORS	<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 initiatives and partnered with a fintech to launch HLF FASTPAY → Maintained good practices in corporate governance, business ethics and integrity
 LOCAL COMMUNITY	<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

EXTERNAL INITIATIVES

To stay on top of issues relevant to our industry, we actively participated in dialogue and maintain memberships with organisations including the Singapore Business Federation, The Association of Banks in Singapore, the Finance Houses Association of Singapore, and the Singapore National Employers Federation.

SUSTAINABILITY REPORT



ECONOMIC

Material Topic 1: Driving Value Creation

We believe our long-term financial performance 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 APPROACH

We are committed to operating a sound and responsible business model that focuses on profitable sustainable growth. We strive to create value for all our stakeholders, by harnessing technology and innovation to provide positive impact.

OUR DIRECT ECONOMIC IMPACT

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

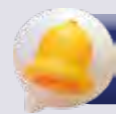
In 2022, we generated higher total income (before operating expenses) of S\$258.7 million, of which S\$73.4 million were distributed in employee compensation and benefits for 606 employees. Income tax accrued was S\$26.2 million, and dividends of S\$53.8 million were distributed to shareholders.

OUR INDIRECT ECONOMIC IMPACT

We continued to invest in digitalisation initiatives and offered relevant innovative products to better serve our stakeholders and maintain a mutually beneficial relationship.

Our Digitalisation Journey

We leveraged technology as a competitive edge to stay ahead and improve stakeholders' experience. Digitalisation has become essential for the Company in achieving sustainable growth and meeting the evolving needs of our stakeholders.



Key Initiatives



Leveraged technology to deliver better customer service

- Developed SmartLending, an in-house consumer loan origination system that seamlessly integrates various systems to achieve automation in loan origination workflow and drive improvements in systems and processes. Improved our customer service by reducing loan disbursement processing time by up to 20%.
- Continued efforts to enhance digital banking solutions for anytime, anywhere transactions to complement our convenient branch network in delivering optimal omnichannel experiences, to suit the different needs of customers.
- Average monthly loan payment transaction volume through PayNow hit a new high of 3,612 in 2022, an increase of more than 44% over 2021, while 91% of deposits have been converted to auto-rollover basis since the implementation of auto-renewal feature for matured fixed deposit in 2021.



Adopted technology to improve employee efficiency and engagement

- Data entry automation under SmartLending freed up employees from monotonous tasks, providing them with the opportunity to be upskilled and engaged in more meaningful work. Its secured access capability enables our employees to work from home, providing greater flexibility and productivity.



Digital transformation to benefit partnerships and customers

- Following successful API integrations with strategic car distribution partners which powered convenient paperless vehicle loan application process for customers and facilitated faster turnaround time on application outcomes, we continued upgrading the platform to build an alternative solution to bring the remaining partners on board. The enhancement will be rolled out in 2023.

Apart from efficiency gain and reduced carbon footprint as a result of adoption of paperless process, the digital loan applications have enabled us to drive penetration and increase wallet share in key accounts.



Launched HLF FASTPAY, a multi-currency e-wallet payment application that offers fast and low-cost funds transfers locally and to overseas

- HLF FASTPAY enables customers to enjoy more payment solutions safely and securely. In addition to local and overseas funds transfers, the multi-currency wallet allows customers to convert over 20 foreign currencies at competitive rates, make purchases and overseas ATM cash withdrawals using a linked prepaid VISA card. 74% of the funds transfers and card payments were transacted in foreign currencies, capitalising on the platform's attractive foreign exchange rates and efficient funds transfer service.

Enhanced Products to Help Customers Fight Inflation

With the high inflationary pressure, many customers are challenged in realising their financial goals. At HLF, we are committed to help them achieve their goals. Through product innovation, we strive to offer financial solutions to bridge their financial needs.



Key Initiatives



Grow savings with higher saving rates

Introduced multi-tier rates for our Savers Plus Account to enable customers to save more and earn higher rates. The tiered rates helped bolster customers' savings against inflation and grew their interest income.



Offer peace of mind with fixed rate home loan

Offered competitive fixed rate packages for initial years of home loans to provide the assurance of fixed monthly repayment to protect customers against interest rate hikes caused by inflation.



Provide price transparency with SORA-based commercial property financing package

Transited to offering attractive SORA-based financing packages to provide rate transparency so that customers can better manage their cash flow in an inflationary situation.



Keep businesses going with working capital financing

Introduced a new collateral-free working capital financing called BizCap Loan to provide businesses the ability to create strategic advantages by actively managing their working capital and be prepared for inflationary challenges. The financing was competitively priced at a fixed rate with flexible repayment terms.

SUSTAINABILITY REPORT

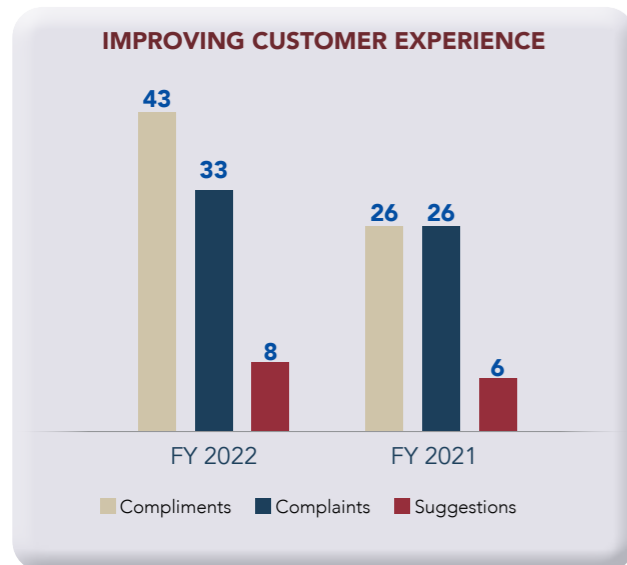


ECONOMIC

Material Topic 1: Driving Value Creation

Improving Customer Experience

Our Customer Experience Committee continued to hold regular meetings to review customer feedback, complaints and suggestions with the objective of enhancing customer experience.



In 2022, the number of compliments received increased by 65%, centred on the efficiency of our processing channels and good customer service. During the pandemic, we improved our processes by making available e-Letter of Instructions that facilitated contactless transactions for new fixed deposit placements, renewals, withdrawals and e-payment. Our hybrid approach of using digital and human touch to meet customer needs have enabled us to reach more underserved customers.

For complaints, we continued to strive for improvement and to address the root causes. A common complaint was on prolonged waiting time at our branch customer service counters. We are working on ways to reduce the wait, including development of an SMS service within the queue system to allow customers to return later to complete their transactions, and consolidation of forms to provide customers greater convenience.

74% of the non-investigative feedback were resolved within five working days. Standard operating procedures are in place to guide prompt resolution of feedback and we will strive to meet the 80% target.

OUR TARGETS	OUR PERFORMANCE IN 2022
<ul style="list-style-type: none"> → Achieve sustainable growth. → Continue to promote digital initiatives to support Singapore's Smart Nation initiative. → Achieve 80% complaint resolution within five working days. 	<ul style="list-style-type: none"> → Generated higher income (before operating expenses) of S\$258.7 million and provided higher distribution on employee compensation, income tax and shareholders' dividends. → Harnessed technology to implement value-added digital initiatives to better support the needs of our stakeholders: <ul style="list-style-type: none"> ○ Launched a mobile-first HLF FASTPAY e-wallet app to offer fast and low-cost funds transfers for customers' e-payments, travel spending and overseas remittance. ○ Introduced Loan Data Automation which improved customer service standard with a reduction in processing time up to 20% and enhanced data accuracy. Employees who were previously managing loan data entry were redeployed to more purposeful and higher value jobs → Enhancing platform for more car dealer partners to extend efficient and hassle-free loan application to their customers in 2023. → Offered innovative products for customers to fight inflation. → Resolved 74% of non-investigative feedback within five working days.



ENVIRONMENT

Addressing Climate Change

Sustainability covers a broad spectrum of environmental, social and governance matters, with climate change being one of the defining challenges of our time. The Company is increasingly aware of the importance of climate risk, and acknowledge we have a role in shaping transition to a more sustainable and climate-friendly economy. The Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations guide our approach towards managing the impact of climate change across the company, as well as our approach to building climate resilience.

CLIMATE-RELATED DISCLOSURE

We are adopting and are in the process of applying the TCFD recommendations that are structured around four thematic areas that represent core elements of how HLF operates: governance, strategy, risk management, and metrics and targets.

Governance

Effective governance underpins our approach to managing climate risks and opportunities as we seek to play our role in the community. We are committed to high standards of governance that are consistent with regulatory expectations and evolving best practices.

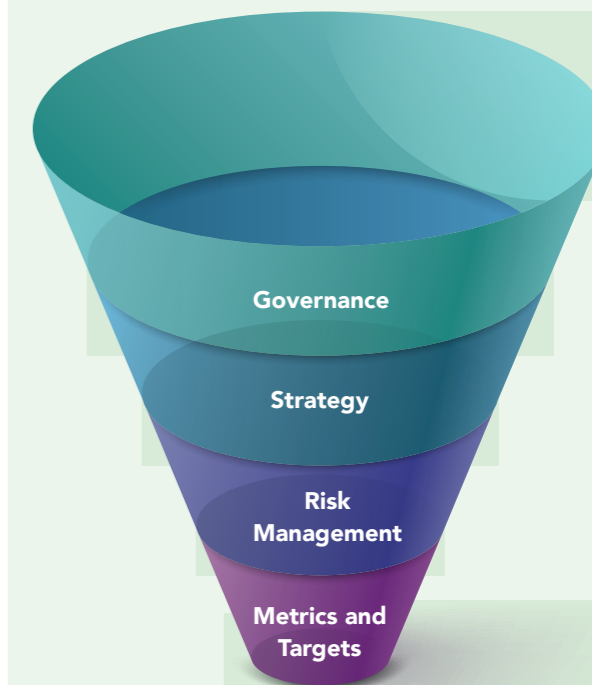
Please refer to our Sustainability Governance Structure on page 61 for details.

Strategy

As a business, our physical assets and operations are exposed to climate-related risks, for example physical risks such as those arising from extreme flooding. As a financial institution, our greater exposure is indirect, primarily through our transactions and dealings with customers in the sectors we are exposed. It is therefore prudent to assess these climate-related risks, which could have significant impact to our customers, our business and the broader economy, and to take climate change considerations into account when setting our business strategies.

We will ensure a responsible transition to a low-carbon economy, and align our sustainability approach and commitments to meet this objective. We seek to enable this by balancing environmental, social and economic imperatives and placing equal importance on climate considerations and social inclusion and development.

CORE ELEMENTS OF RECOMMENDED CLIMATE-RELATED FINANCIAL DISCLOSURES



Governance

The organisation's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Risk Management

The processes used by the organisation to identify, assess, and manage climate-related risks

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

(Source: TCFD)

SUSTAINABILITY REPORT

ENVIRONMENT Addressing Climate Change

IDENTIFICATION OF CLIMATE-RELATED RISKS AND OPPORTUNITIES



Climate-Related Risks

Climate-related physical and transition risks both pose potential financial and non-financial consequences for our business and our customers. The impact of climate-related risks could materialise as greater transactional losses, increased capital requirements and higher operational costs. Non-financial consequences may materialise if our own operations or assets are affected by climate-related changes in weather patterns or extreme events.

We plan to conduct an analysis of the climate-related risks and opportunities across high-EESG risk sectors that are material to the Company. Through this analysis associated with each sector of interest, we will be able to identify the impact that climate change would have on specific risk drivers and consequently, the impact that these climate-related risks and opportunities will have on the Company and our customers.



Climate-Related Opportunities

Greater awareness of climate change has enabled new climate-related opportunities. These include meeting our customers' demands for capital that advances climate-friendly business activities, as well as taking advantage of innovations in technology, data and analytics to reduce the carbon footprint and corresponding expenses of our business operations. Climate-related opportunities also arise from efforts to ensure that our business is more resilient in the face of physical and transition risks associated with climate change.

Please refer to Material Topic 2: Responsible Finance and Material Topic 3: Environmental Management for initiatives and performance on pages 69 - 72.

We will increase exposure to sustainable finance, recognising the critical role of the financial sector in directing funds to support green and sustainable activities of our customers. This can be achieved through the implementation of a robust environmental risk management approach that incorporates industry-best practices and regulatory requirements. We are working to develop a framework that allows us to identify climate-related risks and opportunities.

Risk Management

The complex nature of climate change presents a challenge for financial institutions to determine their own climate-related risks and quantify the impact of these risks on their organisation. The risk management approach is guided by the Enterprise Risk Management framework. Considerations of EESG risks, including climate-related risks, are integrated throughout our risk management process, including risk identification, assessment, measurement, control, mitigation, monitoring and reporting. We acknowledge that climate risks can translate into financial risk, including credit risk, market risk, operational risk and liquidity risk. Of these, we consider the potential credit risk impact to be the most material.

The Company will review how best to conduct climate-related scenario analysis and stress testing exercises to better understand how our financial performance will be affected by climate change. This is a work in progress as part of the Environmental Risk Management process to integrate the impact of climate change into our stress testing and scenario analysis, where relevant. The findings of these exercises will provide us with a forward-looking view of our exposure under different scenarios and enable us to manage these risks more effectively. This analysis will also support the development of customer transition strategies and align our portfolios with our sustainability commitments.

Metrics & Targets

We are reviewing how to collate and report specific climate-related data, including Scope 1, 2 and 3 Greenhouse gases ("GHG") emissions. We are cognisant of the necessity to build our database with more decision-useful data points for our stakeholders, especially our customers. In addition, we are also exploring sectoral pathways to support our customers in their transition to a low carbon economy.

For Scope 2 GHG emission data from the consumption of purchased electricity, please refer to Material Topic 3: Environmental Management.

ENVIRONMENT Material Topic 2: Responsible Finance

Given the changing climate landscape, it is crucial to promote an environment-friendly ecosystem. We are strongly committed towards playing our part and supporting green loans.

OUR APPROACH

Our approach in responsible financing integrates EESG insights, financial analysis and market perspectives. We abide by responsible lending practices and support our customers' eco-friendly practices and behaviour.

The Environmental Risk Management Guidelines which set out regulatory expectation came into effect in June 2022. In accordance with the new guidelines, we continue to identify and monitor industries in high-risk industries such as Agriculture, Chemicals, Defence, Oil & Gas, Forestry, Infrastructure, Mining & Metals and Waste Management. Construction, Transportation and Real Estate industries will be included as high-risk industries and monitored from 2023 onwards.

HELPING CUSTOMERS EMBRACE SUSTAINABILITY

We aim to develop more innovative green solutions to support customers as they transition towards sustainable practices in their consumption and business operations.



Key Initiatives



Financing Green Vehicles

→ Since the launch of the Green Loan for vehicle rental companies in 2021, HLF has approved 5,334 hybrid and EV loans totalling S\$371 million, a 96% increase from 2021. Vehicle-Green Loans currently make up 23% of our total vehicle loan portfolio.



Financing Green Buildings

→ We continued our focus on the financing of green buildings in support of Singapore's push towards Net Zero Emissions by Year 2050.

→ We continue to seek out greater collaborations with other lead banks and borrowers in the financing of green buildings. This year, we participated in Asia's largest real estate green loan for the redevelopment of 8 Shenton Way, alongside other lead banks who acted as green loan advisors.

SUSTAINABILITY REPORT



ENVIRONMENT

Material Topic 2: Responsible Finance

EESG Risk Profile Assessment and Management

For personal, SME and corporate loans, EESG risks must be mitigated by attaining ISO Certification on environmental management, and compliance with the Singapore Standard on the Code of Practice for pollution control, among other means.

In line with the Environmental Risk Management ("ERM") Guidelines by MAS, the EESG risk analysis is part of our review process for all corporate borrowers. Our due diligence process includes conducting EESG checks on companies at loan origination and annual checks on companies operating in the high-risk sectors identified, or were identified to have EESG issues from the last assessment. We continue to review those with elevated EESG risk profiles annually to ensure that the mitigating factors remain updated and relevant.

Instituting ABS Environmental Risk Questionnaire

The Association of Banks in Singapore ("ABS") has launched the Environmental Risk Questionnaire ("ERQ"). We are in the process of reviewing the relevance of this industry standard questionnaires to our SME borrowers. The revised questionnaires will assist our relationship managers in engaging our corporate clients on environmental risk issues. The data points in the ERQ enable our relationship managers to identify opportunities to finance our corporate clients as they transition to a low carbon way of doing business and a sustainable economy.



Employee Training

As part of our internal EESG capacity-building efforts, employees from the Business, Credit and Risk Management Departments attended EESG-related training organised by ABS. Similarly, our RMs are trained internally on our EESG framework and policies.

OUR TARGETS	OUR PERFORMANCE IN 2022
<ul style="list-style-type: none"> → Continuously develop green and sustainability-linked loan framework to make such financing more accessible to SMEs. → Continue to promote more green products to SMEs and individuals to support eco-friendly practices. → Review of borrowers with elevated EESG risk profiles annually to ensure that the mitigating factors are updated and relevant. 	<ul style="list-style-type: none"> → Continuous work in progress to develop green and sustainability-linked loan framework to make such financing more accessible to SMEs. → A total of 5,334 hybrid and EV outstanding loans totalling S\$371 million which represents a 96% increase over the outstanding amount in 2021. Vehicle-Green Loans make up 23% of our total vehicle loan portfolio. → Reviewed all borrowers with elevated EESG risk profiles annually to ensure that the mitigating factors are updated and relevant.



ENVIRONMENT

Material Topic 3: Environmental Management

As an office-based company, our direct ecological footprint is not where we make the greatest impact on the environment. Nevertheless, we are conscious of our ecological footprint at our premises and will do our part for the environment.

OUR APPROACH

We encourage our employees to do their part, whilst implementing initiatives to reduce our direct impact on the environment.

EMPLOYEE TRAINING TO UNDERSTAND CLIMATE CHANGE IMPACT

We organised a talk by an EESG specialist for employees, to raise the general awareness of climate-related risks and to encourage our employees to manage their carbon footprint.

For Responsible Financing related training, please refer to Responsible Finance section on page 70.

MANAGING PAPER USAGE

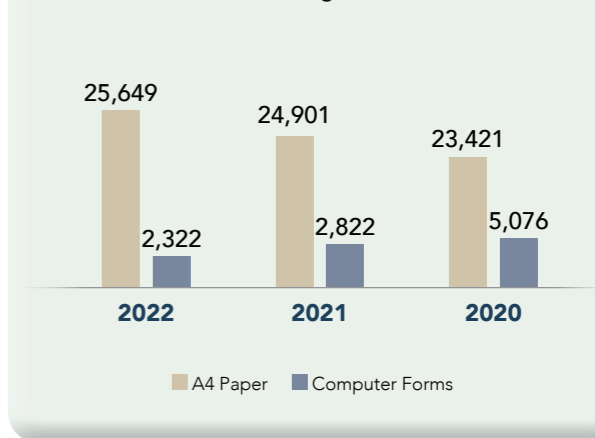
With the relaxation of Covid-19 measures and employees returning to the office, we saw an overall slight increase in A4 paper usage and computer forms by 1%.

The introduction of SmartLending system has reduced paper use for car loan documentation and reports, which are auto-generated in soft copy. The documents are emailed out to business partners and reports are uploaded to the E-Reporting System for e-distribution to user departments.

For more information on SmartLending system, please refer to the Material Topic 1: Driving Value Creation section on page 64.



Breakdown by Paper Consumption (Kg)



SUSTAINABILITY REPORT



ENVIRONMENT

Material Topic 3: Environmental Management

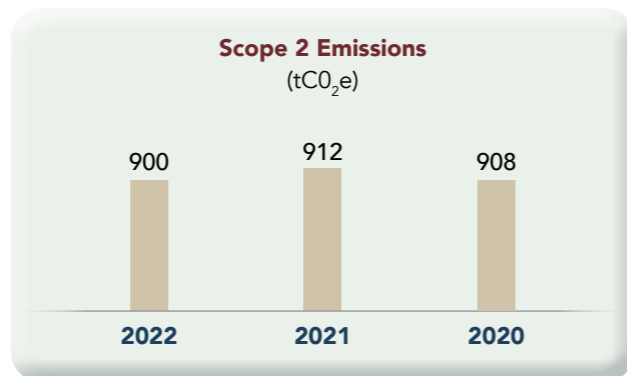
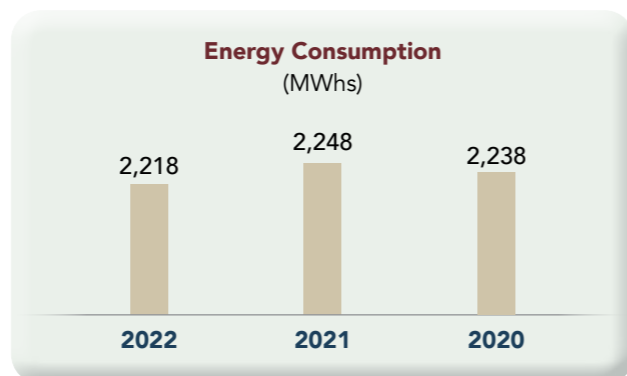


We have also taken small green steps by switching to environmental-friendly paper for the Company's letterhead and red packet production. Additionally, we are engaging our customers to reduce our hard copy product brochure use. Posters were put up at branches to encourage customers to refer to HLF website for the information instead.

Reducing Energy Consumption

In managing energy consumption, we continued to engage our employees on adopting the best practices and prioritise energy-efficient options during the upgrading of our existing infrastructure and facilities. Lightings were upgraded to LED lighting systems in some of our offices and data centres' room temperature was set to industry best practice of 23°C. We will continue to use more energy saving equipment, including changing the older IT hardware and computers to reduce energy consumption.

Overall energy consumption and Scope 2 emissions remain stable.



OUR TARGETS	OUR PERFORMANCE IN 2022
<ul style="list-style-type: none"> → Continue with a 5% reduction in A4 paper usage. → Continue to upgrade to energy-efficient LED lighting systems in more offices. 	<ul style="list-style-type: none"> → 1% increase in paper usage (A4 paper + computer forms) as employees returned to the office. → Switched to environmental-friendly paper for the Company's letterhead and red packets. → Implemented more energy-efficient LED lighting systems in our offices to reduce energy consumption.

¹ The Scope 2 GHG emissions are from the consumption of purchased electricity.
² The emission figures are based on the latest conversion factors published by the Energy Market Authority (Electricity Grid Emission Factor).
³ Water consumption figures are not reported as the overall impact was not material.



SOCIAL

Material Topic 4: Employee Well-Being and Development

Our employees are the cornerstone of HLF's long-term success. When our employees are happy and engaged, they are able to contribute maximum value to the Company.

OUR APPROACH

We are committed to be a caring and inclusive employer that looks after our employees' welfare and development. We create resilient jobs that allow our employees to have a sense of purpose at the workplace and enjoy a rewarding career with us. We invest in their professional and personal development and upskill them to support our business transformation.

EMBRACING DIVERSITY AND INCLUSIVITY

Our diversity and inclusive approach focuses on hiring, developing and retaining the best people. Embedding the principles of diversity and inclusivity in the way we do business gives us a better understanding of the needs of our people. We believe a diverse workforce and an inclusive and caring environment that respects and nurtures people is a way to improve our performance.

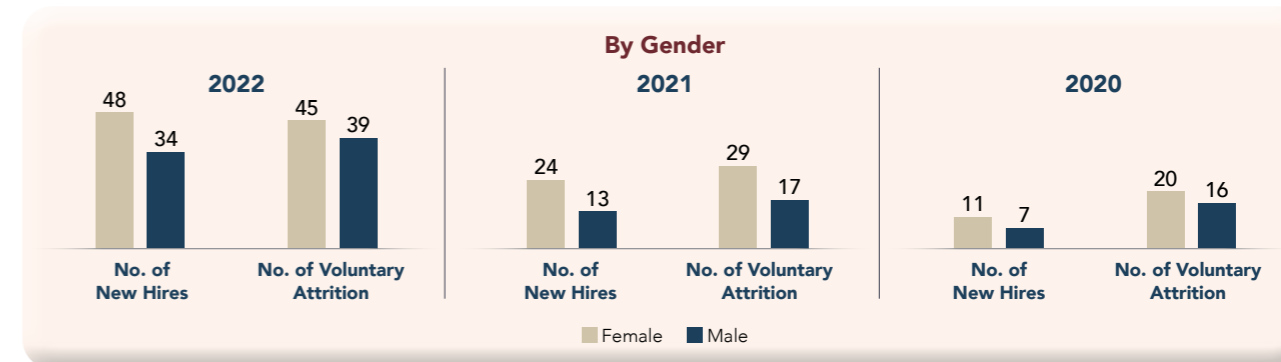
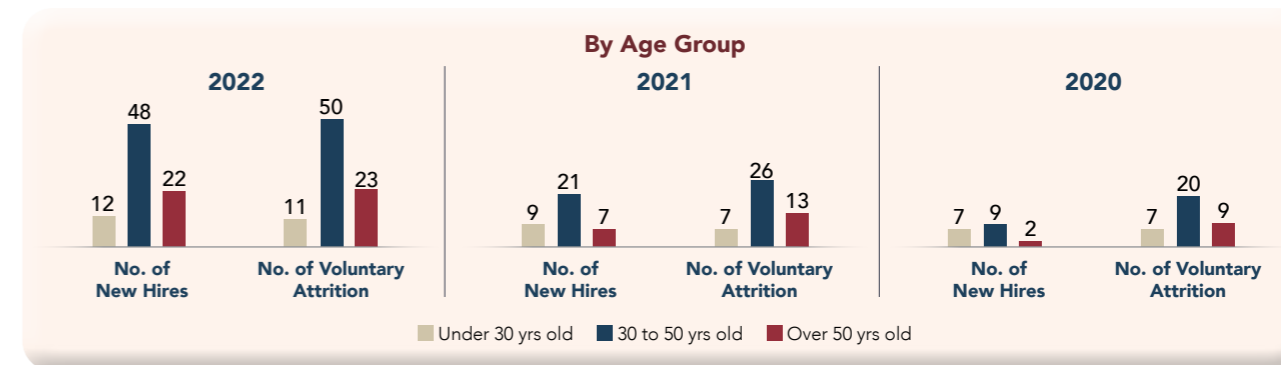
The Company's inclusive work culture ensures that every employee, regardless of their gender, feels supported and respected. In addition, a work culture that focuses on experience, regardless of age, fosters an environment of trust.

We continue to promote equal opportunity in alignment with the Tripartite Guidelines on Fair Employment Practices issued by the Tripartite Alliance for Fair and Progressive Employment Practices ("TAFEP"). The Fair Employment Practices are centred on the recruitment and selection of employees based on merit and experiences.

In line with TAFEP, we have updated our recruitment process to reflect our diverse and inclusive approach by removing biased language and terminology from all relevant documentation such as job specifications, recruitment collaterals and advertisements.

To support the silver workforce to continue working if they wish to, and improve their retirement adequacy, the Company continues to re-employ employees who have passed their retirement age.

OUR EMPLOYEES IN NUMBERS



SUSTAINABILITY REPORT



SOCIAL

Material Topic 4: Employee Well-Being and Development

ENSURING EMPLOYEES' HEALTH, SAFETY AND WELL-BEING

In our fast-changing industry and in light of Covid-19, we have a responsibility to our employees to provide an environment that is safe and conducive to work in, and to enable them to remain connected and engaged with their fellow colleagues.

The Company has put in place precautionary measures in line with the advisory by the authorities. For the safety and well-being of our employees, the Company continued to issue masks to employees and provide Antigen Rapid Test ("ART") kits. Employees who work on premises are required to conduct the ART test if a colleague who is seated nearby is infected.

One key takeaway during Covid-19 was the value of reducing physical contact and concentration risk. The Company continued to take a forward-looking approach to support hybrid work arrangements, further enhancing its business continuity plans by incorporating many lessons learnt from this pandemic.

UPHOLDING OUR CODE OF CONDUCT FOR ALL ACTIVITIES AND BUSINESS RELATIONSHIPS

We are committed to building a safe, nurturing and inclusive workplace where all employees are treated respectfully and professionally. Our expectations of our employees are laid out in our Code of Conduct which has been updated in 2022.

The Code is designed to ensure that employees conduct themselves ethically – with integrity and in accordance with the Company's policies and procedures as well as all applicable laws and regulations in Singapore.

Underpinning all of these is a simple but basic principle that employees should do what is right and proper; it is not enough to just go by what is allowed. The Code also articulates what HLF stands for and what we want our

overall culture to be. We aim to foster an environment that is open and diverse, where employees' opinions are valued and our success is built on respect, collaboration and teamwork in serving our customers, stakeholders and communities.

All business dealings with current and potential customers on behalf of the Company should be conducted fairly and equitably. We aim to understand our customer needs and ensure that they benefit from our products and services. Customers should be clearly informed of the terms and conditions governing each financial service provided, including all applicable charges.

Employees should not be influenced by personal relationships or association, either in meeting a customer's requirements or in recommending that these requirements be met. Such decisions must be made on a strictly arm's length business basis.

The Company expects all employees to be personally committed to putting this Code at the centre of what we do, which is vital for HLF to be a successful company.

Upon joining HLF, all new employees are informed of and agree to their obligations and rights under our Code. Employees are also required to attend trainings to refresh their knowledge yearly.

SUPPORTING EMPLOYEES' CONTINUOUS LEARNING AND DEVELOPMENT

To build a strong culture ready to deliver on our core business strategy, we continue to support our employees' professional growth through continuous skill-building and development to keep pace with the dynamic transformation in the banking sector and equip them with relevant skillset to serve the needs of our diverse customer base. We refocused our learning and development plans approach with three key lenses, namely, to refresh and deepen existing skillsets, identify new training opportunities, and ensure employees' development and growth.

With the support of the government's enhanced funding and grants, we pushed on with numerous training and development programmes to help our employees realise their potential and deliver sustainable value to our customers.

Employee feedback on the training courses conducted has been positive and encouraging, indicating that they have gained relevant knowledge applicable to their areas of work, acquired soft skills, and increased their understanding on regulatory requirements and business sustainability. All these trainings are essential in driving sustainable growth.

"Spot & Stop Scam" e-Training

With increased prevalence of fraud and scams, we started an e-learning module "Spot & Stop Scam" for our frontline employees as they play a vital role to our customers in helping to identify potential scams and safeguarding them from monetary losses. The module was extended to both frontline and non-frontline employees in adopting an inclusive and holistic training approach.

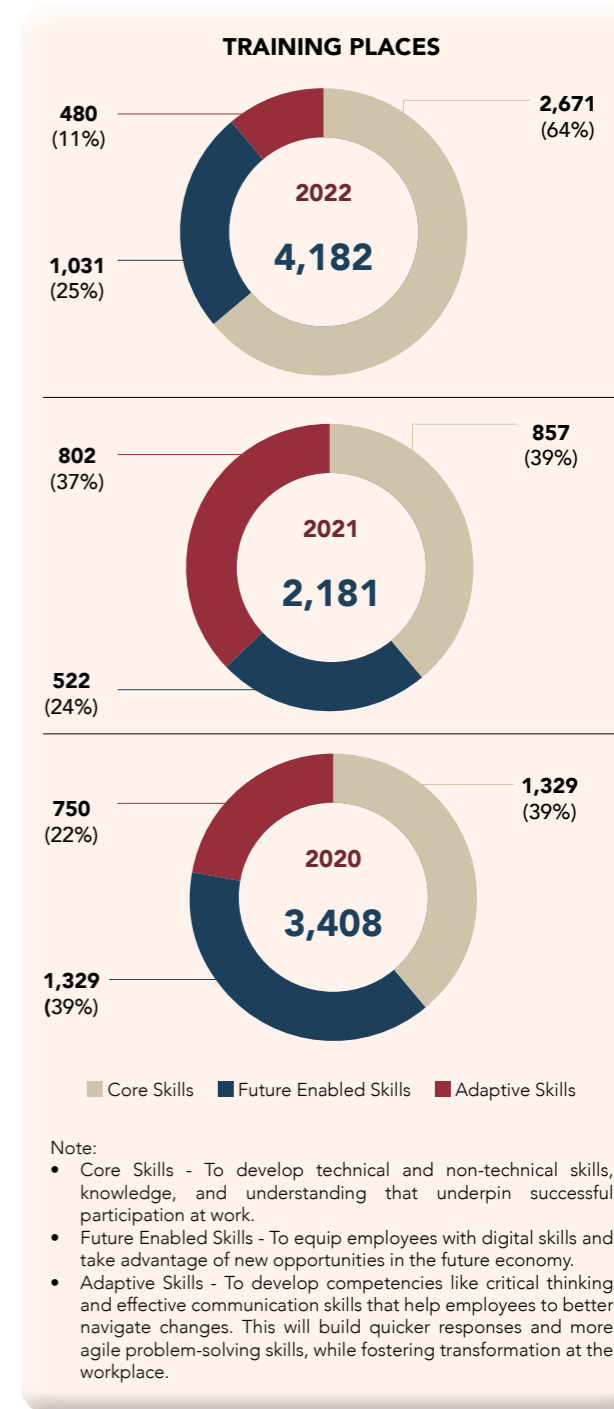
"Be a Service Design Thinker" Workshop

The two-day "Be A Service Design Thinker" workshop was conducted for branch employees to strengthen and deepen their soft skills when dealing with customers to enhance customer experience and interaction.

"Growth Mindset" Workshop

The workshop's objective was to promote higher level of team engagement, better collaboration across departments and greater innovation. Participants learnt to develop strategies and were equipped with tools to overcome work challenges and to develop a more persistent growth mindset.

In 2022, our employees attended 151 different courses with 4,182 training places across the categories of Core, Adaptive and Future-Enabled Skills. Total training places increased significantly by 92% over 2021.



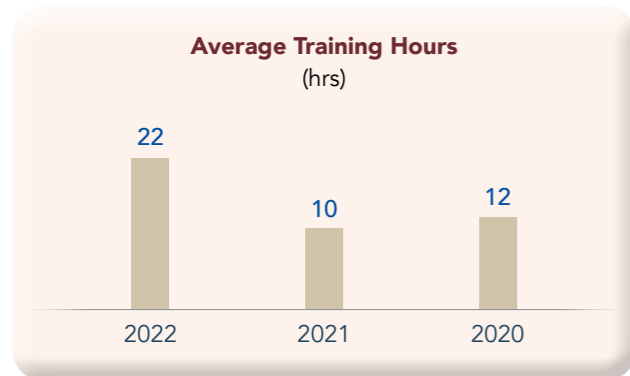
SUSTAINABILITY REPORT



SOCIAL

Material Topic 4: Employee Well-Being and Development

In terms of average training hours, we achieved 22 hours of training per employee in 2022. This is an increment of 12 hours compared to 2021.



GOVERNANCE

Material Topic 5: Corporate Governance

Strong corporate governance allows us to retain customers' trust, enhance our reputation and in turn protect the long-term value we create. It is key to our business. We are committed to conducting our business activities with high standards of corporate governance, accountability and transparency, paying particular attention to anti-corruption and combating financial and cybercrime.

OUR APPROACH

Our Board is responsible for ensuring we maintain high standards of corporate governance and comply with all applicable laws and regulatory requirements. The Board provides leadership, sets strategic goals, oversees HLF's governance framework and monitors performance.

Our governance framework is supported through clear leadership from the top, our organisation structure and delegation of authority, as well as oversight and monitoring mechanisms in place. At the employee level, mandatory trainings and regular refresher courses are conducted to keep employees abreast of the latest regulatory updates and industry best practices.

ETHICAL BUSINESS CONDUCT, ANTI-CORRUPTION AND COMBATING FINANCIAL AND CYBERCRIME

We view corruption, financial crime and cybercrime as significant risks to our business and reputation as they undermine fair competition, raise operation cost and pose serious legal and reputational consequences. Such threats, if not anticipated and addressed, could severely undermine both the integrity and trust of the financial system.

Business ethics and conduct are addressed within our governance framework by establishing and maintaining an effective risk culture that promotes good conduct. Furthermore, the Company has established an Individual Accountability and Conduct Approach with Senior Management and Material Risk Personnel attending the required training to further understand their risks and responsibilities.

CONFLICT OF INTEREST

To prevent conflict of interest, we have instituted the segregation of business activities within the company, including the use of "Chinese Walls" and written policies and procedures to limit the flow of confidential and price-sensitive information between departments. We have also put in place internal controls on personal dealing that is reviewed biannually.

PREVENTING FRAUD AND SCAMS

Our Fraud Approach provides guidance to employees on matters relating to fraudulent activities. Any cases of suspected corruption or fraud are reviewed internally and will be reported to the relevant authorities through our Human Resources or Internal Audit Departments, if required.

Increasing scams are noted in the financial industry. To help combat potential scams that may occur, we set up a Fraud and Scam Awareness Team to raise awareness on fraud and scams within the Company to safeguard the interest of our customers. The team worked closely with the National Crime Prevention Council and Singapore Police Forces' Anti-Scam Centre and conducted various workshops for employees across the branches on fraud and scams, how they can identify these cases and useful crime prevention measures.

As part of the continuous education journey with our employees and customers against such threats, we developed a series of fraud awareness communications materials, including HLF website alert notifications, physical collaterals, posters and flyers, to educate our customers on prevailing scams. The initiatives are part of a wider roadmap to raise fraud awareness among our customers.



Fraudulent Website Taken Down

In January 2022, HLF Customer Service employees received feedback on the existence of a fake website (hlfinance.io) based in Iran. The fake website was not part of HLF assets and was found containing HLF information such as its registration information.

We immediately lodged the case with the Singapore Police Force and performed an assessment to ensure the case had no material impact to the safety and soundness of HLF and our customers. HLF worked closely with the authorities to ensure that our reputation was not tarnished and that the website was taken down.

To educate customers on cyber security awareness, we put up an advisory on our website to warn the public of such fake websites. Additionally, employees were also reminded to stay vigilant of any possible scams.

OUR TARGETS	OUR PERFORMANCE IN 2022
<ul style="list-style-type: none"> → Maintain inclusiveness, gender equality & employee well-being. → Continue to attract, develop and retain people with different perspectives, experience and background and offer training opportunities to support HLF's strategic journey. → Continue to invest in initiatives to protect employees' health, safety and well-being. → Achieve 100% attendance for all mandatory training requirements. 	<ul style="list-style-type: none"> → Achieved diversity in age and gender for new hires. → Continued to promote equal employment opportunity in alignment to the Tripartite Guidelines on Fair Employment Practices issued by TAFEP and uphold our Code of Conduct in building a safe, nurturing and inclusive workplace. → Increased average training hours by 12 hours to achieve 22 hours per employee in 2022 compared to 2021. → Maintained precautionary measures for employees' health, safety and well-being. Continued to purchase masks and ART kits for employees' use and support hybrid work arrangements. → 100% attendance was achieved for all mandatory training for Anti-Money Laundering/Countering Financing of Terrorism, Data Management and IT security awareness. → All HLF directors attended sustainability training.

SUSTAINABILITY REPORT

GOVERNANCE Material Topic 5: Corporate Governance

ANTI-MONEY LAUNDERING ("AML") AND COUNTERING THE FINANCING OF TERRORISM ("CFT")

The management continues to invest in governance and compliance capabilities to protect our business and safeguard the common interests of our stakeholders. Courses on EESG were conducted to facilitate understanding of EESG concepts and directives to determine risks and opportunities for both internal and external stakeholders.

To manage money laundering and terrorist financing risks, HLF has a defined AML and CFT Approach in place along with compliance advisory capabilities, employee trainings, compliance assurance reviews and transaction monitoring.

We consistently equip our employees with the knowledge to identify financial crime risks and empower them to take necessary actions to mitigate such risks. All new hires and existing employees are required to complete mandatory training or refresher courses on AML, CFT, sanctions, fraud awareness, anti-bribery and anti-corruption.

Leveraging on technology, we have made good progress and enhancements on our Know Your Customer ["KYC"] and transactions monitoring system to improve our risk assessment and surveillance capabilities and to provide better customer service experience and greater efficiency.

AML and CFT

Dedicated AML and CFT training in the form of online webinars and e-learning courses have been rolled out to all employees to strengthen their capability for appropriate identification, assessment, monitoring and reporting of such risks, to ensure that business conduct is consistent with the risk appetite for legal and regulatory risk.

All employees completed the required AML and CFT biennial refresher training for the year.

WHISTLEBLOWING

HLF has in place a Whistleblowing Approach for employees and non-employees to report concerns of suspected or actual improprieties relating to accounting, financial reporting, internal controls, auditing, or other matters.

In line with our Approach, we ensure that our employees are able to raise matters of potential concern through an independent channel in a secure manner without fear of reprisal. All reported cases are treated with utmost

Anti-Corruption, Fraud and Whistleblowing

Courses on anti-corruption, fraud and whistleblowing are an integral part of our Orientation Programme. Through the courses, new employees are better equipped to recognise, address, resolve and prevent instances of corruption which may arise during their work. This provides assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities when conducting their daily operational duties. Employees also learn key terms to help them identify when and how to use our whistleblowing mechanism.

We also worked with Anti-Scam Centre from Singapore Police Force to provide trainings for our employees to help them recognise the various types of cybercrime and how to prevent them.

confidentiality and swiftly investigated by the Internal Audit function. No such instances were reported in 2022. For further details on this Approach, please refer to <https://www.hlf.com.sg>.

More details on our corporate governance practices can be found on pages 22 to 50.

RISK MANAGEMENT

We implement a prudent approach to risk with strong governance and a robust risk management framework to support sustainable business growth and minimise potential losses. Our risk management is executed through systematic risk identification, assessment and response, while we ensure employees maintain a cautious mindset reinforced through trainings, appraisals and directives.

Enhancing Risk Management Practices

We continually enhance our risk management practices in support of HLF's drive to meet its sustainable strategic objectives. In the past year, we continued to:

- ➔ Organise trainings to entrench risk-aware culture;
- ➔ Strengthen risk management capabilities to sharpen reporting and analysis for better business decision-making;
- ➔ Enhance employee and customer awareness of cyber security, scams and fraud risk; and
- ➔ Monitor Covid-19 developments and prepare to respond to adverse situations.

More details on our risk management practices can be found in the Risk Management Report on pages 51 to 54.

GOVERNANCE Material Topic 5: Corporate Governance

OUR TARGETS	OUR PERFORMANCE IN 2022
<ul style="list-style-type: none"> ➔ Continue to maintain all key policies such as AML and CFT, Whistleblowing, Operational Risk Management and Business Continuity Management, and keep them updated to provide directives to all employees. ➔ Maintain zero tolerance for material violation of regulation, fraud and conflict of interest committed by employees. 	<ul style="list-style-type: none"> ➔ Maintained all key policies and kept them updated to provide directives to all employees. ➔ Maintained 100% completion of mandatory employee training on AML/ CFT and Sanctions, fraud awareness, anti-bribery and anti-corruption. ➔ Zero reported incident on material breach of regulations, fraud and conflict of interest committed by employees. ➔ A Fraud & Scam Awareness team was formed in July 2022 as a central body to coordinate efforts holistically within the company to raise awareness of fraud and scams to safeguard our customers' interest.

GOVERNANCE Material Topic 6: Data Protection, Data Privacy and Cybersecurity

We recognise that cybersecurity risk is inherent in the use of technology platforms that support our business activities. As we continue to leverage digital tools to innovate and drive business growth, we are cautious of cybersecurity risks, especially those on privacy and customer data. It is important that this data is securely managed, not only to maintain customer trust, but also to ensure the long-term integrity of our business. As our customers increasingly use more digital banking channels, it has become even more pertinent for us to maintain robust cybersecurity controls.

OUR APPROACH

We are committed to protecting our data and assets, including customers' personal data, from cybersecurity threats. We continuously upgrade our security capabilities to respond to the evolving cyber threat landscape and mitigate cybersecurity risks arising from our expansion in digital initiatives. Oversight of our cybersecurity and technology strategy resides with our Senior Management and BRC, who are regularly updated on risks and controls.

To tackle data security issues, we built a strong IT security team and constantly strengthen our infrastructure for early detection of attempted cyberattacks. We also ensure employees are equipped with the necessary tools and skills to protect themselves and customers against data theft.

Our HLF Technology Risk Tolerance is focused on data (primarily customer and personal), information technology, cyber resilience and compliance to regulator's notices and guidelines. We will not compromise any risks that has a severe and/or widespread impact on our operations, materially impacts our service to customers, or results in any regulatory non-compliance.

DATA PROTECTION AND PRIVACY

As a financial institution, we are obliged to ensure the confidentiality of customers' information held with us. Our Data Management Committee establishes the data management policies, procedures and controls, as well as identify and manage risks related to strategic data management. Policies and processes, such as Personal Data Protection Approach, are put in place to ensure the confidentiality and security of our customers' information.

SUSTAINABILITY REPORT



GOVERNANCE

Material Topic 6: Data Protection, Data Privacy and Cybersecurity

We have consistently emphasised the importance of individual accountability associated with good data management and provide data management training to all new employees to enhance their understanding of data privacy and protection matters. Refresher trainings are also conducted for existing employees biennially to keep them abreast of the changing environment. To date, we have kept a 100% completion rate on mandatory data management training for all new employees.

In the event of a suspected data breach, the Data Breach Response Team, led by the Data Protection Officer, will be activated to carry out the appropriate response actions. In 2022, there was no incident of data breach.

CYBERSECURITY

The volume and sophistication of cyberattacks continue to evolve and increase globally. The resulting implications could include business and service disruptions, financial loss, theft of intellectual property and confidential information, litigation, enhanced regulatory attention and penalties, and reputational damage.

Throughout the year, HLF has been monitoring and enhancing our cybersecurity capabilities to protect and secure our customers' information and ensure compliance to regulations. We are mindful of the need to regularly check the protection of our systems and strive to keep our customer data safe. With lessons learnt from various threat landscape events, we will continue to strengthen our IT security team's capabilities and tools for monitoring, detection and protection of our systems and infrastructure. In addition, we undertake disaster recovery exercises in preparation for a system or technology compromise, failure or shutdown.

While technical controls are important, people are our first line of defence. Educating our employees is key to fostering a security-centric culture at HLF. Our educational and awareness programmes are focused on informing and empowering employees to play their part against cyberattacks. All employees are required to attend annual IT security awareness trainings and are also regularly updated and educated on recent events and emerging cyberthreats.

In 2022, no significant event or incident with impact on business operations was noted. There were also no adverse IT or cyberattacks incidents reported.

OUR TARGETS	OUR PERFORMANCE IN 2022
<ul style="list-style-type: none"> → Conduct and maintain 100% completion rates for mandatory Data Management training for all new employees. → Maintain zero-tolerance for technology-related risk, including cyber threats, that may cause severe and widespread impact to our operations, services to customers or regulatory non-compliance. 	<ul style="list-style-type: none"> → Conducted and maintained 100% completion rates for mandatory Data Management training and Cyber Security awareness for all new employees. → No adverse IT or cyberattack incident reported. → Regular sharing of PDPC's enforcement cases, with relevant learning points for employees to promote the continual awareness of data protection importance. → Continued efforts to enhance our cybersecurity capabilities to strengthen our defence and keep pace with the evolving threat landscape.



SOCIAL

Community

While community investment may not be identified as a material topic, we are committed to continue our efforts to support the underprivileged through volunteerism, philanthropy and collaboration.

We want to create meaningful impact and make a positive difference to our communities, especially the vulnerable young and aged, by providing resources to support social and environmental causes, such as helping the young, underprivileged budding talents take the next step toward achieving their goals.



Key Initiatives



Children for Children Charity

Together with other Hong Leong Group of Companies, we once again supported the Children for Children annual community fundraising event. The Group collectively donated S\$30,000 to support artistically talented children and youth from less-privileged households. This year marked the return to a physical carnival at Resorts World Sentosa, after two years of virtual activities due to Covid-19.



Virtual Holiday to Hong Kong for the Elderly

About 130 elderly aged 60 to 100 from six senior homes embarked on a virtual day trip to Hong Kong in February 2022. They experienced the sights and sounds of the Lunar New Year festivities in the bustling city, broadcast live via Zoom, from the comfort and security of the senior homes. Eight employee volunteers delivered lunch boxes to the homes, where the elderly enjoyed a virtual performance of festive tunes. The virtual holiday was part of Hong Leong Foundation's annual charity event, which included cash contributions of S\$508,650 to 3,391 beneficiaries under the Ministry of Social and Family Development's ComCare Long-Term Assistance scheme.



Assisi Fundraising e-Carnival

Supporting Assisi Fun Day for the 5th consecutive year, we set up a snack stall and raised over S\$5,700 to provide palliative care to adults and children with life-limiting illnesses. Three of our six employee volunteers who helped at the stalls went the extra mile of purchasing the goods from across the causeway to capitalise on the foreign exchange benefits.

OUR TARGETS	OUR PERFORMANCE IN 2022
<ul style="list-style-type: none"> → Sustain employee volunteerism and participation in a safe and meaningful way. 	<ul style="list-style-type: none"> → Participated in Children for Children Charity, Virtual Holiday to Hong Kong for the Elderly and Assisi Virtual Fundraising Carnival. → Raised S\$5,700 for Assisi Hospice. → Made a collective donation of S\$30,000 to Children for Children Charity 2022 with Hong Leong Group of Companies.

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 2022 to 31 December 2022.

Topic	Framework Alignment	Metric	Value as at 31 Dec 2022
ENVIRONMENTAL			
Greenhouse Gas Emissions ("GHG")	GRI-305-2, TCFD	Absolute emissions by Scope 2 GHG emissions	900 tCO ₂ e
Energy Consumption	GRI 302-1, TCFD	Total energy consumption	2,218 MWhs
SOCIAL			
Gender Diversity	GRI 405-1	Current employees by gender	Female: 77% Male: 23%
	GRI 401-1	New hires by gender	Female: 10% Male: 24%
		Turnover by gender	Female: 10% Male: 28%
Age-Based Diversity	GRI 405-1	Current employees by age groups	Under 30 years old: 4% 30-50 years old: 45% Over 50 years old: 51%
	GRI 401-1	New hires by age groups	Under 30 years old: 57% 30-50 years old: 18% Over 50 years old: 7%
	GRI 401-1	Turnover by age groups	Under 30 years old: 52% 30-50 years old: 18% Over 50 years old: 7%
Employment	GRI 401-1	Total turnover	84 (14%) <i>(Subsidiaries are not included)</i>
	Commonly reported metric	Total number of employees	606
Development & Training	GRI 404-1	Average training hours per employee	22 hours
		Average training hours per employee by gender	Female: 22 hours Male: 21 hours
Occupational Health & Safety	GRI 403-9	Fatalities	0 case
		High-consequence injuries	0 case
		Recordable injuries	1 case
		Recordable work-related ill health cases	0 case
GOVERNANCE			
Board Composition	GRI 2-9	Board independence	56%
	GRI 2-9, GRI 405-1	Women on the board	11%
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 of corruption
	GRI 205-2	Anti-corruption training for employees	74 (100%*) <small>*This excludes non-completion by 9% of employees who resigned within 3 months and 1% of employees who are not mandated to complete</small>
Certifications	Commonly reported metric	List of relevant certifications	Top 80 Singapore-listed companies in the Singapore Governance and Transparency Index (SGTI); ASEAN Asset Class in 2021 ASEAN Corporate Governance Scorecard Award
Alignment with Frameworks	SGX Listing Rules (Mainboard) 711A and 711B, Practice Note 7.6	Alignment frameworks and practices	With reference to GRI Standards and in accordance with TCFD
Assurance	SGX Listing Rules (Mainboard) 711A and 711B, Practice Note 7.6	Assurance sustainability report	<u>Internal Assurance</u> Independent internal assurance has been undertaken to cover a risk assessment of Hong Leong Finance's compliance with the Company's Sustainability Reporting Policy and the relevant SGX Listing Rules on Sustainability Reporting

GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES

Statement of use	Hong Leong Finance has reported the information cited in this GRI content index for the period 1 January 2022 to 31 December 2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Page	GRI Standard	Disclosure	Page		
GRI 2: General Disclosures 2021	2-1	Organisational details	12	GRI 3: Material Topics 2021	3-1	Process to determine material topics	59
	2-2	Entities included in the organisation's sustainability reporting	135		3-2	List of material topics	60
	2-3	Reporting period, frequency and contact point	56, 93		3-3	Management of material topics	57-58
	2-4	Restatements of information	72	GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	64
	2-5	External assurance	56	GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	77-79, 82
	2-6	Activities, value chain and other business relationships	10, 12-13		205-3	Confirmed incidents of corruption and actions taken	82
	2-7	Employees	73, 82	GRI 302: Energy 2016	302-1	Energy consumption within the organisation	72, 82
	2-9	Governance structure and composition	22-23, 61, 82	GRI 305: Emissions 2016	305-2	Energy indirect (Scope 2) GHG emissions	72, 82
	2-10	Nomination and selection of the highest governance body	34	GRI 401: Employment 2016	401-1	New employee hires and employee turnover	73, 82
	2-11	Chair of the highest governance body	32-33	GRI 403: Occupational Health and Safety 2018	403-9	Work-related injuries	82
	2-12	Role of the highest governance body in overseeing the management of impacts	22-24, 57-58, 62-63, 77-80	403-10	Work-related ill health	82	
	2-13	Delegation of responsibility for managing impacts	24, 26-27, 61	GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	76, 82
	2-14	Role of the highest governance body in sustainability reporting	24, 61	404-2	Programmes for upgrading employee skills and transition assistance programmes	74-76	
	2-15	Conflicts of interest	24, 77	GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	30-32, 73, 82
	2-17	Collective knowledge of the highest governance body	26, 30, 57-58, 76		GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data
	2-19	Remuneration policies	36-40	NON-MATERIAL ISSUES			
	2-20	Process to determine remuneration	36-40	Community Non-GRI	Key activities undertaken for the community, including employee volunteerism	81	
2-22	Statement on sustainable development strategy	57-58					
2-23	Policy commitments	1, 49-50, 56, 77-80					
2-26	Mechanisms for seeking advice and raising concerns	49-50, 77-80					
2-28	Membership associations	63					
2-29	Approach to stakeholder engagement	49-50, 62-63					

FINANCIAL ANALYSIS AND REVIEW

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

	Group		
	2022	2021	Variance*
	\$mil	\$mil	+ / (-) %
KEY FINANCIAL INDICATORS			
Selected Profit and Loss Items			
Net interest income/hiring charges	242.2	178.0	36.1
Fee and commission income	16.4	11.2	46.3
Other operating income	0.1	0.2	(44.8)
Income before operating expenses	258.7	189.4	36.6
Less: Operating expenses	98.8	87.4	13.1
Profit from operations before allowances	159.9	102.0	56.7
Less: Allowances for doubtful debts and other financial assets net of reversal or recovery of doubtful debts	2.8	0.1	>100
Profit before tax	157.1	101.9	54.1
Profit after tax attributable to owners	130.9	84.8	54.3
Selected Balance Sheet Items			
Loans, advances and receivables (net of allowances)	11,651	10,695	8.9
Deposits and balances of customers	12,030	10,807	11.3
Total assets	14,276	12,952	10.2
Total liabilities	12,235	10,989	11.3
Total equity	2,041	1,963	4.0
Key Financial Ratios			
Net interest margin (%)	1.8	1.4	
Net interest income/total income (%)	93.6	94.0	
Non-interest income/total income (%)	6.4	6.0	
Cost/income ratio (%)	38.2	46.1	
Loans/deposits ratio (%)	97	99	
Non-performing loans ratio (%)			
- Secured by collateral	1.6	1.5	
- Unsecured and fully provided for	0.1	0.1	
Return on equity (%)	6.5	4.4	
Return on assets (%)	1.0	0.6	
Capital adequacy ratio (%)	16.1	16.9	
Earnings per share (cents)			
- per basic share	29.2	18.9	
- per diluted share	29.2	18.9	
Net assets per share (\$)			
- per basic share	4.55	4.38	
- per diluted share	4.43	4.26	

* Calculated based on actual figures before rounding.

	2022	2021
	cents	cents
Dividend per share (tax exempt)		
- interim	3.75	3.75
- final	13.25	8.25
Total	17	12

FINANCIAL OVERVIEW

For the full year ended 31 December 2022, the Group reported a record net attributable profit of \$130.9 million, up 54.3% from the previous year, driven by strong loan growth and uplift of asset yields outpacing higher cost of deposit amid the ongoing interest rate hikes.

Net interest income for 2022 rose by 36.1% to \$242.2 million, on the back of expanded net interest margin by 41 basis points at 1.82%, reaping the upside momentum from rising benchmark rates with effective interest rate repricing management.

Fee and commission income increased 46.3% to \$16.4 million for the full year 2022 from lending activities.

For the full year 2022, staff costs were higher by 13.8% to \$73.4 million, mainly on lower base last year and annual increment as well as investment in resources to strengthen our key transformation initiatives, compliance and risk management. Other operating expenses increased 17.9% to \$17.6 million for the full year 2022, attributed to higher business transaction, marketing promotion expenses and premises cost.

For the full year 2022, net allowances for loans and other financial assets increased to \$2.8 million due to higher allowance for non credit-impaired loans on revised risk parameters and higher loan portfolio.

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 \$11,651 million as at 31 December 2022, increased by 8.9% or \$956 million over the previous year's base of \$10,695 million as at 31 December 2021. The loan portfolio remained largely secured.

In line with higher funding requirements for loan growth, deposits and balances of customers increased to \$12,030 million as at 31 December 2022, representing an increase of 11.3% or \$1,223 million over the previous year's base of \$10,807 million as at 31 December 2021. 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 \$2,549 million as at 31 December 2022 (31 December 2021: \$2,184 million). The Group's balance sheet remained resilient with prudent liquidity and strong capital to support lending activities and is well-positioned to ride through the economic and market uncertainties.

Group shareholders' funds as at 31 December 2022 totalled \$2,041 million (31 December 2021: \$1,963 million) with higher net asset value at \$4.55 per share (31 December 2021: \$4.38 per share).

The Group continues to maintain a strong capital adequacy ratio of 16.1% as at 31 December 2022, well above the prescribed requirement.

An interim dividend of 3.75 cents per share (tax exempt one-tier) was paid on 1 September 2022. With the proposed payment of a final dividend of 13.25 cents per share (tax exempt one-tier) in respect of the financial year ended 31 December 2022, the total distribution for 2022 at 17 cents per share will amount to approximately \$76.2 million, compared to 12 cents per share amounting to \$53.8 million for 2021. This represents a dividend payout ratio of 58.2% for financial year 2022, as compared with 63.4% in financial year 2021. 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 2022 based on figures that have been audited.

FINANCIAL ANALYSIS AND REVIEW

ANALYSIS OF PERFORMANCE

Net Interest Income

Net interest income rose by 36.1% to \$242.2 million in 2022 from \$178.0 million in 2021 due to strong loan growth and uplift of asset yields outpacing higher cost of deposit amid the rising interest rate environment. Net interest margin improved to 1.8% in 2022 (2021: 1.4%).

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

	Group					
	2022			2021		
	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate
	\$mil	\$mil	%	\$mil	\$mil	%
Interest-bearing Assets						
Loans, advances and receivables	11,276	307.3	2.7	10,648	224.4	2.1
Singapore Government debt securities, MAS Bills and MAS Floating Rate Note	1,466	23.3	1.6	1,392	13.9	1.0
Other assets	557	6.5	1.2	572	1.6	0.3
Total	13,299	337.1	2.5	12,612	239.9	1.9
Interest-bearing Liabilities						
Deposits and balances of customers	11,415	94.4	0.8	10,775	61.6	0.6
Borrowings (unsecured)	1	–	1.8	–	–	–
Borrowings (secured)	44	–	0.2	52	–	0.1
Other liabilities	4	0.1	2.2	2	–	3.0
Total	11,464	94.5	0.8	10,829	61.6	0.6
Net interest income/margin as a percentage of interest-bearing assets	–	242.6 [#]	1.8	–	178.3 [#]	1.4

[#] Before deducting interest expense on lease liabilities of \$0.4 million (2021: \$0.3 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 2022 over 2021 due to change in	Group		
	Volume \$mil	Rate \$mil	Total \$mil
Interest Income			
Loans, advances and receivables	13.2	69.7	82.9
Singapore Government debt securities, MAS Bills and MAS Floating Rate Note	0.7	8.7	9.4
Other assets	–	4.9	4.9
Net	13.9	83.3	97.2
Interest Expense			
Deposits and balances of customers	3.6	29.2	32.8
Borrowings (unsecured) ⁻	–	–	–
Borrowings (secured) ⁻	–	–	–
Other liabilities	0.1	–	0.1
Net	3.7	29.2	32.9
Net interest income	10.2	54.1	64.3

⁻ Amount less than \$0.1 million.

Non-Interest Income

Fee and commission income from the loan and financing business rose by \$5.6 million or 55.8% with higher loan commitment and review fee income. Fees from non-lending business decreased by \$0.4 million or 33.5% mainly due to slow down in corporate finance's advisory activities.

	Group		
	2022 \$mil	2021 \$mil	Variance* +/- %
Fee and Commission Income			
Loan related and other financing business	15.6	10.0	55.8
Non-lending business including corporate advisory services and other trailer fees	0.8	1.2	(33.5)
	16.4	11.2	46.3
Other Operating Income	0.1	0.2	(44.8)
Total	16.5	11.4	44.2

* Calculated based on actual figures before rounding.

FINANCIAL ANALYSIS AND REVIEW

Operating Expenses

Total operating expenses increased by 13.1% to \$98.8 million in 2022 from \$87.4 million in 2021 on lower base, annual increment and higher business costs.

	Group		
	2022	2021	Variance*
	\$mil	\$mil	+ / (-) %
Staff costs	73.4	64.5	13.8
Depreciation of property, plant and equipment	7.9	8.0	(0.9)
Other operating expenses	17.5	14.9	17.9
Total	98.8	87.4	13.1
Group staff strength – period end	606	608	(0.3)

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 (2021: 48%). Mixed development made up 13% of total portfolio (2021: 12%). Hotels and other properties component stood at 13% of the total (2021: 14%) of which Hotels made up of 10% (2021: 11%). Other properties loan include dormitories, association and church/temple. The housing and HDB loans component stood at 12% of the total (2021: 9%) of which HDB home loans made up of 7% (2021: 6%). Hire Purchase Vehicles formed 14% of total loan portfolio as at 31 December 2022 (2021: 13%) with remaining portfolios supporting other corporate loans (Hire Purchase Industrial/Equipment/Trade Finance).

	Group			
	2022		2021	
	\$mil	%	\$mil	%
Mortgage properties	5,307	45	5,190	48
Mixed Development	1,497	13	1,323	12
Hotels and other properties	1,569	13	1,468	14
Housing and HDB Home Loans	1,385	12	1,001	9
Hire Purchase Vehicles/Industrial	1,711	15	1,476	14
Share Loans	83	1	93	1
Others	124	1	171	2
Total	11,676	100	10,722	100

* Calculated based on actual figures before rounding.

(b) Customer loans by remaining contractual maturity

	Group			
	2022		2021	
	\$mil	%	\$mil	%
Reviewable/due within 1 year	2,938	25	2,922	27
Due after 1 year but within 3 years	3,842	33	3,379	32
Due after 3 years but within 5 years	2,006	17	1,848	17
Over 5 years	2,890	25	2,573	24
Total	11,676	100	10,722	100

(c) Non-performing loans

Non-performing loans comprised 1.6% (2021: 1.5%) secured loan and 0.1% (2021: 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 increased to 1.7% (2021: 1.6%) mainly attributed to downgrade 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 2022 and 2021.

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

	Group		
	2022	2021	Variance*
	\$mil	\$mil	+ / (-) %
Substandard	190.2	165.1	15.2
Loss	3.7	8.5	(56.2)
Total	193.9	173.6	11.7
(i) Secured non-performing loans ("NPLs")	190.2	165.1	15.2
Secured NPLs as % of total NPLs	98.1	95.1	3.0%pt
(ii) Unsecured NPLs	3.7	8.5	(56.2)
Specific allowances for NPLs	4.6	10.2	(55.2)
(iii) Specific allowances as % of total NPLs	2.4	5.9	(3.5%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			
	2022		2021	
	\$'000	%	\$'000	%
Manufacturing	2,357	1	261	–
Building and construction	129,336	67	15,405	9
General commerce	689	1	2,580	2
Transport, storage and communication	2,426	1	2,369	1
Professional and private individuals	52,748	27	64,920	37
Others	6,336	3	88,034 [^]	51
Total	193,892	100	173,569	100

[^] Others in 2021 included \$79.2 million belonging to the hotel industry.

Analysis of non-performing loans by period overdue

	Group			
	2022		2021	
	\$'000	%	\$'000	%
Over 180 days	11,942	6	18,385	11
Over 90 to 180 days	11,123	6	12,475	7
Less than 90 days	21,996	11	17,397	10
Not overdue	148,831	77	125,312	72
Total	193,892	100	173,569	100

Funding Sources

Total funding (including total equity) increased by 10.2% in 2022 to \$14,276 million from \$12,952 million in 2021. Customers' deposits was \$1,223 million or 11.3% higher in 2022 closing at \$12,030 million from \$10,807 million in 2021 in line with higher funding requirements. There are no bank borrowings outstanding as at 31 December 2022.

	Group		
	2022	2021	Variance*
	\$mil	\$mil	+ / (-) %
Fixed deposits	11,780	10,526	11.9
Savings deposits and other balances of customers	224	258	(13.2)
Current accounts and other deposits	26	23	13.9
Total customer deposits	12,030	10,807	11.3
Other liabilities	205	182	11.9
Total shareholders' equity	2,041	1,963	4.0
Total	14,276	12,952	10.2
Customer deposits by remaining contractual maturity			
On demand/up to 1 year	11,017	9,490	16.1
Over 1 year to 3 years	1,013	1,316	(23.0)
Over 3 years to 5 years	–	1	(100.0)
Total customer deposits	12,030	10,807	11.3

Capital Adequacy Ratio

As at 31 December 2022, the capital adequacy ratio was 16.1% as compared to 16.9% a year ago with the increase in loan portfolio. The Group maintains strong capital adequacy ratio well above the minimum regulatory requirement.

	Group	
	2022	2021
	\$mil	\$mil
Share capital	891	890
Reserves	1,011	980
Eligible total capital	1,902	1,870
Risk-weighted assets	11,790	11,032
Ratio	16.1%	16.9%

Date : 24 February 2023

* Calculated based on actual figures before rounding.

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DIRECTORS' STATEMENT

Year ended 31 December 2022

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 2022.

In our opinion:-

- (a) the consolidated financial statements of the Group set out on pages 104 to 166 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 2022 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 (appointed on 1 January 2022)

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 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:-

DIRECTORS' STATEMENT

Year ended 31 December 2022

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year	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	856,000	983,500
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 2022

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year	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	7,870,700	8,870,700
Kwek Leng Kee	300,000	300,000

DIRECTORS' STATEMENT

Year ended 31 December 2022

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year	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	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 2022 disclosed above remained unchanged as at 21 January 2023.

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 2022

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 (appointed on 1 January 2022)

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
21.9.2022	21.9.2023 to 20.9.2032	2,160,500 (net of options not accepted)	\$2.45

DIRECTORS' STATEMENT

Year ended 31 December 2022

(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	127,500	5,607,500	2,064,000	2,560,000	983,500

- (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 14,931,500 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 2022

AUDIT COMMITTEE

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

Peter Chay Fook Yuen (Chairman)
Tan Tee How
Clarence Yeo Gek Leong (appointed on 1 January 2022)

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 2018.

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

24 February 2023

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 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 104 to 166.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position 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 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Impairment of loans, advances and receivables

(Refer to Note 11 to the financial statements)

The key audit matter

The Group's loans, advances and receivables to customers represent 82% of its total assets.

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 development of the model parameters, including the probability of default, loss given default and exposure at default.

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

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.

As the uncertain economic outlook continues to pose challenges and complexities to the adequacy of the ECL recorded, the Group exercised judgement in assessing the reasonableness and validity of post-model adjustments, including economic scenarios to be applied, to address possible model limitations.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hong Leong Finance Limited

How the matter was addressed in our audit

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.

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 inputs used to compute the ECL allowances.

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.

In respect of credit-impaired exposures, we assessed the controls over the determination of ECL allowances for credit-impaired exposures. 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 response to the uncertain economic outlook, we assessed the reasonableness of the post-model adjustments applied by management. In addition, we considered the adequacy of disclosure of these key assumptions in the financial statements.

We found that the methodology, assumptions and data 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 Ian Hong Cho Hor.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

24 February 2023

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

	Note	Group		Company	
		31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Number of shares in issue	4	448,131,733	447,817,233	448,131,733	447,817,233
		\$'000	\$'000	\$'000	\$'000
Share capital	4	890,553	889,771	890,553	889,771
Reserves	4	811,724	778,592	811,724	778,592
Accumulated profits		338,419	294,184	334,904	290,720
Equity attributable to owners of the Company		2,040,696	1,962,547	2,037,181	1,959,083
Liabilities					
Deposits and balances of customers	6	12,030,183	10,806,871	12,034,533	10,811,206
Trade and other payables	7	177,484	164,710	176,148	163,365
Current tax payable		26,146	17,165	26,145	17,163
Deferred tax liabilities	8	1,003	970	1,003	970
Total liabilities		12,234,816	10,989,716	12,237,829	10,992,704
Total equity and liabilities		14,275,512	12,952,263	14,275,010	12,951,787
Assets					
Cash at banks and in hand	9	584,669	528,208	583,633	527,198
Statutory deposit with the Monetary Authority of Singapore	9	339,438	298,598	339,438	298,598
Singapore Government debt securities, MAS bills and MAS Floating Rate Note ("FRN")	10	1,625,349	1,357,675	1,625,349	1,357,675
Loans, advances and receivables	11	11,650,972	10,695,494	11,650,972	10,695,494
Other receivables, deposits and prepayments	12	25,153	16,963	25,152	16,962
Subsidiaries	13	-	-	535	535
Investments (long-term)	14	-	-	-	-
Property, plant and equipment	15	49,931	55,325	49,931	55,325
Total assets		14,275,512	12,952,263	14,275,010	12,951,787
Acceptances, guarantees and other obligations on behalf of customers	16	759	1,978	759	1,978

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Note	Group	
		2022	2021
		\$'000	\$'000
Profit and loss account:			
Interest on loans		266,018	179,765
Hiring charges		41,322	44,668
Other interest income		29,837	15,544
Interest income/hiring charges		337,177	239,977
Less: Interest expense		94,944	62,011
Net interest income/hiring charges	17	242,233	177,966
Fee and commission income	18	16,359	11,181
Other operating income	19	149	270
Income before operating expenses		258,741	189,417
Less: Staff costs	20	73,380	64,506
Depreciation of property, plant and equipment	15	7,940	8,011
Other operating expenses	21	17,556	14,896
Total operating expenses		98,876	87,413
Profit from operations before allowances		159,865	102,004
Less: Allowances for doubtful debts and other financial assets net of reversal or recovery of doubtful debts	9, 11	2,753	60
Profit before income tax		157,112	101,944
Less: Income tax expense	22	26,233	17,123
Profit for the year/Comprehensive income attributable to owners of the Company		130,879	84,821
Earnings per share (cents)	23		
Basic		29.21	18.95
Diluted		29.19	18.94

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	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 2021	889,117	744,744	2,307	2,397	7,493	272,055	1,918,113
Issue of shares under share option scheme	602						602
Value of employee services received for issue of share options				418			418
Value of employee services transferred for share options exercised or lapsed	52			(347)		295	–
Final dividend of 5.5 cents per share (tax exempt one-tier) paid in respect of year 2020						(24,618)	(24,618)
Interim dividend of 3.75 cents per share (tax exempt one-tier) paid in respect of year 2021						(16,789)	(16,789)
Adjustment under MAS 811					374	(374)	–
Comprehensive income for the year						84,821	84,821
Transfer to Statutory reserve		21,206				(21,206)	–
At 31 December 2021	889,771	765,950	2,307	2,468	7,867	294,184	1,962,547
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

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 2022

	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 2021	889,117	744,744	2,307	2,397	7,493	268,612	1,914,670
Issue of shares under share option scheme	602						602
Value of employee services received for issue of share options				418			418
Value of employee services transferred for share options exercised or lapsed	52			(347)		295	–
Final dividend of 5.5 cents per share (tax exempt one-tier) paid in respect of year 2020						(24,618)	(24,618)
Interim dividend of 3.75 cents per share (tax exempt one-tier) paid in respect of year 2021						(16,789)	(16,789)
Adjustment under MAS 811					374	(374)	–
Comprehensive income for the year						84,800	84,800
Transfer to Statutory reserve		21,206				(21,206)	–
At 31 December 2021	889,771	765,950	2,307	2,468	7,867	290,720	1,959,083
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

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 2022

	Note	2022 \$'000	2021 \$'000
Operating activities			
Profit for the year		130,879	84,821
Adjustments for:-			
Impact of accrual of interest income		(3,215)	(2,653)
Impact of accrual of interest expense		36,764	(29,087)
Allowances for doubtful debts		2,948	587
Interest expense on lease liabilities		368	339
Interest expense on borrowings		94	52
Depreciation of property, plant and equipment		7,940	8,011
Loss on disposal of property, plant and equipment		-	1
Value of employee services received for issue of share options		316	418
Income tax expense	22	26,233	17,123
		202,327	79,612
Changes in working capital:-			
Loans, advances and receivables		(958,426)	251,828
Other receivables, deposits and prepayments		(4,975)	4,760
Singapore Government debt securities, MAS Bills and MAS FRN		(267,674)	47,759
Deposits and balances of customers		1,223,312	(387,488)
Trade and other payables		662	(42,464)
Cash generated from/(used in) operations		195,226	(45,993)
Income taxes paid		(17,219)	(19,365)
Cash flows from/(used in) operating activities		178,007	(65,358)
Investing activities			
Purchase of property, plant and equipment		(1,431)	(399)
Cash flows used in investing activities		(1,431)	(399)
Financing activities			
Payment for lease liabilities		(6,576)	(6,578)
Proceeds from exercise of share options		727	602
Proceeds from borrowings		23,723	16,361
Repayment of borrowings		(42,914)	(7,420)
Interest paid		(462)	(391)
Dividends paid		(53,773)	(41,407)
Cash flows used in financing activities		(79,275)	(38,833)
Net increase/(decrease) in cash and cash equivalents		97,301	(104,590)
Cash and cash equivalents at beginning of year		826,806	931,396
Cash and cash equivalents at end of year	9	924,107	826,806

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 24 February 2023.

1. DOMICILE AND ACTIVITIES

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

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

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 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(f) Impairment and Note 24, Financial Risk Management.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

3. SIGNIFICANT 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 2022:-

- Amendment to SFRS(I) 16: Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to SFRS(I) 3: Reference to the Conceptual Framework
- Amendments to SFRS(I) 1-16: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to SFRS(I)s 2018-2020

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

The accounting policies have been applied consistently to all periods presented in these financial statements by Group entities.

(a) Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

(b) Foreign currency transactions

Transactions in foreign currencies are translated to Singapore dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss, except for the foreign currency differences arising from the translation of qualifying cash flow hedges to the extent the hedge is effective are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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; fair value through other comprehensive income ("FVOCI") – equity investment; or FVTPL.

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.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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).

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

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.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such upon initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

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

Financial 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 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

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

The Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(vi) 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.

(vii) 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'.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The carrying amounts of material land and properties are reviewed annually to determine whether they are in excess of their recoverable amounts at the reporting date. If the carrying amount exceeds the recoverable amount, the asset is written down to the lower value.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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.

(e) 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.

(i) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

(i) As a lessee (continued)

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 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 3c(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 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based payment transactions

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

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

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

(h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions determined for the long term are arrived at after discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability with the unwinding of the discount subsequently recognised as finance cost.

(i) Recognition of income and expense

(i) Interest

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(iv) 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 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) 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 that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

(l) Earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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 17 and 18.

(n) 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 2022 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.

4. CAPITAL AND RESERVES

Share capital

	Note	Company	
		2022 Number of shares	2021 Number of shares
Fully paid shares, with no par value:-			
At 1 January		447,817,233	447,552,473
Issue of shares under share option scheme	5	314,500	264,760
At 31 December		448,131,733	447,817,233

In 2022, 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	
	2022 Number of shares	2021 Number of shares
\$2.28	–	51,800
\$2.45	17,500	–
\$2.34	33,500	23,500
\$2.23	44,000	109,960
\$2.31	213,500	79,500
\$2.38	6,000	–
	314,500	264,760

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 2022

4. CAPITAL AND RESERVES (CONTINUED)

Reserves

	Group and Company	
	2022 \$'000	2021 \$'000
Statutory reserve	798,671	765,950
Capital reserve	2,307	2,307
Share option reserve	2,203	2,468
Regulatory loss allowance reserve	8,543	7,867
	811,724	778,592

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 13.25 cents per share, tax exempt one-tier, amounting to \$59,377,000 (2021: 8.25 cents per share, tax exempt one-tier, amounting to \$36,969,000) 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 3.75 cents per share, tax exempt one-tier, amounting to \$16,804,000 (2021: 3.75 cents per share, tax exempt one-tier, amounting to \$16,789,000) paid on 1 September 2022 (2021: 8 September 2021).

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 2022

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 2022 \$	Number of options 2022 '000	Weighted average exercise price 2021 \$	Number of options 2021 '000
At 1 January	2.49	15,286	2.49	15,236
Granted	2.45	2,532	2.38	1,836
Not accepted	2.45	(371)	2.38	(211)
Lapsed	2.48	(2,201)	2.39	(1,310)
Exercised	2.31	(314)	2.27	(265)
At 31 December	2.49	14,932	2.49	15,286
Exercisable at 31 December	2.50	12,370	2.51	13,091

The options outstanding at 31 December 2022 have an exercise price in the range of \$2.23 to \$2.66 (2021: \$2.23 to \$2.66) and a weighted average remaining contractual life of 6.2 years (2021: 6.2 years).

The weighted average share price at the date of exercise for share options exercised in 2022 was \$2.31 (2021: \$2.27).

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 2022

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	14.9.2012	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
Fair value at grant date	\$0.31	\$0.36	\$0.29	\$0.17	\$0.13	\$0.20	\$0.11	\$0.08	\$0.17	\$0.17	\$0.19
Share price	\$2.45	\$2.60	\$2.67	\$2.30	\$2.22	\$2.60	\$2.58	\$2.60	\$2.30	\$2.37	\$2.46
Exercise price	\$2.45	\$2.56	\$2.66	\$2.34	\$2.23	\$2.61	\$2.58	\$2.62	\$2.31	\$2.38	\$2.45
Expected volatility	26.7%	25.7%	20.5%	15.0%	14.8%	14.8%	13.1%	12.9%	15.7%	15.7%	14.5%
Expected option life	5.5 to 10 years	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
Expected dividend yield	4.9%	4.6%	4.5%	4.4%	4.5%	3.9%	5.4%	5.8%	3.3%	3.8%	4.9%
Risk-free interest rate (based on government bonds)	0.5 to 1.5%	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%

Employee expenses:-

	2022 \$'000	2021 \$'000
Share options granted in		
2018	-	5
2019	4	11
2020	22	332
2021	186	70
2022	104	-
Total expense recognised as employee costs	316	418

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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	14.9.2012	25.9.2013	25.9.2014	23.9.2015	23.9.2016	21.9.2017
Expiry date	13.9.2022	24.9.2023	24.9.2024	22.9.2025	22.9.2026	20.9.2027
Exercise price	\$2.45	\$2.56	\$2.66	\$2.34	\$2.23	\$2.61
Number of options outstanding at 1.1.2022	1,117,500	994,000	1,303,500	719,500	744,000	1,138,500
Options lapsed	(1,100,000)	(84,000)	(114,000)	(38,500)	(32,000)	(82,000)
Options exercised (1.1.2022 to 31.12.2022)	(17,500)	–	–	(33,500)	(44,000)	–
Number of options outstanding at 31.12.2022	–	910,000	1,189,500	647,500	668,000	1,056,500
Number of options exercisable at 1.1.2022	1,117,500	994,000	1,303,500	719,500	744,000	1,138,500
Number of options exercisable at 31.12.2022	–	910,000	1,189,500	647,500	668,000	1,056,500
Option exercise period of options outstanding at 31.12.2022						
25.9.2014 to 24.9.2023	vested on 25.9.2014	800,790				
	vested on 25.9.2015	53,790				
	vested on 25.9.2016	55,420				
25.9.2015 to 24.9.2024	vested on 25.9.2015		950,310			
	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			545,935		
	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				551,755	
	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					865,885
	vested on 21.9.2019					93,885
	vested on 21.9.2020					96,730

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

5. EMPLOYEE SHARE OPTIONS (CONTINUED)

	(7)	(8)	(9)	(10)	(11)
Date of grant of options	25.9.2018	23.9.2019	23.9.2020	22.9.2021	21.9.2022
Expiry date	24.9.2028	22.9.2029	22.9.2030	21.9.2031	20.9.2032
Exercise price	\$2.58	\$2.62	\$2.31	\$2.38	\$2.45
Number of options outstanding at 1.1.2022	2,090,800	3,008,380	2,553,500	1,616,500	–
Options granted	–	–	–	–	2,532,000
Options not accepted	–	–	–	–	(371,500)
Options lapsed	(178,800)	(254,380)	(182,000)	(127,500)	(7,500)
Options exercised (1.1.2022 to 31.12.2022)	–	–	(213,500)	(6,000)	–
Number of options outstanding at 31.12.2022	1,912,000	2,754,000	2,158,000	1,483,000	2,153,000
Number of options exercisable at 1.1.2022	2,090,800	2,804,720	2,178,300	–	–
Number of options exercisable at 31.12.2022	1,912,000	2,754,000	1,967,600	1,264,915	–
Option exercise period of options outstanding at 31.12.2022					
25.9.2019 to 24.9.2028	vested on 25.9.2019				
	vested on 25.9.2020				
	vested on 25.9.2021				
23.9.2020 to 22.9.2029	vested on 23.9.2020		2,352,670		
	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			1,782,800	
	vested on 23.9.2022			184,800	
	vesting on 23.9.2023			190,400	
22.9.2022 to 21.9.2031	vested on 22.9.2022				1,264,915
	vesting on 22.9.2023				107,415
	vesting on 22.9.2024				110,670
21.9.2023 to 20.9.2032	vesting on 21.9.2023				1,817,665
	vesting on 21.9.2024				165,165
	vesting on 21.9.2025				170,170

6. DEPOSITS AND BALANCES OF CUSTOMERS

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Fixed deposits	11,780,085	10,525,819	11,784,435	10,530,154
Savings deposits and other balances of customers	224,230	258,342	224,230	258,342
Current accounts and other deposits	25,868	22,710	25,868	22,710
Total deposits and balances of customers	12,030,183	10,806,871	12,034,533	10,811,206
Non-current	1,013,301	1,316,958	1,013,301	1,316,958
Current	11,016,882	9,489,913	11,021,232	9,494,248
Total	12,030,183	10,806,871	12,034,533	10,811,206

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

7. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Due after 12 months				
Borrowings from MAS SGD Facility	23,723	8,941	23,723	8,941
Amount due to Enterprise Singapore	2,478	748	2,478	748
Other trade payables and accrued operating expenses	-	263	-	263
Lease liabilities	24,542	30,157	24,542	30,157
	50,743	40,109	50,743	40,109
Due within 12 months				
Borrowings from MAS SGD Facility	8,941	42,914	8,941	42,914
Amount due to Enterprise Singapore	1,367	1,119	1,367	1,119
Interest payable	71,502	34,738	71,530	34,743
Other trade payables and accrued operating expenses	36,540	37,565	35,276	36,313
Other payables	1,703	1,731	1,603	1,633
Lease liabilities	6,688	6,534	6,688	6,534
	126,741	124,601	125,405	123,256
Total trade and other payables	177,484	164,710	176,148	163,365

Amount due to 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.

Borrowings from MAS SGD Facility is secured by assignment of eligible loan agreements amounting to \$40,465,000 (2021: \$57,638,000) as collaterals under Enterprise Singapore's Enhanced Enterprise Financing Scheme.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

7. TRADE AND OTHER PAYABLES (CONTINUED)

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

	Group and Company		
	Borrowings \$'000	Lease liabilities \$'000	Total \$'000
2021			
Balance as at 1 January	42,914	41,584	84,498
Changes from financing cash flows			
Proceeds from borrowings	16,361	-	16,361
Repayment of borrowings	(7,420)	-	(7,420)
Payment of lease liabilities	-	(6,578)	(6,578)
Interest paid	(52)	(339)	(391)
Total changes from financing cash flows	8,889	(6,917)	1,972
Other changes			
New leases	-	1,685	1,685
Interest expense	52	339	391
Total other changes	52	2,024	2,076
Balance as at 31 December	51,855	36,691	88,546
2022			
Balance at 1 January	51,855	36,691	88,546
Changes from financing cash flows			
Proceeds from borrowings	23,723	-	23,723
Repayment of borrowings	(42,914)	-	(42,914)
Payment of lease liabilities	-	(6,576)	(6,576)
Interest paid	(94)	(368)	(462)
Total changes from financing cash flows	(19,285)	(6,944)	(26,229)
Other changes			
New leases	-	1,115	1,115
Interest expense	94	368	462
Total other changes	94	1,483	1,577
Balance as at 31 December	32,664	31,230	63,894

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

8. DEFERRED TAX

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

	Group and Company				
	At 1 January 2021 \$'000	Recognised in profit or loss (Note 22) \$'000	At 31 December 2021 \$'000	Recognised in profit or loss (Note 22) \$'000	At 31 December 2022 \$'000
Deferred tax liabilities/(assets)					
Trade and other payables	(190)	(11)	(201)	(4)	(205)
Loans, advances and receivables	1,273	64	1,337	115	1,452
Property, plant and equipment	(187)	6	(181)	(66)	(247)
Other items	1	14	15	(12)	3
Net deferred tax liabilities/(assets)	897	73	970	33	1,003

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.

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Cash at banks and in hand	584,731	528,250	583,695	527,240
Less: Loss allowances				
At 1 January	42	67	42	67
Allowances made/(reversed) during the year	20	(25)	20	(25)
At 31 December	62	42	62	42
Cash at banks and in hand, net	584,669	528,208	583,633	527,198
Statutory deposit with the Monetary Authority of Singapore	339,438	298,598	339,438	298,598
Total	924,107	826,806	923,071	825,796

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

	Group and Company	
	2022 \$'000	2021 \$'000
Singapore Government debt securities, MAS Bills and MAS Floating Rate Note ("FRN")		
- Within 12 months	1,083,503	763,302
- After 12 months	541,846	594,373
	1,625,349	1,357,675
Market value	1,611,734	1,362,858

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

11. LOANS, ADVANCES AND RECEIVABLES

	Group and Company	
	2022 \$'000	2021 \$'000
(a) Loans, advances and receivables at amortised cost		
Due after 12 months		
Loans, advances and hire purchase receivables	8,795,391	7,846,964
Less: Unearned charges and interest	57,935	46,328
	8,737,456	7,800,636
Less: Allowances for doubtful debts		
- Loans and advances	16,126	16,089
- Hire purchase receivables	2,437	3,560
	18,563	19,649
	8,718,893	7,780,987
Due within 12 months		
Loans, advances, factoring receivables and hire purchase receivables	2,978,025	2,957,391
Less: Unearned charges and interest	39,716	35,460
	2,938,309	2,921,931
Less: Allowances for doubtful debts		
- Loans, advances and factoring receivables	5,251	5,885
- Hire purchase receivables	979	1,539
	6,230	7,424
	2,932,079	2,914,507
Total loans, advances and receivables	11,650,972	10,695,494

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

11. LOANS, ADVANCES AND RECEIVABLES (CONTINUED)

	Group and Company	
	2022	2021
	\$'000	\$'000
(b) Allowances for doubtful debts		
Stage 3 loss allowances		
At 1 January	10,190	8,090
Net allowances made/(reversed) during the year	(401)	2,386
Receivables written off against allowances	(5,228)	(286)
At 31 December	4,561	10,190
Stages 1 & 2 loss allowances		
At 1 January	16,883	18,682
Net allowances made/(reversed) during the year	3,349	(1,799)
At 31 December	20,232	16,883
Total allowances for doubtful debts	24,793	27,073

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 \$215,000 (2021: \$502,000), as recorded in the Consolidated Statement of Comprehensive Income.

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

	Group and Company					
	2022			2021		
	Receivables	Interest	Principal	Receivables	Interest	Principal
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Due within 1 year	529,330	38,698	490,632	480,062	34,598	445,464
Due after 1 year but within 5 years	1,159,020	55,725	1,103,295	1,001,027	45,184	955,843
Due after 5 years	119,405	2,154	117,251	76,219	1,135	75,084
Total	1,807,755	96,577	1,711,178	1,557,308	80,917	1,476,391

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Interest receivables	11,812	8,597	11,812	8,597
Deposits	1,933	1,847	1,933	1,847
Prepayments	2,436	1,296	2,435	1,295
Other receivables	8,972	5,223	8,972	5,223
Total	25,153	16,963	25,152	16,962
Non-current	2,766	1,910	2,766	1,910
Current	22,387	15,053	22,386	15,052
Total	25,153	16,963	25,152	16,962

13. SUBSIDIARIES

	Company	
	2022	2021
	\$'000	\$'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	
		2022	2021
		%	%
Hong Leong Finance Nominees Pte Ltd	Singapore	100	100
Singapore Nominees Private Limited	Singapore	100	100

KPMG LLP Singapore is the auditor of the subsidiaries.

14. INVESTMENTS (LONG-TERM)

	Group and Company	
	2022	2021
	\$'000	\$'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 2022

15. PROPERTY, PLANT AND EQUIPMENT

	Group and Company							
	Freehold land	Freehold buildings	Leasehold buildings	Office equipment, fixtures and fittings	Computer equipment	Motor vehicles	Work-In-Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost								
At 1 January 2021	50	2,938	87,326	14,004	10,452	543	–	115,313
Additions	–	–	1,685	80	319	–	–	2,084
Disposals	–	–	–	(108)	(221)	–	–	(329)
At 31 December 2021	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
Accumulated depreciation and impairment losses								
At 1 January 2021	–	1,778	28,671	13,461	9,849	301	–	54,060
Depreciation charge for the year	–	60	7,191	230	422	108	–	8,011
Disposals	–	–	–	(107)	(221)	–	–	(328)
At 31 December 2021	–	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
Carrying amount								
At 1 January 2021	50	1,160	58,655	543	603	242	–	61,253
At 31 December 2021	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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties held at 31 December are as follows:-

	Group and Company	
	2022	2021
	\$'000	\$'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.	811	838
(2) Properties with carrying amounts up to \$500,000 each comprise 2 shop units held as branch premises.	279	312
Total	1,090	1,150
Leasehold Buildings		
(1) Properties with carrying amounts exceeding \$1,000,000 each are as follows:-		
(a) A shop unit at Block 203 Bedok North Street 1 #01-451, Singapore, comprising 4,026 sq. ft. on a 84-year lease commencing July 1992 held as branch premises.	1,004	1,056
(b) A shop unit at Block 725 Clementi West Street 2 #01-216, Singapore, comprising 3,832 sq. ft. on a 85-year lease commencing November 1995 held as branch premises.	1,283	1,340
(c) 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.	1,216	1,258
(d) 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.	6,794	6,971
(e) 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.	3,289	3,361
(2) Properties with carrying amounts more than \$500,000 to \$1,000,000 each comprise 4 shop units held as branch premises.	2,512	2,620
(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.	1,559	1,722
Total	17,657	18,328

Property, plant and equipment includes right-of-use assets of \$29.3 million (2021: \$34.8 million) related to leasehold buildings.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

16. ACCEPTANCES, GUARANTEES AND OTHER OBLIGATIONS ON BEHALF OF CUSTOMERS

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

	Group and Company	
	2022	2021
	\$'000	\$'000
Guarantees	759	1,978
Total	759	1,978

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

17. NET INTEREST INCOME/HIRING CHARGES

	Group	
	2022	2021
	\$'000	\$'000
<i>Interest income/hiring charges</i>		
Loans, advances and receivables	307,340	224,433
Deposits placed	6,479	1,607
Singapore Government debt securities, MAS bills and MAS FRN	23,358	13,937
Total interest income/hiring charges	337,177	239,977
<i>Interest expense</i>		
Deposits and balances of customers	94,403	61,569
Others	79	51
Borrowings	94	52
Lease liabilities	368	339
Total interest expense	94,944	62,011
Net interest income/hiring charges	242,233	177,966

18. FEE AND COMMISSION INCOME

	Group	
	2022	2021
	\$'000	\$'000
Fee and commission income arising from:-		
Loans and advances	15,571	9,996
Non-lending activities	771	1,165
Others	17	20
Total	16,359	11,181

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

19. OTHER OPERATING INCOME

	Group	
	2022	2021
	\$'000	\$'000
Loss on disposal of plant and equipment	-	(1)
Other operating income	149	271
Total	149	270

20. STAFF COSTS

	Group	
	2022	2021
	\$'000	\$'000
Short-term employee benefits	66,008	57,826
CPF contributions to defined contribution plans	7,056	6,262
Share-based payments	316	418
Total	73,380	64,506

21. OTHER OPERATING EXPENSES

	Group	
	2022	2021
	\$'000	\$'000
Audit fees to auditors	446	412
Non-audit fees to auditors	98	173
Operating lease expenses	77	61
IT-related expenses	2,730	2,856
Other expenses	14,205	11,394
Total	17,556	14,896

Included in other expenses are fee and commission expenses arising from loans, advances and receivables amounting to \$3,002,000 (2021: \$1,079,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

22. INCOME TAX EXPENSE

	Note	Group	
		2022 \$'000	2021 \$'000
Current tax expense			
Current year		26,204	17,163
Adjustment for prior years		(4)	(113)
		26,200	17,050
Deferred tax expense			
Origination and reversal of temporary differences	8	33	73
Income tax expense		26,233	17,123
Adjustment for prior years of \$4,000 (2021: \$113,000) relates to provision for tax for prior years being written back following the finalisation of tax assessment.			
Reconciliation of income tax expense			
		Group	
		2022 \$'000	2021 \$'000
Profit after tax for the year		130,879	84,821
Income tax expense		26,233	17,123
Profit before income tax		157,112	101,944
Tax calculated using Singapore tax rate of 17% (2021: 17%)		26,709	17,331
Tax effect of:-			
Exempt income not taxable for tax purposes		(21)	(26)
Enhanced tax deductions		(1)	(1)
Bad debts recovered not subject to tax		-	(45)
Income taxed at a 10% concessionary tax rate		(751)	(404)
Expenses not deductible for tax purposes		310	367
Others		(9)	14
		26,237	17,236
Adjustment for prior years		(4)	(113)
Income tax expense		26,233	17,123
Effective tax rate (%)		16.7	16.8

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

23. EARNINGS PER SHARE

(a) Basic earnings per share

	Group	
	2022 \$'000	2021 \$'000
Basic earnings per share is based on:-		
Profit after tax for the year attributable to owners of the Company	130,879	84,821
	2022 Number of shares '000	2021 Number of shares '000
Issued shares at 1 January	447,817	447,552
Effect of share options exercised	226	100
Weighted average number of shares during the year	448,043	447,652

(b) Diluted earnings per share

	Group	
	2022 \$'000	2021 \$'000
Diluted earnings per share is based on:-		
Profit after tax for the year attributable to owners of the Company	130,879	84,821
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:-		
	2022 Number of shares '000	2021 Number of shares '000
Weighted average number of:-		
shares used in the calculation of basic earnings per share	448,043	447,652
potential shares issuable under share options	261	217
Weighted average number of issued and potential shares assuming full conversion	448,304	447,869

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

23. 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 10,085,670 at exercise price of \$2.38 to \$2.66 as at 31 December 2022 (2021: 11,269,180 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.

24. FINANCIAL RISK MANAGEMENT

(a) Overview

Risk is an inherent part of the Group's business activities. Managing risks is therefore integral to the Group's business strategy and continuing profitability. 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.

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Year ended 31 December 2022

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the potential financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers. Other than loans and advances, the Group's investment in debt securities comprises Singapore Government 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

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24. 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	
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
2021				
Performing accounts				
- neither past due nor impaired	9,220,463	1,181,863	-	10,402,326
- past due but not impaired	79,853	66,820	-	146,673
Substandard	-	-	165,035	165,035
Loss	-	-	8,533	8,533
Gross amount	9,300,316	1,248,683	173,568	10,722,567
Stage 1 & 2 loss allowances	(13,077)	(3,806)	-	(16,883)
Stage 3 loss allowances	-	-	(10,190)	(10,190)
Carrying amount	9,287,239	1,244,877	163,378	10,695,494

There are no loans and advances graded as doubtful as at 31 December 2022 and 2021.

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.

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Year ended 31 December 2022

24. 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	Amount net of individual allowances
	\$'000	\$'000
31 December 2022		
Substandard	190,152	189,331
Loss	3,740	-
Total	193,892	189,331
31 December 2021		
Substandard	165,035	163,378
Loss	8,533	-
Total	173,568	163,378

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 \$11,593,592,000 (2021: \$10,622,882,000). 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 \$188,285,000 (2021: \$162,111,000). The Group's claim against such collateral has been limited to the obligations of the respective obligors.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Exposure to credit risk (continued)

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

	Group and Company	
	2022	2021
	\$'000	\$'000
Motor vehicles	35	49
Properties	150,500	3,335
Total	150,535	3,384

The Group's collateral management framework is to pursue timely realisation of the collateral in an orderly manner.

Covid-19 repayment deferral: In 2021, the Group had offered various forms of assistance to customers to counteract the impact of Covid-19 on the ability of customers to meet their loan obligations. The assistance provided had included arrangements such as temporary deferral of principal and interest repayments, and extension of loan maturity dates.

The loan repayment deferral is considered to be a loan modification (non-substantial modification) whereby the existing loan continues to be recognised. All loan repayment deferral had ceased by 31 December 2021.

In 2021, the gross carrying amount of loans at the date of modification that were considered non-substantial modifications was \$846,123,000. Of which, loans with loan loss allowances based on lifetime expected losses was \$40,792,000. No gain or loss was recognised as a result of the modification at the end of financial year 2021. As at 31 December 2022, the gross carrying amount of loans that have subsequently changed to a 12-month loan loss allowance was \$7,150,000 (2021: \$7,522,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Exposure to credit risk (continued)

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	
	2022	2021
	\$'000	\$'000
Gross carrying amount	11,675,765	10,722,567
Concentration by sector		
Hire purchase/block discounting	1,711,178	1,476,391
Housing loans secured by property under finance	1,233,905	838,837
Other loans and advances:-		
Manufacturing	34,595	35,643
Building and construction	5,324,941	5,300,262
General commerce	68,176	76,645
Transport, storage and communication	106,411	163,034
Investment and holding companies	1,089,637	781,773
Professional and private individuals	239,391	230,836
Hotels, restaurants and boarding houses	1,311,655	1,346,124
Service companies	422,681	384,170
Others	133,195	88,852
Total	11,675,765	10,722,567

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 \$759,000 as at 31 December 2022 (2021: \$1,978,000). 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 2022

24. 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
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	–
Changes in models/risk parameters	99	(36)	–	63
Impairment loss recognised	(373)	(8)	799	418
Balance as at 31 December	14,620	5,612	4,561	24,793
2021				
Balance as at 1 January	17,962	720	8,090	26,772
New financial assets originated or purchased	4,027	156	110	4,293
Financial assets repaid	(2,285)	(118)	(895)	(3,298)
Financial assets written off	–	–	(286)	(286)
Transfer to 12-month ECL – not credit-impaired	49	(44)	(5)	–
Transfer to Lifetime ECL – not credit-impaired	(3,364)	3,365	(1)	–
Transfer to Lifetime ECL – credit-impaired	(156)	(61)	217	–
Changes in models/risk parameters	(3,081)	(346)	–	(3,427)
Impairment loss recognised	(75)	134	2,960	3,019
Balance as at 31 December	13,077	3,806	10,190	27,073

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 \$5.2 million (2021: \$0.3 million).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

24. 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 \$584,669,000 and \$583,633,000 respectively at 31 December 2022 (2021: \$528,208,000 and \$527,198,000 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 \$339,438,000 at 31 December 2022 (2021: \$298,598,000) 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 \$1,625,349,000 at 31 December 2022 (2021: \$1,357,675,000) 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 2022

24. 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	
	2022	2021
At 31 December	17.48%	16.95%
Average for the period	16.58%	16.77%
Maximum for the period	17.69%	18.64%
Minimum for the period	16.10%	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 2022

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	Carrying amount \$'000	Gross nominal outflow \$'000	Up to 1 month \$'000	Over 1 month to 3 months \$'000	Over 3 months to 1 year \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000
Group							
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)	-
Amount due to 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)
31 December 2021							
<i>Non-derivative financial liabilities</i>							
Deposits and balances of customers	10,806,871	(10,879,255)	(2,543,771)	(944,342)	(6,055,130)	(1,336,012)	-
Borrowings from MAS SGD Facility	51,855	(51,959)	-	-	(43,000)	(8,959)	-
Amount due to Enterprise Singapore	1,867	(1,894)	(512)	(131)	(492)	(759)	-
Other liabilities	35,950	(35,950)	(18,648)	(52)	(16,987)	(263)	-
Lease liabilities	36,691	(38,120)	(583)	(1,165)	(5,087)	(20,533)	(10,752)
	10,933,234	(11,007,178)	(2,563,514)	(945,690)	(6,120,696)	(1,366,526)	(10,752)
Financial guarantees	-	(1,978)	(1,978)	-	-	-	-
	10,933,234	(11,009,156)	(2,565,492)	(945,690)	(6,120,696)	(1,366,526)	(10,752)
Undrawn loan commitments	-	(1,486,024)	(1,045,951)	(440,073)	-	-	-
	10,933,234	(12,495,180)	(3,611,443)	(1,385,763)	(6,120,696)	(1,366,526)	(10,752)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

24. 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 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)	-
Amount due to 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)
31 December 2021							
<i>Non-derivative financial liabilities</i>							
Deposits and balances of customers	10,811,206	(10,883,606)	(2,544,116)	(944,342)	(6,059,136)	(1,336,012)	-
Borrowings from MAS SGD Facility	51,855	(51,959)	-	-	(43,000)	(8,959)	-
Amount due to Enterprise Singapore	1,867	(1,894)	(512)	(131)	(492)	(759)	-
Other liabilities	34,600	(34,600)	(17,319)	(42)	(16,976)	(263)	-
Lease liabilities	36,691	(38,120)	(583)	(1,165)	(5,087)	(20,533)	(10,752)
	10,936,219	(11,010,179)	(2,562,530)	(945,680)	(6,124,691)	(1,366,526)	(10,752)
Financial guarantees	-	(1,978)	(1,978)	-	-	-	-
	10,936,219	(11,012,157)	(2,564,508)	(945,680)	(6,124,691)	(1,366,526)	(10,752)
Undrawn loan commitments	-	(1,486,024)	(1,045,951)	(440,073)	-	-	-
	10,936,219	(12,498,181)	(3,610,459)	(1,385,753)	(6,124,691)	(1,366,526)	(10,752)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

24. 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 2022

24. 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 2022						
Financial assets						
Loans, advances and receivables	11	11,650,972	9,469,640	2,023,767	157,565	–
Singapore Government debt securities, MAS bills and MAS FRN	10	1,625,349	1,083,503	541,846	–	–
Cash at banks and in hand	9	584,669	487,647	–	–	97,022
Statutory deposit with the Monetary Authority of Singapore	9	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	–	–
Amount due to Enterprise Singapore	7	3,845	1,367	2,478	–	–
Other liabilities	7	109,745	–	–	–	109,745
Lease liabilities	7	31,230	–	–	–	31,230
31 December 2021						
Financial assets						
Loans, advances and receivables	11	10,695,494	8,877,733	1,715,259	102,502	–
Singapore Government debt securities, MAS bills and MAS FRN	10	1,357,675	763,302	594,373	–	–
Cash at banks and in hand	9	528,208	436,159	–	–	92,049
Statutory deposit with the Monetary Authority of Singapore	9	298,598	–	–	–	298,598
Other assets		15,667	–	–	–	15,667
Financial liabilities						
Deposits and balances of customers	6	10,806,871	9,396,969	1,316,958	–	92,944
Borrowings from MAS SGD Facility	7	51,855	42,914	8,941	–	–
Amount due to Enterprise Singapore	7	1,867	1,119	748	–	–
Other liabilities	7	74,297	–	–	–	74,297
Lease liabilities	7	36,691	–	–	–	36,691

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

24. 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 2022						
Financial assets						
Loans, advances and receivables	11	11,650,972	9,469,640	2,023,767	157,565	–
Singapore Government debt securities, MAS bills and MAS FRN	10	1,625,349	1,083,503	541,846	–	–
Cash at banks and in hand	9	583,633	486,611	–	–	97,022
Statutory deposit with the Monetary Authority of Singapore	9	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	–	–
Amount due to Enterprise Singapore	7	3,845	1,367	2,478	–	–
Other liabilities	7	108,409	–	–	–	108,409
Lease liabilities	7	31,230	–	–	–	31,230
31 December 2021						
Financial assets						
Loans, advances and receivables	11	10,695,494	8,877,733	1,715,259	102,502	–
Singapore Government debt securities, MAS bills and MAS FRN	10	1,357,675	763,302	594,373	–	–
Cash at banks and in hand	9	527,198	436,159	–	–	91,039
Statutory deposit with the Monetary Authority of Singapore	9	298,598	–	–	–	298,598
Other assets		15,667	–	–	–	15,667
Financial liabilities						
Deposits and balances of customers	6	10,811,206	9,401,304	1,316,958	–	92,944
Borrowings from MAS SGD Facility	7	51,855	42,914	8,941	–	–
Amount due to Enterprise Singapore	7	1,867	1,119	748	–	–
Other liabilities	7	72,952	–	–	–	72,952
Lease liabilities	7	36,691	–	–	–	36,691

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk (continued)

Sensitivity analysis

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

	Group	
	2022	2021
	\$'000	\$'000
+ 100 basis points parallel shift in yield curves	45,124	36,269
- 100 basis points parallel shift in yield curves	(52,259)	(15,859)

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 2022, the Group's main IBOR exposures were referenced to SOR and SIBOR. The timelines for SORA to replace SOR and SIBOR are by the end of June 2023 and December 2024 respectively.

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 SOR and 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 2022.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

24. 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 2022				
Loans and advances	3,460,867	467,039	1,784,130	1,310,870
Loan commitments	462,361	30,155	140,856	126,515
31 December 2022				
Loans and advances	2,188,939	103,785	511,185	413,119
Loan commitments	264,989	22,509	16,057	2,193

(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.

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

	2022	2021
	\$'000	\$'000
Share capital	890,553	889,771
Accumulated profits	240,411	230,648
Statutory reserve	765,950	744,744
Capital reserve	2,307	2,307
Share option reserve	2,468	2,397
Eligible total capital	1,901,689	1,869,867
Risk-weighted assets	11,790,124	11,031,725
Capital adequacy ratio	16.1%	16.9%

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

25. FINANCIAL INSTRUMENTS

Accounting classifications and fair values

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

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

(b) Singapore Government 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.

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 2021 \$'000	Fair value 2021 \$'000
		Carrying amount 2022 \$'000	Fair value 2022 \$'000		
Financial assets					
Loans, advances and receivables	11	11,650,972	11,559,319	10,695,494	10,704,980
Singapore Government debt securities, MAS bills and MAS FRN	10	1,625,349	1,611,734	1,357,675	1,362,858
		13,276,321	13,171,053	12,053,169	12,067,838
Financial liabilities					
Deposits and balances of customers	6	(12,030,183)	(12,215,281)	(10,806,871)	(10,825,699)
		1,246,138	955,772	1,246,298	1,242,139

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

25. FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (continued)

	Note	Company			
		Carrying amount 2022 \$'000	Fair value 2022 \$'000	Carrying amount 2021 \$'000	Fair value 2021 \$'000
Financial assets					
Loans, advances and receivables	11	11,650,972	11,559,319	10,695,494	10,704,980
Singapore Government debt securities, MAS bills and MAS FRN	10	1,625,349	1,611,734	1,357,675	1,362,858
		13,276,321	13,171,053	12,053,169	12,067,838
Financial liabilities					
Deposits and balances of customers	6	(12,034,533)	(12,219,699)	(10,811,206)	(10,830,037)
		1,241,788	951,354	1,241,963	1,237,801

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 \$3.05 billion (2021: \$2.47 billion) against a carrying value of \$3.142 billion (2021: \$2.462 billion). Singapore Government debt securities, MAS bills and MAS FRN are Level 1 instruments with fair value of \$1.61 billion (2021: \$1.36 billion). The portion of deposits and balances of customers being Level 2 instruments have a fair value of \$10.52 billion (2021: \$8.94 billion) against a carrying value of \$10.34 billion (2021: \$8.92 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

26. 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 \$3,924,000 (2021: \$Nil).

(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 \$1,305,398,000 (2021: \$1,486,024,000).

27. RELATED PARTY TRANSACTIONS

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

Key Management Personnel Compensation

Key management personnel compensation comprised:-

	Group	
	2022	2021
	\$'000	\$'000
Short-term employee benefits	5,003	4,123
CPF contributions to defined contribution plans	33	33
Depreciation of motor vehicles	21	21
Other operating expenses including principally directors' fees	1,436	1,530
Share-based payments	43	27
	6,536	5,734

Directors' remuneration (inclusive of fees) included in key management personnel compensation amounted to \$4,146,000 (2021: \$3,726,000).

Key management personnel of the Company participate in the Share Option Scheme as described in Note 5. During the year, options to 244,500 (2021: 173,500) shares were granted to key management personnel. These share options are subject to a vesting schedule.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

27. RELATED PARTY TRANSACTIONS (CONTINUED)

Options held by key management personnel at the end of the year are as follows:-

	2022	2021
Granted on		
14.9.2012	–	127,000
25.9.2013	76,000	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	–

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

	2022	2021
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	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

27. RELATED PARTY TRANSACTIONS (CONTINUED)

Other Related Party Transactions

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

	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 2021	-	319	146,652
Increase	-	-	35,477
(Decrease)	-	(114)	(39,446)
As at 31 December 2021	-	205	142,683
Increase	-	-	564
(Decrease)	-	(119)	(80,666)
As at 31 December 2022	-	86	62,581
Undrawn loan commitments:			
As at 1 January 2021	-	-	64,697
Increase	-	-	-
(Decrease)	-	-	(54,697)
As at 31 December 2021	-	-	10,000
Increase	-	-	-
(Decrease)	-	-	(10,000)
As at 31 December 2022	-	-	-
(b) Specific allowances for doubtful debts			
As at 31 December 2021	-	-	-
As at 31 December 2022	-	-	-
(c) Other receivables, deposits and prepayment			
Outstanding balances:			
As at 1 January 2021	-	1,238	-
Increase	-	7	-
(Decrease)	-	-	-
As at 31 December 2021	-	1,245	-
Increase	-	-	-
(Decrease)	-	-	-
As at 31 December 2022	-	1,245	-
(d) Deposits and balances of customers			
Outstanding balances:			
As at 1 January 2021	66,122	498,330	40,494
Increase	60,269	27,978	6,460
(Decrease)	-	(110,577)	(16,752)
As at 31 December 2021	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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

27. 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 2021	21	1,516	49
Increase	146	43	2
(Decrease)	-	(610)	(35)
As at 31 December 2021	167	949	16
Increase	389	1,089	61
(Decrease)	-	(176)	-
As at 31 December 2022	556	1,862	77
(f) Lease liabilities			
As at 31 December 2021	-	18,659	-
As at 31 December 2022	-	13,852	-
(g) Profit and loss transactions			
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)	-
- Specific allowances for bad and doubtful debts	-	-	-
- Interest expense on lease liabilities	-	(144)	-
Year ended 31 December 2021			
- Interest income on loans and advances and hiring charges in respect of hire purchase receivables	-	10	2,695
- Interest expense on deposits	(441)	(1,346)	(97)
- Fee, commission and other income	-	-	67
- Other operating expenses	-	(690)	-
- Specific allowances for bad and doubtful debts	-	-	-
- Interest expense on lease liabilities	-	(170)	-
(h) Cash outflows relating to operating leases			
- Lease payments			
Year ended 31 December 2021	-	(4,949)	-
Year ended 31 December 2022	-	(4,951)	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

27. 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 2021	-	319	146,652	-
Increase	-	-	35,477	-
(Decrease)	-	(114)	(39,446)	-
As at 31 December 2021	-	205	142,683	-
Increase	-	-	564	-
(Decrease)	-	(119)	(80,666)	-
As at 31 December 2022	-	86	62,581	-
Undrawn loan commitments:				
As at 1 January 2021	-	-	64,697	-
Increase	-	-	-	-
(Decrease)	-	-	(54,697)	-
As at 31 December 2021	-	-	10,000	-
Increase	-	-	-	-
(Decrease)	-	-	(10,000)	-
As at 31 December 2022	-	-	-	-
(b) Specific allowances for doubtful debts				
As at 31 December 2021	-	-	-	-
As at 31 December 2022	-	-	-	-
(c) Other receivables, deposits and prepayment				
Outstanding balances:				
As at 1 January 2021	-	1,238	-	-
Increase	-	7	-	-
(Decrease)	-	-	-	-
As at 31 December 2021	-	1,245	-	-
Increase	-	-	-	-
(Decrease)	-	-	-	-
As at 31 December 2022	-	1,245	-	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

27. 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 2021	66,122	498,330	40,494	4,309
Increase	60,269	27,978	6,460	26
(Decrease)	-	(110,577)	(16,752)	-
As at 31 December 2021	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
(e) Trade and other payables				
Outstanding balances:				
As at 1 January 2021	21	1,502	49	18
Increase	146	43	2	-
(Decrease)	-	(603)	(35)	(6)
As at 31 December 2021	167	942	16	12
Increase	389	1,089	61	23
(Decrease)	-	(176)	-	(1)
As at 31 December 2022	556	1,855	77	34
(f) Lease liabilities				
As at 31 December 2021	-	18,659	-	-
As at 31 December 2022	-	13,852	-	-

* 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 2022

28. 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 15).

	Leasehold buildings	
	2022 \$'000	2021 \$'000
Balance at 1 January	34,821	39,656
Depreciation charge for the year	(6,588)	(6,520)
Additions to right-of-use assets	1,115	1,685
Balance at 31 December	29,348	34,821

Amounts recognised in profit or loss

	2022 \$'000	2021 \$'000
Interest on lease liabilities	368	339
Expenses relating to short-term leases	46	36
Expenses relating to leases of low-value assets	31	25

Amount recognised in consolidated statement of cash flows

	2022 \$'000	2021 \$'000
Total cash outflow for leases	6,944	6,917

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 6 March 2023

Number of Shares in Issue	:	448,137,233
Class of Shares	:	Ordinary shares ("Shares")
Number of Shareholders	:	11,773
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 6 March 2023. As at 6 March 2023, 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	347	2.95	14,164	0.00
100 – 1,000	1,792	15.22	1,198,548	0.27
1,001 – 10,000	7,183	61.01	32,560,224	7.27
10,001 – 1,000,000	2,424	20.59	116,800,973	26.06
1,000,001 and above	27	0.23	297,563,324	66.40
	11,773	100.00	448,137,233	100.00

Based on the information available to the Company as at 6 March 2023, approximately 50.38% 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 6 MARCH 2023

No.	Name	No. of Shares Held	% *
1.	Hong Leong Investment Holdings Pte. Ltd.	116,507,363	26.00
2.	DBS Nominees Pte Ltd	24,805,162	5.54
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	10,766,333	2.40
8.	Raffles Nominees (Pte.) Limited	10,505,716	2.35
9.	City Developments Limited	9,149,817	2.04
10.	Tudor Court Gallery Pte Ltd	6,517,000	1.45
11.	Citibank Nominees Singapore Pte Ltd	6,318,720	1.41
12.	Chng Gim Huat	5,770,000	1.29
13.	Hong Leong Holdings Limited	5,460,422	1.22
14.	Hong Leong Enterprises Pte. Ltd.	4,485,047	1.00
15.	Phillip Securities Pte Ltd	4,301,554	0.96
16.	OCBC Nominees Singapore Private Limited	2,696,964	0.60
17.	HSBC (Singapore) Nominees Pte Ltd	2,657,029	0.59
18.	Chow Joo Ming	2,200,000	0.49
19.	Morph Investments Ltd	2,160,000	0.48
20.	Kwek Leng Kee	1,595,079	0.36
		289,418,881	64.58

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 6 March 2023.

ANALYSIS OF SHAREHOLDINGS

As at 6 March 2023

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders as at 6 March 2023)

	← No. of Shares →			% *
	Direct Interest	Deemed Interest	Total Interest	
Hong Realty (Private) Limited	23,271,370	23,678,335 ⁽¹⁾	46,949,705	10.48
Hong Leong Enterprises Pte. Ltd.	4,485,047	19,968,812 ⁽²⁾	24,453,859	5.46
Hong Leong Investment Holdings Pte. Ltd.	116,507,363	89,353,395 ⁽³⁾	205,860,758	45.94
Davos Investment Holdings Private Limited	–	205,860,758 ⁽⁴⁾	205,860,758	45.94
Kwek Holdings Pte Ltd	–	205,860,758 ⁽⁴⁾	205,860,758	45.94

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 6 March 2023.

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-Third Annual General Meeting (the "Meeting") of HONG LEONG FINANCE LIMITED (the "Company") will be held at Orchard Hotel Singapore, Ballroom 3, Level 3, 442 Orchard Road, Singapore 238879 on Thursday, 27 April 2023 at 11.00 a.m. for the following purposes:

A) ORDINARY BUSINESS

- To receive the Directors' Statement and Audited Financial Statements for the year ended 31 December ("FY") 2022 and the Auditors' Report thereon.
- To declare a final one-tier tax exempt dividend of 13.25 cents per share for FY 2022 ("Final Dividend").
- To approve Directors' Fees of \$1,366,000 for FY 2022 (FY 2021: \$1,463,808).
- 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:

- Mr Kwek Leng Beng
- Mr Kwek Leng Peck
- Ms Tan Siew San

Detailed 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/Appointment at the 63rd Annual General Meeting' of the Annual Report 2022.

- To appoint Ms Jeann Low Ngiap Jong as a Director of the Company.

Detailed information on Ms Low can be found under the sections on 'Board of Directors' and 'Additional Information on Directors Seeking Re-election/Appointment at the 63rd Annual General Meeting' of the Annual Report 2022.

- To re-appoint KPMG LLP as Auditors and to authorise the Directors to fix their remuneration.

B) SPECIAL BUSINESS:

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

- That authority be and is hereby given to the Directors to:

- issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
 - 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

NOTICE OF ANNUAL GENERAL MEETING

- (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,

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 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.
8. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the Hong Leong Finance Share Option Scheme 2001 (the "SOS") to eligible participants under the SOS other than Parent Group Employees and Parent Group Non-Executive Directors (each as defined under the terms of the SOS) and to allot and issue from time to time such number of shares of the Company 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.

BY ORDER OF THE BOARD

Yeo Swee Gim, Joanne
Ng Siew Ping, Jaslin
Company Secretaries
Singapore, 29 March 2023

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. With reference to item 2 of the Ordinary Business above, the Share Transfer Books and Register of Members will be closed from 5.00 p.m. on 10 May 2023 up to (and including) 11 May 2023. Registrable transfers received up to 5.00 p.m. on 10 May 2023 will be registered to determine shareholders' entitlement to the Final Dividend. If approved at the Meeting, it will be paid on 26 May 2023.
2. With reference to item 3 of the Ordinary Business above, the Directors' Fees of \$1,366,000 for FY 2022 will be payable upon approval of the shareholders at the Meeting. The structure of fees payable to Directors for FY 2022 can be found on page 38 of the Annual Report 2022.
3. With reference to item 4(a) above (under the heading "Ordinary Business"), Mr Kwek Leng Beng will, upon re-election as a Director of the Company, remain as chairman of the Board of Directors and the Executive Committee ("Exco"), and a member of the Board Risk Committee ("BRC") and the Nominating Committee ("NC"). Detailed information on Mr Kwek Leng Beng is found on pages 15 and 174 to 181 of the Annual Report 2022.
4. With reference to item 4(b) above (under the heading "Ordinary Business"), Mr Kwek Leng Peck will, upon re-election as a Director of the Company, remain as a member and as alternate to the chairman of the Exco, a member of the BRC and the Hong Leong Finance Share Option Scheme 2001 Committee ("SOSC"). Detailed information on Mr Kwek Leng Peck is found on pages 16 and 174 to 181 of the Annual Report 2022.
5. With reference to item 4(c) above (under the heading "Ordinary Business"), Ms Tan Siew San will, upon re-election as a Director of the Company, remain as chairman of the NC, a member of the Exco, BRC, Remuneration Committee and SOSC. Subject to and conditional upon the approval of Ms Jeann Low Ngiap Jong as a Director under item 5 of this Notice, Ms Tan will step down from the Board Sustainability Committee ("BSC"). Ms Tan is considered independent by the Board. Detailed information on Ms Tan is found on pages 18 and 174 to 181 of the Annual Report 2022.
6. With reference to item 5 above (under the heading "Ordinary Business"), Ms Low will, upon appointment as a Director of the Company, be also appointed as a member of the Audit Committee and BSC, following the conclusion of the Meeting. Ms Low is considered independent by the Board. Detailed information on Ms Low is found on pages 20 and 174 to 181 of the Annual Report 2022.
7. The Ordinary Resolution set out in item 7 of the Special Business above, 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.
8. The Ordinary Resolution set out in item 8 of the Special Business above, 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 item 8 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:

1. The Meeting will be held in a wholly physical format 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. **There will be no option for shareholders to participate virtually.** Printed copies of this Notice will not be sent to members, instead, this Notice will be made available to members by electronic means via publication on the Company's website at the URL <https://www.hlf.com.sg/investor-relations/agm.php>. This Notice will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Arrangements relating to the attendance at the Meeting, submission of questions to the Chairman of the Meeting in advance of, or at, the Meeting, addressing of substantial and relevant questions in advance of, or at, the Meeting, and voting by the member or his/her/its duly appointed proxy(ies), are set out in the accompanying Company's announcement dated 29 March 2023. This announcement may be accessed at the Company's website at the URL <https://www.hlf.com.sg/investor-relations/agm.php> and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
3.
 - (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.
4. A proxy need not be a member of the Company.
5. Completion and return of the form of proxy(ies) 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.
6. 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.
7. 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 17 April 2023.

NOTICE OF ANNUAL GENERAL MEETING

8. 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, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902; or
 - (b) if submitted electronically, via email to the Company's Share Registrar at gpe@mncsingapore.com,

in either case, not less than 72 hours before the time for holding the Meeting.
9. A member who wishes to submit an instrument of proxy must first download, 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. The proxy form for the Meeting may be downloaded from the Company's website at the URL <https://www.hlf.com.sg/investor-relations/agm.php>, and also from the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
10. 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.
11. The Annual Report 2022 is available on the Company's website at the URL <https://www.hlf.com.sg/ar.html> and may also be accessed on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. Members may request for a printed copy of the Annual Report 2022 by completing and submitting the online Request Form at <https://www.hlf.com.sg/investor-relations/annual-reports.php> no later than 5 April 2023.

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, 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 processing, administration and analysis by the Company (or its agents or service providers) of proxies 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 in order for the Company (or its agents or service providers) to comply with any applicable legislation, the Listing Manual of SGX-ST and/or other regulatory guidelines (collectively, the "Purposes");
- (b) warrants that where the member discloses the personal data of the member's proxy(ies) 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; and
- (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION/APPOINTMENT

AT THE 63RD ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Beng	Kwek Leng Peck	Tan Siew San	Jeann Low Ngiap Jong (Proposed Director)
Age	82	66	71	62
Date of appointment	1 March 1979	1 January 1998	11 June 2019	Proposed for appointment on 27 April 2023
Job Title	Chairman and Executive Director Chairman of the Executive Committee ("Exco"), and a member of the Board Risk Committee ("BRC") and Nominating Committee ("NC")	Non-Executive and Non-Independent Director Member, and also as alternate to the chairman of the Exco, member of BRC and Hong Leong Finance Share Option Scheme 2001 Committee ("SOSC")	Non-Executive and Independent Director Chairman of the NC, member of the Exco, BRC, Remuneration Committee, SOSC and Board Sustainability Committee ("BSC")	Non-Executive and Independent Director Member of Audit Committee and BSC
Date of last re-election as Director (if applicable)	29 April 2021	29 April 2021	25 June 2020	Not applicable
Country of principal residence	Singapore	Singapore	Singapore	Singapore
Board of Directors' (the "Board") comments on the election/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 Beng, Mr Kwek Leng Peck and Ms Tan Siew San and the appointment of Ms Jeann Low Ngiap Jong 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, for the existing Directors); • their time commitment especially for Directors and the proposed Director 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, and in the case of Ms Low, for appointment to the Board. 		<p>The Board recommends the re-election/appointment of Mr Kwek Leng Beng, Mr Kwek Leng Peck, Ms Tan Siew San and Ms Jeann Low Ngiap Jong 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 33 to 36 of the Corporate Governance Report.</p>	
Whether appointment is executive, and if so, the area of responsibility	Yes	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION/APPOINTMENT

AT THE 63RD ANNUAL GENERAL MEETING

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION/APPOINTMENT

AT THE 63RD ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Beng	Kwek Leng Peck	Tan Siew San	Jeann Low Ngiap Jong (Proposed Director)
Professional qualification, working experience and occupation(s) during the past 10 years	<p>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). Also has extensive experience in the real estate business, having joined City Developments Limited ("CDL") in the late 1960s and since then has contributed significantly to building CDL's six decades of track record, growing 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. Also experienced in the trading and manufacturing sectors.</p> <p><u>March 1979 to Present</u> Managing Director of HLF</p> <p><u>November 1984 to Present</u> Chairman of HLF</p> <p><u>January 1995 to Present</u> Executive Chairman of CDL</p> <p><u>August 1990 to Present</u> Executive Chairman of Hong Leong Investment Holdings Pte. Ltd. ("HLIH").</p> <p>Holds a law degree, LL.B. (London) and is also a fellow of The Institute of Chartered Secretaries and Administrators. 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).</p>	<p>Executive Director on several Hong Leong group companies and has many years of experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management as well as extensive involvement in the Hong Leong Group real estate developments, investments and hotel operations.</p> <p><u>April 2017 to Present</u> Executive Chairman of Hong Leong Asia Ltd. ("HLA")</p> <p><u>April 1998 to April 2017</u> Executive Director of HLA</p> <p><u>December 1982 to Present</u> Executive Director of HLIH</p> <p><u>October 2001 to Present</u> Executive Director of Hong Leong Corporation Holdings Pte. Ltd. ("HLCH")</p>	<p>Started career as an analyst in the Ministry of Defence ("Mindef") in 1974 and headed the Research department in Mindef from 1983 to 1995. Appointed Deputy Secretary (Policy) in Mindef in 1995, areas of responsibility included strategic issues, defence relations, national education, military security and public affairs.</p> <p><u>October 2006 to March 2012</u> Deputy Secretary (Asia Pacific) in the Ministry of Foreign Affairs</p> <p><u>March 2012 to May 2019</u> Ambassador Extraordinary and Plenipotentiary to the Kingdom of Thailand</p> <p>Retired from the Singapore civil service in June 2019.</p> <p>Holds a Bachelor of Social Science (Honours) (Political Science) degree from the University of Singapore. Also obtained a Master of Arts (Political Science) degree from the University of Wisconsin - Madison, USA on a Fulbright-Hays scholarship.</p>	<p>Currently a Senior Advisor with Singapore Telecommunications Limited ("Singtel"). Prior to this, was Singtel's Group Chief Corporate Officer from April 2015 until April 2021. Responsibilities in Singtel included corporate finance, accounting and management reporting, treasury and capital management, mergers and acquisitions, corporate communications and strategic branding, legal, regulatory and group risk management, sustainability and digitalisation.</p> <p><u>September 2008 to April 2015</u> Group Chief Financial Officer, Singtel</p> <p><u>April 2015 to April 2021</u> Group Chief Corporate Officer, Singtel</p> <p><u>April 2021 to Present</u> Senior Advisor, Singtel</p> <p>Holds a Bachelor of Accountancy (Honours) from the National University of Singapore. Also a Chartered Accountant registered with the Institute of Singapore Chartered Accountants ("ISCA") and a Fellow member of ISCA.</p>
Shareholding interest in the Company and its subsidiaries	Please refer to the Directors' Statement on page 94.	Please refer to the Directors' Statement on page 94.	Nil	Nil

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION/APPOINTMENT

AT THE 63RD ANNUAL GENERAL MEETING

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION/APPOINTMENT

AT THE 63RD ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Beng	Kwek Leng Peck	Tan Siew San	Jeann Low Ngiap Jong (Proposed Director)
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 Peck and Mr Kwek Leng Kee, and uncle of Mr Kevin Hangchi.</p> <p>Director and shareholder of Hong Realty (Private) Limited ("HR"), HLIH and Kwek Holdings Pte Ltd, 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 pages 94 to 96 on his shareholding interests in HR and HLIH.</p>	<p>Cousin of Mr Kwek Leng Beng (Chairman/ Managing Director) and Mr Kwek Leng Kee, and uncle of Mr Kevin Hangchi.</p> <p>Director and shareholder of HR and HLIH, both of which are substantial shareholders and related corporations of the Company.</p> <p>Please refer to the Directors' Statement on pages 94 to 95 on his shareholding interests in HR and HLIH.</p>	Nil	Nil
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	<p><u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"</p>	<p><u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"</p>	<p><u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"</p>	<p><u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"</p>
<u>Directorships:</u>				
Past (for the last 5 years):	<ul style="list-style-type: none"> • 11 subsidiaries of CDL* • HLCH and 1 of its subsidiaries • 1 subsidiary of HLA* • Marina House Holding Limited • GOMC Limited 	<ul style="list-style-type: none"> • CDL* and 2 of its subsidiaries • 4 subsidiaries of HLA* • 1 subsidiary of HLCH • 6 subsidiaries of HLIH • Millennium & Copthorne Hotels plc (delisted and privatised in 2019, and now known as Millennium & Copthorne Hotels Limited) and 13 of its subsidiaries 	<ul style="list-style-type: none"> • P5 Capital Holdings Ltd • DOD Biotech Public Company Limited 	<ul style="list-style-type: none"> • Amobee, Inc • Amobee Asia Pte. Ltd. • Amobee Ltd. • Singtel FinGroup Investment Pte. Ltd. • SFG Digibank Investment Pte. Ltd. • Singtel Optus Pty Limited • Singtel Digital Life Pte Ltd • GDL Lifestream Pte. Ltd. • OPEL Networks Pty Limited (deregistered) • Singtel Strategy Pte. Ltd.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION/APPOINTMENT

AT THE 63RD ANNUAL GENERAL MEETING

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION/APPOINTMENT

AT THE 63RD ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Beng	Kwek Leng Peck	Tan Siew San	Jeann Low Ngiap Jong (Proposed Director)
Present:	<ul style="list-style-type: none"> • HLF* and its 2 subsidiaries • CDL* and 24 of its subsidiaries • Singapore Cement Manufacturing Company (Private) Limited • Hong Leong Company (Malaysia) Berhad ("HLCM") and 1 of its subsidiaries • Hong Leong Holdings Limited ("HLH") and 3 of its subsidiaries • HLIH and 4 of its subsidiaries and associated company • HR and 3 of its subsidiaries and associated company • Fairmont Limited • Guan Hong Plantation Private Limited • Hong Leong Foundation** • Hong Leong Nominees (Private) Limited • Kwek Holdings Pte Ltd • Kwek Hong Png Investment Pte. Ltd 	<ul style="list-style-type: none"> • HLF* and its 2 subsidiaries • China Yuchai International Limited* ("CYI") and 1 of its subsidiaries • HLA* and 25 of its subsidiaries and associated company • HLCM • HLCH and 9 of its subsidiaries • HLH and 2 of its subsidiaries • HLIH and 4 of its subsidiaries • HR and 3 of its subsidiaries • Tasek Corporation Berhad and 2 of its subsidiaries • Hong Leong Foundation** • Hong Leong Nominees (Private) Limited • Kwek Hong Leong Investment Pte. Ltd. 	<ul style="list-style-type: none"> • HLF* • Triton Holding Public Company Limited* • Cortina Holdings Limited* • Clarity The Word Factory Pte. Ltd. • Global Education Technology and Services Pte. Ltd. 	<ul style="list-style-type: none"> • Aztech Global Ltd* • CapitalLand Integrated Commercial Trust Management Limited*** • Intouch Holdings Public Company Limited* • Advanced Info Service Public Company Limited* • Seventy Times Seven • Prison Fellowship Singapore Limited • Advanced Wireless Network Co., Ltd. • Trustwave Holdings, Inc. • Lee Kong Chian School of Medicine • Singtel Asian Investments Pte Ltd • Singtel Strategic Investments Pte Ltd
Responses to questions (a) to (k) under Appendix 7.4.1 of the SGX Listing Manual	Responses to questions (a) to (k) are negative.	Responses to questions (a) to (k) are negative.	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 29 March 2023).

* Listed company

** Public company limited by guarantee

*** Manager of a listed trust

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION/APPOINTMENT

AT THE 63RD ANNUAL GENERAL MEETING

IMPORTANT:

- The Meeting will be held in a wholly physical format 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. **There will be no option for shareholders to participate virtually.** Printed copies of the Notice of Meeting will not be sent to members. Instead, the Notice of Meeting will be made available to members by electronic means via publication on the Company's website at the URL <https://www.hlf.com.sg/investor-relations/agm.php>. The Notice of Meeting will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- Arrangements relating to attendance at the Meeting, submission of questions to the Chairman of the Meeting in advance of, or at, the Meeting, addressing of substantial and relevant questions in advance of, or at, the Meeting and voting by the member or his/her/its duly appointed proxy(ies), are set out in the accompanying Company's announcement dated 29 March 2023. The announcement may be accessed at the Company's website at the URL <https://www.hlf.com.sg/investor-relations/agm.php>, and will also be made available on 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 AGM.
- 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 AGM dated 29 March 2023.

I/We, (name) _____ with NRIC/Passport/Company Registration Number: _____

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-Third Annual General Meeting of the Company (the "Meeting") to be held at Orchard Hotel Singapore, Ballroom 3, Level 3, 442 Orchard Road, Singapore 238879 on Thursday, 27 April 2023 at 11.00 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 and Audited Financial Statements together with the Auditors' Report thereon			
2.	Declaration of a Final Dividend			
3.	Approval of Directors' Fees			
4.	Re-election of Directors:	(a) Mr Kwek Leng Beng		
		(b) Mr Kwek Leng Peck		
		(c) Ms Tan Siew San		
5.	Appointment of Director: Ms Jeann Low Ngiap Jong			
6.	Re-appointment of KPMG LLP as Auditors			
B)	SPECIAL BUSINESS:			
7.	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			
8.	Authority for Directors to offer and grant options to eligible participants under the Hong Leong Finance Share Option Scheme 2001 (the "SOS") other than Parent Group Employees and Parent Group Non-Executive Directors and to issue shares in accordance with the provisions of the SOS			

Dated this _____ day of _____ 2023

Total No. of Shares Held

Signature(s) or Common Seal of Member(s)

NOTES: SEE OVERLEAF

Notes:

1. This proxy form may be downloaded from the Company's website at the URL <https://www.hlf.com.sg/investor-relations/agm.php>, and also from the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. 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.
3. (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 AGM. 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 AGM, 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.

4. A proxy need not be a member of the Company.
5. 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 17 April 2023.

6. 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, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902; or

(b) if submitted electronically, via email to the Company's Share Registrar at gpe@mncsingapore.com,

in either case not less than 72 hours before the time appointed for holding the Meeting.

A member who wishes to submit a form of proxy must first download, 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.

Members are strongly encouraged to submit completed proxy forms electronically via email.

7. This form of proxy must be signed by the appointor or his 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.
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.

Fold Here

PROXY FORM

Affix
Postage
Stamp

HONG LEONG FINANCE LIMITED

c/o The Share Registrar
M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

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

Ang Mo Kio Ave 1 Branch

Blk 338 Ang Mo Kio Ave 1
#01-1641
Singapore 560338
T : 6452 8735
F : 6454 3524

Balestier Branch

288 Balestier Road
#01-02 Balestier 288
Singapore 329731
T : 6250 1083
F : 6254 8801

Bedok Branch

Blk 203 Bedok North Street 1
#01-451
Singapore 460203
T : 6449 0601
F : 6444 3827

Bukit Batok Central Branch

Blk 641 Bukit Batok Central
#01-48
Singapore 650641
T : 6564 8801
F : 6564 9643

Bukit Merah Branch

Blk 125 Bukit Merah Lane 1
#01-156
Singapore 150125
T : 6273 0360
F : 6272 7158

City Plaza Branch

810 Geylang Road
#01-111/114 City Plaza
Singapore 409286
T : 6746 8084
F : 6748 2422

City Square Mall Branch

180 Kitchener Road
#B2-41 City Square Mall
Singapore 208539
T : 6509 8200
F : 6509 8100

Clementi West Branch

Blk 725 Clementi West Street 2
#01-216
Singapore 120725
T : 6778 6271
F : 6775 2751

Ghim Moh Branch

Blk 21 Ghim Moh Road
#01-209/211
Singapore 270021
T : 6467 3715
F : 6468 3273

Holland Drive Branch

Blk 45 Holland Drive
#01-351
Singapore 270045
T : 6778 4169
F : 6775 2836

Hong Lim Branch

Blk 531 Upper Cross Street
#01-50 Hong Lim Complex
Singapore 050531
T : 6534 5767
F : 6534 5868

Hougang Branch

Blk 208 Hougang Street 21
#01-211/213
Singapore 530208
T : 6288 2396
F : 6281 3046

Joo Chiat Branch

278 Joo Chiat Road
Singapore 427532
T : 6344 8842
F : 6440 2864

Jurong East Branch

Blk 134 Jurong Gateway Road
#01-313
Singapore 600134
T : 6564 3880
F : 6564 3787

Jurong West Branch

Blk 504 Jurong West Street 51
#01-211
Singapore 640504
T : 6569 0361
F : 6569 5918

Kallang Bahru Branch

Blk 66 Kallang Bahru
#01-521
Singapore 330066
T : 6296 8067
F : 6294 2907

Marine Parade Branch

Blk 80 Marine Parade Central
#01-790
Singapore 440080
T : 6346 2036
F : 6346 2035

Potong Pasir Branch

51 Upper Serangoon Road
#01-60/61 The Poiz Centre
Singapore 347697
T : 6214 9462
F : 6214 9463

Redhill (Jln Tiong) Branch

Blk 75D Redhill Road
#01-100
Singapore 154075
T : 6479 0277
F : 6479 0218

Sengkang Branch

1 Sengkang Square
#02-35 Compass One
Singapore 545078
T : 6384 3696
F : 6386 3364

Serangoon Garden Branch

8 Kensington Park Road
Serangoon Garden Estate
Singapore 557260
T : 6280 5665
F : 6285 2195

Tampines Grande Branch

9 Tampines Grande
#01-12
Singapore 528735
T : 6784 7326
F : 6784 9057

Toa Payoh Branch

Blk 520 Lorong 6 Toa Payoh
#02-54 HDB Hub
Singapore 310520
T : 6253 4821
F : 6256 5676

Upper Bukit Timah Branch

140 Upper Bukit Timah Road
#01-19/21 Beauty World Plaza
Singapore 588176
T : 6469 7438
F : 6468 4181

Upper Thomson Branch

219 Upper Thomson Road
Singapore 574351
T : 6453 3266
F : 6454 1913

Woodlands Branch

Blk 306 Woodlands Street 31
#01-43
Singapore 730306
T : 6368 7928
F : 6368 1448

Yishun Branch

Blk 743 Yishun Ave 5
#01-542/544
Singapore 760743
T : 6758 3711
F : 6753 5001

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Balestier

288 Balestier Road
#01-02 Balestier 288
Singapore 329731
T : 6397 4946
F : 6254 8801

Bedok

Blk 203 Bedok North Street 1
#01-451
Singapore 460203
T : 6446 7320
F : 6444 3827

Bukit Merah

Blk 125 Bukit Merah Lane 1
#01-156
Singapore 150125
T : 6274 7535
F : 6272 7158

City Plaza

810 Geylang Road
#01-111/114 City Plaza
Singapore 409286
T : 6846 9710
F : 6748 2422

City Square

180 Kitchener Road
#B2-41 City Square Mall
Singapore 208539
T : 6634 4087
F : 6834 3280

Clementi West

Blk 725 Clementi West Street 2
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Singapore 120725
T : 6873 3056
F : 6775 2751

Hong Lim

Blk 531 Upper Cross Street
#01-50 Hong Lim Complex
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T : 6534 1909
F : 6534 5868

Hougang

Blk 208 Hougang Street 21
#01-211/213
Singapore 530208
T : 6383 2807
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Jurong East

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T : 6665 1950
F : 6564 3787

Potong Pasir

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#01-60/61 The Poiz Centre
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T : 6214 9473
F : 6214 9463

Upper Bukit Timah

140 Upper Bukit Timah Road
#01-19/21 Beauty World Plaza
Singapore 588176
T : 6463 1365
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