HONG LEONG FINANCE LIMITED

ANNUAL REPORT 2021

HOW DO WE EMPOWER YOU FOR TOMORROW?

HONG LEONG FINANCE

How Do We Empower You For Tomorrow?

A

By staying true to our founding values while evolving with the times.

Hong Leong Finance's ("HLF") solid track record, strong fundamentals, customer-centric business philosophy and emphasis on innovation allow us to empower our business and retail customers. With personalised, relevant financial solutions and services, our customers are empowered to open doors of opportunities in their work and personal lives. As we advance towards the future and strive to emerge stronger from the unprecedented challenges of the pandemic, we will continue to leverage our proven capabilities and valued partnerships.

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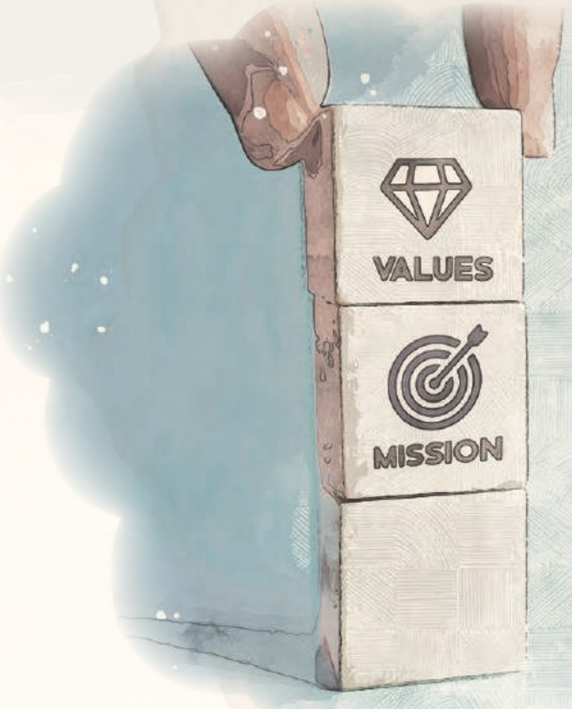


OUR VALUES

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

OUR MISSION

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

AWARDS AND ACCOLADES

ASEAN FINANCE COMPANY OF THE YEAR

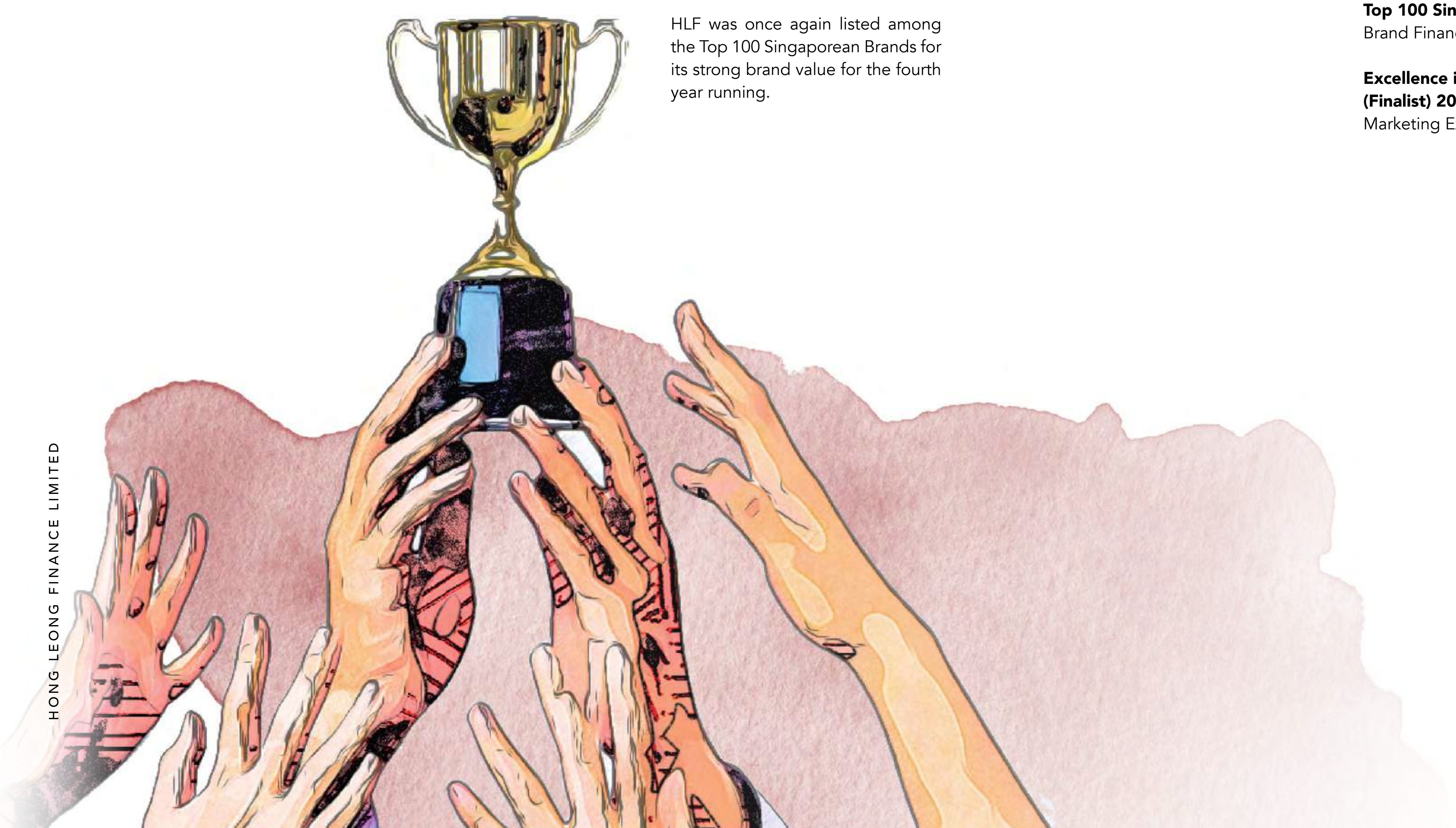
HLF was crowned ASEAN Finance Company of the Year for the eighth consecutive year. This good track record is a testament to HLF's success in introducing outstanding products and services that met customer's needs and adapting with the evolving technology and financial landscape.

BEST-PERFORMING BANKS IN SINGAPORE

HLF took the top spot for 'Best-Performing Banks in Singapore 2021' by The Banker for its top scores in Asset Quality, Soundness and Leverage. The Company was also ranked among The Banker's Top 1000 World Banks and Top 100 ASEAN Banks for the fourth year running.

TOP 100 SINGAPOREAN BRANDS

HLF was once again listed among the Top 100 Singaporean Brands for its strong brand value for the fourth year running.



2021 AWARDS

Top 1000 World Banks 2021
The Banker

Top 100 ASEAN Banks 2021
The Banker

Best-Performing Banks in Singapore 2021
The Banker

ASEAN Finance Company 2021
Asian Banking & Finance Retail Banking Awards

Top 100 Singaporean Brands 2021
Brand Finance

Excellence in Search Marketing (Finalist) 2021
Marketing Excellence Awards

2020 AWARDS

Top 1000 World Banks 2020
The Banker

Top 100 ASEAN Banks 2020
The Banker

ASEAN Finance Company 2020
Asian Banking & Finance Retail Banking Awards

Top 100 Singaporean Brands 2020
Brand Finance

Excellence in Programmatic Marketing – Silver 2020
Marketing Excellence Awards

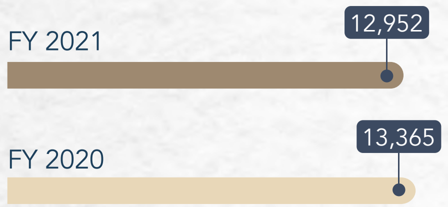
FIVE-YEAR FINANCIAL SUMMARY

		FY2021	FY2020	FY2019	FY2018	FY2017
CAPITAL EMPLOYED						
Total assets	$million	**12,952**	13,365	14,461	13,381	12,543
Net equity	$million	**1,963**	1,918	1,914	1,874	1,742
Net assets per share	$	**4.38**	4.29	4.28	4.20	3.91
SHARE CAPITAL						
Number of shares in issue	million	**447.8**	447.6	447.5	445.8	445.2
LOANS AND DEPOSITS						
Loans net of allowances	$million	**10,695**	10,948	11,554	10,278	9,877
Deposits	$million	**10,807**	11,194	12,307	11,338	10,659
PROFIT AND RETAINED EARNINGS						
Profit before tax	$million	**101.9**	74.7	123.9	142.1	103.0
Profit after tax	$million	**84.8**	63.9	103.1	118.3	85.7
Interim/final dividend(s) declared in the year	$million	**41.4**	60.4	67.0	62.4	44.5
Earnings retained for the year	$million	**43.4**	3.5	36.1	55.9	41.2
EARNINGS PER SHARE AND DIVIDENDS						
Earnings per share	cents	**18.9**	14.3	23.1	26.6	19.3
Dividend – tax exempt one-tier*	cents	**12.0**	9.0	15.0	15.0	13.0
Times covered*		**1.6**	1.6	1.5	1.8	1.5
Number of Employees		**608**	617	640	634	628

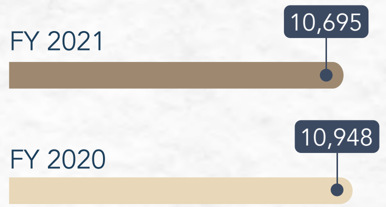
* Dividend per share and times covered are stated based on the interim/final dividend(s) declared/proposed in respect of each financial year. This differs from the accounting treatment whereby dividends are accounted for in the year declared regardless of the financial year to which they relate.

FINANCIAL HIGHLIGHTS

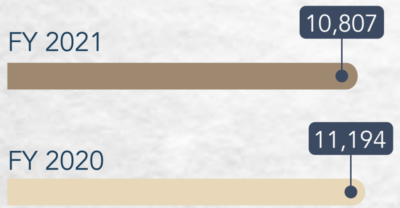
TOTAL ASSETS
($ mil)



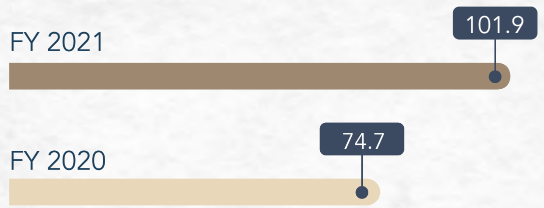
LOANS NET OF ALLOWANCES
($ mil)



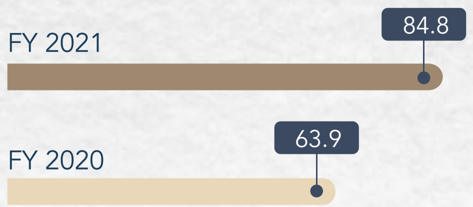
DEPOSITS
($ mil)



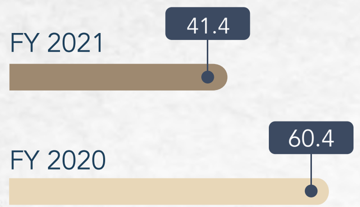
PROFIT BEFORE TAX
($ mil)



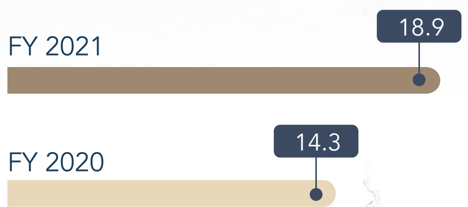
PROFIT AFTER TAX
($ mil)



INTERIM/FINAL DIVIDEND(S) DECLARED
($ mil)



EARNINGS PER SHARE AND DIVIDENDS
(cents)



CHAIRMAN'S STATEMENT

WE CONTINUED TO ENCOURAGE THE USE OF DIGITAL CHANNELS FOR OUR CUSTOMERS' FINANCIAL TRANSACTION NEEDS. THIS MINIMISED COVID-19 RISK EXPOSURE OF OUR CUSTOMERS AND PROVIDED CONVENIENCE FOR THEM IN THEIR PAYMENTS TRANSACTIONS.

OPERATING PERFORMANCE

A Challenging Year

This past year has been challenging for all of us due to Covid-19 resurgence risks. With targeted efforts by the Singapore government to manage public health concerns with protecting livelihoods and improving external demand, the economy impact was less severe.

Amidst challenging operating environment, Hong Leong Finance ("HLF" or the "Company") continues to attain healthy growth in financial performance and maintain a strong capital position.

KWEK LENG BENG
Chairman

Supporting Our Customers

The Company has continued to support its retail and business customers in bad times as well as good. The pandemic adversely impacted the financial health of many customers. In response, we deployed various measures such as relief facilities and repayment assistance to help them.

Accelerating Digital Transformation

The current environment has accelerated the shift to digital financial transactions and electronic payments as customers embrace remote- and hybrid-working. We intensified our digital efforts to help individuals and businesses adapt to and thrive in the new normal.

We continued to encourage the use of digital channels for our customers' financial transaction needs. This minimised Covid-19 risk exposure of our customers and provided convenience for them in their payments transactions. In 2021, we continue to see high digital adoption for payment channels such as AXS and PayNow, with PayNow transaction volume and amount more than doubled, as compared to 2020.

Furthermore, we rolled out new digital capabilities and updates to our digital platforms. We upgraded our digital vehicle loan application platform for enhanced efficiency and faster customer service. The convenient and scalable channel processed more than three-fold of car loan applications this year compared to a year before, with no additional manpower support. Our fixed deposit customers also enjoyed hassle-free transactions with the introduction of fixed deposit advice and e-payments based on online instructions. The Company also partnered with HDB on the launch of their new portal, HDB Flat Portal, to enhance buyer experience when purchasing their HDB flats.

These digital capabilities are increasingly crucial to complement our existing physical channels to enable us to serve customers wherever they are. We will continue to invest and introduce more digital channels and efficiencies in our operational processes to facilitate effective digital transformation to suit changing customer needs.

Having a Customer-Centric Mindset

We are committed to listening to our customers and dedicate our service in fostering a positive customer experience at every stage of the customer journey. Our employees are our competitive edge who understand the importance of customer centricity.

While we transitioned to a new working model to safeguard the well-being of our employees, we established stringent safe management measures and standard operating procedures to ensure that we maintained our high customer service standards. Our employees continued to be trained and upskilled. We also invested in new technology and are adopting powerful tools, like Microsoft 365 that offers a suite of apps that will help our employees working in office and at home, to stay connected and getting things done well for customers.

Staying Relevant With Innovation

We live in a world of constant change. For HLF to stay relevant now and in the future, we need to innovate and adapt.

With the unprecedented challenges brought about by the Covid-19 pandemic, we experienced dramatic drop in face-to-face interactions with customers and observed a rapid pick up in exchanges on messaging apps. To enhance and build on this engagement, we launched an exclusive fun digital sticker pack to add more flavour to our conversations with them. The well-received stickers featured Egan, a sociable and cheerful dragon character, in common emotions like joy, love and surprise. It also advocated healthy and good practices with "Stay Safe" and "Go Green" messages.

WE ARE COMMITTED TO LISTENING TO OUR CUSTOMERS AND DEDICATE OUR SERVICE IN FOSTERING A POSITIVE CUSTOMER EXPERIENCE AT EVERY STAGE OF THE CUSTOMER JOURNEY.

CHAIRMAN'S STATEMENT

Climate change is a growing concern for everyone and we make it an integral part of our strategy to address it. We actively promoted sustainable finance and the Company was the first in Singapore to announce green vehicle financing initiative for vehicle rental companies. The innovative programme offered Vehicle-Green Loan and Charger-Green Loan to the significant growing sector. According to Land Transport Authority figures, Singapore's private hire car sector grew 142% over the last five years in 2020[1]. Correspondingly, electric vehicles and hybrids grew 571%[2]. With the government's enhanced rebates on green cars in place, the green financing scheme helped the rental companies to be eco-friendly and improve their bottom line.

Strengthening Partnerships

We have strong relationships with our customers and partners like car dealers, property developers and agents that have been built over decades. Our strategic partnerships with our valued business partners have enabled the Company to enhance its capability and reach. We have significant opportunities to deepen and broaden our rapport with them and expand our business and marketing through the collaboration.

Heightening Governance Practices

The Covid-19 pandemic has cast greater emphasis on risk and compliance for business resilience.

The Company adopts robust and prudent risk management practices to support strategic business goals and create sustainable value for all. With leadership from the Board, the Management continues to invest in risk management and compliance capabilities to protect our business and safeguard the common interests of our stakeholders. We have in place strong governance structure, rigorous risk management practices and sound internal controls that leverage technology, to enhance our effectiveness and efficiency in conducting businesses within appropriate risk tolerance levels and in compliance with regulations.

Embracing Sustainability

HLF is committed in our Sustainability Framework in pursuing sustainable business priorities and enforcing responsible business practices, beyond making profits. We integrate sound environment, social and governance practices into the Company's operations.

WE ACTIVELY PROMOTED SUSTAINABLE FINANCE AND THE COMPANY WAS THE FIRST IN SINGAPORE TO ANNOUNCE GREEN VEHICLE FINANCING INITIATIVE FOR VEHICLE RENTAL COMPANIES.

[1] https://www.lta.gov.sg/content/dam/ltagov/who_we_are/statistics_and_publications/statistics/pdf/MVP01-1_MVP_by_type.pdf
[2] https://www.lta.gov.sg/content/dam/ltagov/who_we_are/statistics_and_publications/statistics/pdf/MVP01-4_MVP_by_fuel.pdf

We believe in driving value creation for key stakeholders and supporting our employees' well-being and development as our business priorities. Our responsible business practices, which anchor on strong and robust corporate governance, risk management, responsible finance and environment management, are our bedrock for business sustainability.

Maintaining Trust for 60 Years

HLF is a trusted financier that provides core services on financing, deposits and corporate finance services. Our strength in service for the past 60 years allows us to have a differentiated presence to compete.

We are humbled to be conferred the "Best Performing Bank in Singapore 2021" by The Banker, an international publication owned by The Financial Times Ltd, in recognition of the Company's outstanding performance in the banking and financial industry. It topped in three of the eight assessment categories, namely Asset Quality, Soundness and Leverage.

HLF has also been rated "Top 100 ASEAN Banks" and "TOP 1000 World Banks" by The Banker for the Company's healthy Tier 1 Capital and "Top 100 Singaporean Brand" by Brand Finance for its strong brand value for four consecutive years.

We firmly believe in excelling by staying true and relevant, focusing on driving performance in core businesses. Our customers clearly trust us and value the efforts we have been making.

OUTLOOK

There are signs of economic recovery based on external economic recovery and domestic demands. However the market remains susceptible to economic and geopolitical uncertainties. We therefore remain cautiously optimistic about what lies ahead. HLF will continue to strengthen our governance structures, improve our due diligence, and enhance the robustness of our systems and processes to drive sustainable long term growth.

As we move into a world where we live with Covid-19 and it is no longer a constraint on our operations, we seek to emerge stronger from the experience of the past year and to stay the course of our transformation and maintain excellent customer service as our competitive edge. With great teamwork, coordination and adaptability by our employees, we will continue to deliver high quality value propositions and innovative solutions that meet our stakeholders' needs.

HLF WILL CONTINUE TO STRENGTHEN OUR GOVERNANCE STRUCTURES, IMPROVE OUR DUE DILIGENCE, AND ENHANCE THE ROBUSTNESS OF OUR SYSTEMS AND PROCESSES TO DRIVE SUSTAINABLE LONG TERM GROWTH

APPRECIATION

I am deeply grateful to all our valued customers, shareholders and business partners for their continued support, trust and confidence in us.

I would also like to thank my fellow Directors for their invaluable advice and guidance during the year and to the management and staff for their commitment and efforts in 2021.

On behalf of the Board of Directors, I wish to extend a warm welcome to Mr Clarence Yeo Gek Leong, who joined the Board on 1 January 2022 as an independent non-executive Director. The Board is confident that Mr Yeo's experience, especially in the areas of information technology and digitalisation with elements of cybersecurity gleaned from his tenure with ICA, would provide further diversity to the core competencies and skill set of the Board and it looks forward to his contributions. The Board would also like to take this opportunity to express its sincere appreciation to Mr Ter Kim Cheu for his invaluable contributions to the Company since his appointment to the Board in September 2010. He stepped down as an independent non-executive Director of the Company with effect from 1 January 2022.

KWEK LENG BENG
Chairman
23 February 2022

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How do we effectively serve our customers?

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By striving for excellence in everything we do.

TRIED AND TESTED.

HLF has a strong and enduring legacy of empowering businesses and individuals - going to great lengths to offer personalised finance solutions, and innovating products and services that meet our customers' evolving needs. We are honoured to receive the the ASEAN Finance Company of the Year Award for the eighth consecutive year - a reflection of our commitment, our values and our partnerships.

DIRECTORY OF SERVICES

SME LOANS

Accounts Receivable Financing

Block Discounting

Enterprise Finance Scheme (EFS)
- SME Fixed Assets
- SME Working Capital
- Temporary Bridging Loan (this scheme by Enterprise Singapore is extended until 30 September 2022)
- Trade

Equipment Loan

HDB SME Loan

Hire Purchase

Medical Asset Financing

Property Development Loan

SME CARE Programme

SME Property Loan

Suppliers' Invoice Financing / Letters of Credit

Syndicated Loan

Term Loan / Revolving Working Capital Loan

Vehicle-Green Loan & Charger-Green Loan

CORPORATE FINANCE

Mainboard Issue Manager for SGX Listing

Catalist Full Sponsor

Catalist 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

DEPOSITS

Business Current Account

Fixed Deposits

Fixed Savings Account

Savings Accounts

Savers Plus

PERSONAL LOANS

Car Loans
- New & Used Cars
- Vehicle-Green Loan

Home Loans
- For HDB
- For Private Property

Mortgage Equity @50

Premium Financing

Share Financing

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 34 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@cdl.com.sg

AUDITORS

KPMG LLP
Public Accountants and Chartered Accountants, Singapore
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
(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

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" or the "Company") has evolved from a Small & Medium Enterprise ("SME") in 1961 to become Singapore's largest finance company with a distribution network of 28 branches.

The Company is ranked the "Best Performing Bank in Singapore", among the 'Top 100 ASEAN Banks' and 'Top 1000 World Banks' for 2021 by The Banker, an international publication owned by The Financial Times Ltd. Listed on the Singapore Stock Exchange in 1974 as the then Singapore Finance Ltd, HLF is the financial services arm of the Hong Leong Group Singapore.

HLF's core business involves taking deposits and savings from the public and providing financing solutions and services that include corporate and consumer loans, government assistance for SMEs, corporate finance and advisory services.

THE SME SPECIALIST

As an SME Specialist with six decades of experience in serving the SME community, HLF has supported many local business enterprises with customised financial solutions that enabled them to operate successfully and expand swiftly.

To help them achieve greater efficiency and scale greater heights, the Company was the first to launch a Business Current Account in 2007 and is the only one among the finance companies with full sponsorship status for the SGX Catalist Board. We provide financial advisory and fundraising services to SMEs aiming to list on Catalist, support companies in their mergers and acquisitions and underwrite the sale of shares by listed companies.

In our quest to maintain market leadership and deliver services effectively to our SME customers, HLF maintains a strong network of 12 SME Centres within our branch network to stay close to the business community. For our strong commitments towards SMEs, HLF was twice conferred the 'Friends of Enterprise' award by the Spirit of Enterprise.

THE FRIENDLY NEIGHBOURHOOD BRANCH

Our 28 branches are strategically situated in Singapore and 27 of them are located in residential estates where our customers live and play. Over the years, we have earned their trust and pride ourselves in offering personalised services to them and meeting their daily needs. The HLF brand has become a household name and is recognised among the 'Top 100 Singaporean Brands 2021' by Brand Finance.

A SUSTAINABLE BUSINESS OPERATION

We are a customer-centric organisation, 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 identify 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 / 81

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

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") (Chairman/Executive Director)
- 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
- Millennium & Copthorne Hotels plc (Non-Executive Chairman) *(delisted and privatised in 2019 and now known as Millennium & Copthorne Hotels Limited)*

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, having joined CDL in the late 1960s and since then has contributed significantly to building CDL's more than five 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 Hong Leong Finance. City Developments Limited ("CDL") is a related company under the Hong Leong Group of companies. Millennium & Copthorne Hotels Limited is a subsidiary of CDL.

* listed company

Information as at 4 March 2022

BOARD OF DIRECTORS

KWEK LENG PECK / 65

Non-Executive and Non-Independent Director

First appointment as Director
1 January 1998

Last re-election as Director
29 April 2021

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)
- Millennium & Copthorne Hotels plc (Non-Executive Director) *(delisted and privatised in 2019 and now known as Millennium & Copthorne Hotels Limited)*
- Tasek Corporation Berhad (Non-Executive Chairman) *(delisted and privatised 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 Hong Leong Finance. 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 4 March 2022

KWEK LENG KEE / 67

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 Hong Leong Finance. Hong Leong Holdings Limited and Tripartite Developers Pte. Limited are related companies under the Hong Leong Group of companies.

KEVIN HANGCHI / 49

Non-Executive and Non-Independent Director

First appointment as Director
1 October 2016

Last re-election as Director
25 June 2020
Will be seeking re-election at the 2022 Annual General Meeting

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 Hong Leong Finance. Millennium & Copthorne Hotels New Zealand Limited and Hong Leong Management Services Pte Ltd are related companies under the Hong Leong Group of companies.

* listed company

Information as at 4 March 2022

PETER CHAY FOOK YUEN / 62

Non-Executive and Lead Independent Director

First appointment as Director
11 June 2019

Appointment as Lead Independent Director
29 April 2021

Last election as Director
25 June 2020
Will be seeking re-election at the 2022 Annual General Meeting

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

Present directorships in other listed companies and principal commitments
Nil

Other appointments
Nil

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

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

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

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

BOARD OF DIRECTORS

TAN TEE HOW / 62

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 2022 Annual General Meeting

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)
- Casino Regulatory Authority of Singapore (Chairman)
- National Healthcare Group (Chairman)

Other appointments
- MOH Holdings Pte Ltd (Director)
- Temus Pte Ltd (Director)
- Catholic Preschool Education (Singapore) Ltd (Chairman)

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

Prior to his joining CES in February 2018, Mr Tan had 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 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 / 70

Non-Executive and Independent Director

First appointment as Director
11 June 2019

Last election as Director
25 June 2020

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
- Ambassador Extraordinary and Plenipotentiary to the Kingdom of Thailand
- 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 March 2012 to May 2019, and retired from the Singapore civil service in June 2019. She started her 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, her area of responsibilities included strategic issues, defence relations, national education, military security and public affairs. She was appointed Deputy Secretary (Asia Pacific) in the Ministry of Foreign Affairs in October 2006, which appointment was held until her posting as Ambassador to Thailand in March 2012.

During her public service career, Ms Tan was awarded the Public Administration Medal (Silver) in 1990 and the Public Administration Medal (Gold) in 1999.

A graduate with a Bachelor of Social Science (Political Science), Second Class Honours (Upper) from the University of Singapore, she also obtained a Master of Arts (Political Science) from the University of Wisconsin-Madison, USA on a Fulbright-Hays scholarship.

* listed company

Information as at 4 March 2022

CHRISTIAN GAUTIER DE CHARNACE / 72

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
- Millennium & Copthorne Hotels plc (Independent Director) *(delisted and privatised in 2019, and now known as Millennium & Copthorne Hotels Limited)*

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, Hong Kong, 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.

CLARENCE YEO GEK LEONG / 62

Non-Executive and Independent Director

First appointment as Director
1 January 2022

Last re-election as Director
Not applicable
Will be seeking election at the 2022 Annual General Meeting

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)

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 & 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 4 March 2022

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How do we earn trust and confidence?

A

By standing by our customers through thick and thin.

CUSTOMER-CENTRIC.

HLF will always go the distance to earn our customers' trust and confidence. We know that they count on us to support them on their business journey, especially during trying times. That is why in addition to offering outstanding financial solutions, we also introduced customer-centric programmes in support of Covid-19 relief measures to help our customers rise above pandemic-related business challenges.

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 2021 in making the following public Statement of Support as part of the SIAS Corporate Governance Week 2021 Initiatives organised by SIAS in October 2021:

"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 (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 (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 (ID)	Assists the Board in its succession plan through the review of board size, composition and skills 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 (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 (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 and reviews the Company's sustainability reports.

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 and 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 are set out in the Sustainability Report on pages 60 to 77 of this Annual Report 2021 ("AR").

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

All Directors being fiduciaries, are required to 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), abstain from deliberation and 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 staff 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 or 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 relevant Board Committees, the Company's business, Board processes, corporate governance practices, relevant Company policies and procedures as well as a meeting calendar for the year with a brief of the routine agenda for each meeting of the Board and where applicable, 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 or 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. Being a first time Director, he has registered for 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, corporate governance 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 skills 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.

During the year, some of the trainings attended by the Directors included the ACRA-SGX-SID Audit Committee Seminar 2021, SID Directors Conference 2021, SID Corporate Governance Roundup 2021, SGX Regulatory Symposium, SID AC Chapter Pit Stop Series, SGX Sustainability Reporting Review 2021, Mandatory Climate-related Disclosures, briefings and seminars organised by SID, audit and legal professionals and other consultants in relation to board and audit committee matters, remuneration committee matters, green financing and sustainability matters. In addition, in-house seminars were also organized in 2021 and conducted by invited external speakers on the following topics:

- Insights from latest reports on corporate governance, sustainability and climate reporting
- Summary on SGX's proposals on sustainability reporting and climate-related reporting and how listed companies can brace themselves for mandatory climate-related reporting
- Sustainability and the rising expectation of Boards to play a bigger role in driving ESG
- Internal audit and external assurance for sustainability reports; necessity of materiality assessments
- Task Force on Climate-Related Financial Disclosure (TCFD) reporting and climate change scenario planning
- Geopolitics
- Data ethics and advanced analytics and artificial intelligence
- Anti-money laundering and countering the financing of terrorism

Members of the AC were also provided with a briefing from the Company's external auditors on applicable Accounting Standards and cyber security updates during the year.

The Board attended various training webinars, seminars and workshops in 2021 which accounted for more than 110 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 6 in this report, the Directors' Statement on pages 93 to 94 and in the Financial Statements on pages 122 to 125 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 2021. The Board agenda at the Board meetings held in 2021 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 2021. 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 2021.

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 2021, is disclosed on page 30. 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 or 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.

Directors' Attendance (including via electronic means) at the AGM, and Meetings of the Board, Board Committees and the NEDs in 2021 (Provision 1.5)

	Board	Exco	AC	NC	RC	SOSC	BRC	BSC	NEDs	AGM
Number of meetings held in 2021:	3	1	6	3	2	1	2	2	1	1
Name of Directors	**Number of meetings attended in 2021**									
Kwek Leng Beng	2	1	N.A.	2	N.A.	N.A.	1	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.	0	1
Kevin Hangchi[b]	3	1	N.A.	N.A.	N.A.	N.A.	2	2	1	1
Peter Chay Fook Yuen[c]	3	N.A.	5	2	2	1	2	N.A.	1	1
Ter Kim Cheu	3	1	6	N.A.	2	1	N.A.	2	1	1
Tan Tee How[d]	3	1	6	N.A.	N.A.	N.A.	2	N.A.	1	1
Tan Siew San[e]	3	1	N.A.	2	1	1	1	2	1	1
Christian de Charnace[f]	3	N.A.	N.A.	N.A.	N.A.	N.A.	1	N.A.	1	1
Chng Beng Hua[g]	1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1
Cheng Shao Shiong @ Bertie Cheng[g]	1	N.A.	N.A.	1	1	N.A.	1	N.A.	N.A.	1
Po'ad bin Shaik Abu Bakar Mattar[g]	1	N.A.	3	1	N.A.	N.A.	N.A.	N.A.	N.A.	1
Raymond Lim Siang Keat[g]	1	N.A.	N.A.	N.A.	N.A.	N.A.	1	N.A.	N.A.	1

Notes:

(a) All Directors including Mr Kwek Leng Beng, the Board Chairman were in attendance at the AGM in 2021 together with the President and the Company's external auditors. The 2021 AGM was held via electronic means.

(b) Mr Kevin Hangchi attended an Exco meeting by invitation.

(c) Mr Peter Chay was appointed as the Lead ID, chairman of the AC and member of the NC with effect from 29 April 2021. Prior to his appointment as chairman of the AC, he had attended 3 AC meetings by invitation.

(d) Mr Tan Tee How was appointed as the chairman of the BRC, and member of the Exco with effect from 29 April 2021.

(e) Ms Tan Siew San was appointed as the chairman of the NC, and member of the Exco, BRC, RC and SOSC with effect from 29 April 2021.

(f) Mr Christian Gautier de Charnace was appointed as a member of the BRC with effect from 29 April 2021.

(g) The following Directors stepped down from the Board upon the conclusion of the Company's 61st AGM held on 29 April 2021:
- (i) Mr Chng Beng Hua;
- (ii) Mr Bertie Cheng. Consequent to his cessation as a Director, he also ceased to be the chairman of the BRC and NC, as well as a member of the Exco, RC and SOSC;
- (iii) Mr Po'ad Mattar. Consequent to his cessation as a Director, he also ceased to be the Lead ID, the chairman of AC as well as a member of the NC; and
- (iv) Mr Raymond Lim. Consequent to his cessation as a Director, he also ceased to be a member of the Exco and BRC.

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

When considering the nomination of Directors for election/re-election, the NC also considers 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 or she has any issue with competing time commitments which may impact his or her ability to provide sufficient time and attention to his or her duties as a Director of the Company and that he or 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") for continued appointment to the Board. 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 three. 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 or her time commitments with the proposed new appointment and in the case of an ID, to also ensure that his or 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 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 corporate governance practices and processes, including ensuring good information flows within the Board and the Board Committees and between the Directors and Management, facilitating the induction for newly appointed Directors and newly appointed Board Committee members, and assisting in the continuing training and development programme for the Directors. On an on-going basis, the Directors have separate and independent access to the Company Secretaries.

Principle 2: Board Composition and Guidance

Board Independence (Provisions 2.1, 2.2 and 2.3)

The Board currently comprises 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.

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. As part of the consideration, the NC has also taken into account the 5 IDs' 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 conflicts of interests especially by abstaining from deliberation and decision-making on such transactions and their ability to maintain objectivity in their conduct as Directors of the Company.

The 5 IDs are Mr Peter Chay, Mr Tan Tee How, Ms Tan Siew San, Mr Christian de Charnace and Mr Clarence Yeo. In accordance with Rule 210(5)(d) of the Listing Manual, 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. None of the 5 IDs has 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 Directors undertook a review of their independence, with each ID abstaining from participating in his or her own review by the Board and had concurred with the NC's determination of the independence of the 5 IDs.

Mr Chng Beng Hua, the late Mr Bertie Cheng, Mr Po'ad Mattar and Mr Raymond Lim stepped down from the Board following the conclusion of the 2021 AGM, having served for more than nine years on the Board. Mr Ter Kim Cheu who had also served on the Board for more than nine years since his appointment stepped down on 1 January 2022. Mr Clarence Yeo who was appointed as an ID on 1 January 2022 would retire at the forthcoming AGM to be held in April 2022 ("2022 AGM") pursuant to the Company's Constitution and being eligible, has offered himself for election as an ID.

Board Composition, Size and Diversity (Provision 2.4)

The NC reviews the size and composition mix of the Board and Board Committees annually. At the recommendation of the NC, the Board had adopted in 2018 a formal Board Diversity Policy, setting out its policy and framework for promoting diversity on the Board. The Board 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, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors.

When reviewing and assessing the composition of the Board and making recommendations to the Board for the appointment of Directors, the NC will strive to ensure that all aspects of diversity are considered. The NC noted the recommendation of the Council for Board Diversity for listed companies to have 25% female representation on their boards by 2025 and 30% by 2030. In this regard, the NC will try to ensure that:

(a) if external search consultants are used to search for candidates for Board appointments, the brief will include a requirement to also present female candidates;

(b) when seeking to identify a new Director for appointment to the Board, the NC will request for female candidates to be fielded for consideration; and

(c) female representation on the Board be continually improved over time based on the set objectives of the Board.

The final decision on selection of Directors will however be based on merit against an objective criterion that complements and expands the skills and experience of the Board as a whole, and after having given due regard to the overall balance and effectiveness of a diverse Board.

The Board currently comprises business leaders and professionals with financial (including audit and accounting), banking, legal, risk, information technology, business and management backgrounds. When reviewing and assessing the composition of the Board and making recommendations to the Board for the appointment of Directors, the NC will consider all aspects of diversity to arrive at an optimum balanced composition of the Board.

The Board currently has one female member, and Directors with ages ranging from late 40s to more than 80 years old, who have served on the Board for different tenures. The ratio of Directors between 46 and 65 years of age and above 65 years of age is 5:4. The members of the Board with their combined banking, business, management and professional experience, knowledge and expertise, provide core competencies to allow for diverse and objective perspectives on the Company's business. 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 Company's current operations, the Board is satisfied that its current composition, mix and size provide for effective decision making at meetings of the Board and Board Committees. The Board will continue to review opportunities to refresh the Board with a view to expanding the diversity of the Board as a whole.

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 2021 without the presence of Management and the Board Chairman.

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

Role 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. 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:

- Mr Leong Chee Wah, Senior Vice President (Credit Control, Corporate Finance and Operations Re-Engineering)
- Ms Joan Yeo, Chief Financial Officer ("CFO")
- 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)

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 establishment of various Board Committees with power and authority to perform key functions without the undue influence from the Board Chairman, and the putting in place of internal controls for proper accountability and to allow for effective oversight by the Board of the Company's business, the Board ensures there is appropriate balance of power which allows the Board to exercise objective decision-making in the interests 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 where they have concerns and for which approaches through the normal channels of the Board Chairman/MD or the President or the CFO have failed to resolve or are inappropriate or inadequate. No query or request on any matter which requires the Lead ID's attention was received from the shareholders in 2021. Under the chairmanship of the Lead ID, a meeting of the NEDs was convened in 2021 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 NC's responsibilities as set out in its written terms of reference approved by the Board, are to examine the 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 2021. The Company Secretaries maintain records of all NC meetings including records of discussions on key deliberations and decisions taken.

For the financial year under review, the NC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("NC Self-Assessment Checklist").

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

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

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

The NC reviews annually the nomination of the relevant Directors for election/re-election as well as the independence of Directors. 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. 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,

(a) Mr Kevin Hangchi, Mr Peter Chay and Mr Tan Tee How will be retiring by rotation; and

(b) Mr Clarence Yeo, appointed in January 2022, will also be retiring, at the 2022 AGM.

As recommended by the NC, the Board recommends the re-election of Mr Kevin Hangchi as a non-independent NED, Mr Peter Chay and Mr Tan Tee How as IDs as well as the election of Mr Clarence Yeo as an ID. In recommending the re-election of these Directors who offered themselves for re-election at the 2022 AGM, the NC has considered their contribution and performance and recommended to the Board to nominate their re-election at the 2022 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 interviews shortlisted 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 firms to find appropriate candidates. Shortlisted 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, the NC considers:

(a) 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;

(b) 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;

(c) any competing time commitments if the candidate has multiple listed company board representations and/or other principal commitments;

(d) the candidate's independence, in the case of the appointment of an ID; and

(e) the composition requirements for the Board and Board Committees after matching the candidate's skills set to the requirement of the relevant Board Committees (if the candidate is proposed to be appointed to any of the Board Committees).

As a finance company, all new appointments to the Board are subject to the approval of the MAS.

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 latest re-election to the Board, principal commitments and directorships held in listed companies both currently and in the preceding three years, and other relevant information; 'Additional Information on Directors seeking election/re-election at the 62nd Annual General Meeting'; and the 'Notice of Annual General Meeting' for information on Directors proposed for election/re-election at the 2022 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 skills sets 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 joined the Board as an ID in January 2022. The NC had considered Mr Yeo's experience especially in the areas of information technology as well as digitalisation and organisational transformation with elements of cybersecurity and was of the view that his appointment to the Board would provide further diversity to the core competencies of the Board and allow for fresh perspectives on the Company's strategies and business. Mr Yeo also has experience in leading and driving governance, organisational excellence and enterprise risk management. Further information on Mr Yeo can be found on pages 21 and 168 to 173 of this AR.

With the cessation of Mr Ter Kim Cheu as an ID, and the appointment of Mr Clarence Yeo on 1 January 2022, the following changes were made to the composition of the Board Committees:

(a) cessation of Mr Ter as chairman/member of the following Board Committees:
- Chairman of the BSC
- Member of the Exco
- Member of the AC
- Member of the RC
- Member of the SOSC

(b) appointment of Mr Yeo as a member of the following Board Committees:
- Exco
- AC
- RC
- SOSC
- BSC

(c) appointment of Mr Kevin Hangchi as the chairman of the BSC. Mr Hangchi was already a member of the BSC.

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 2021 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

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, if any, for improvements 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 or her attendance records at Board and, where applicable, Board Committee meetings; and (b) NC's evaluation based on certain assessment parameters. The assessment parameters were recommended by the NC and approved by the Board.

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

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 six areas relating to Board composition, Board independence, 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 or her abilities and competencies, his or her objectivity and the level of participation at Board and, where applicable, Board Committee meetings including his or 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 or 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 RC's principal responsibilities 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 2021. On an annual basis, the RC reviews and recommends 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 2021.

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:

(a) to ensure that the procedure for determining remuneration for Directors is formal and transparent;

(b) 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

(c) to ensure that no Director is involved in deciding on his or her own remuneration.

In reviewing the remuneration package 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:

(a) to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Company's needs;

(b) to ensure that the remuneration reflects employees' duties and responsibilities; and

(c) 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 93 to 94 and the Financial Statements on pages 122 to 125 of the AR.

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

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

The letter of offer of options to eligible participants (including the KMP) under the SOS includes a claw-back provision which gives the Company the right to recover or cancel the options (whether in whole or in part, before they are exercised) in the event of exceptional circumstances involving a misstatement of the financial results of the Company for the financial year on which the grant is based, or any misconduct by an employee of the Company, resulting in financial loss to the Company.

When reviewing the structure and level of Directors' fees, which comprise base Director's fee and additional fees for services rendered under the various Board Committees and fee for the Lead ID, the RC takes into consideration the Directors' respective roles and responsibilities in the Board and Board Committees and the changes in the business, corporate governance practices and regulatory rules. The RC also compared the Company's fee structure against industry practices. Other factors taken into consideration in the fee review 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 or 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 2021 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 2021.

The remuneration of each Director for FY 2021 including a breakdown in percentage terms earned through base salary, variable bonuses/allowances, fees, share option grants and other benefits for FY 2021, 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							
1. Kwek Leng Beng (MD)	2,436,207	46	45	7	1	1	100
Non-executive Directors							
2. Kwek Leng Peck	138,000	–	–	100	–	–	100
3. Kwek Leng Kee	75,000	–	–	100	–	–	100
4. Kevin Hangchi	119,000	–	–	100	–	–	100
5. Ter Kim Cheu	156,000	–	–	100	–	–	100
6. Peter Chay Fook Yuen	192,266	–	–	100	–	–	100
7. Tan Tee How	181,958	–	–	100	–	–	100
8. Tan Siew San	141,680	–	–	100	–	–	100
9. Christian Gautier de Charnace	101,959	–	–	100	–	–	100
10. Chng Beng Hua[4]	24,452	–	–	100	–	–	100
11. Cheng Shao Shiong @ Bertie Cheng[4]	64,717	–	–	95	–	5	100
12. Po'ad bin Shaik Abu Bakar Mattar[4]	51,186	–	–	100	–	–	100
13. Raymond Lim Siang Keat[4]	44,014	–	–	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 2021, which are subject to approval by shareholders as a lump sum at the 2022 AGM.
[3] These relate to options granted during FY 2021. The fair value of the options as at the date of grant is $0.1596 for each share under option taking into account the vesting schedule using the Black-Scholes Option Pricing Formula.
[4] Mr Chng Beng Hua, the late Mr Bertie Cheng, Mr Po'ad Mattar and Mr Raymond Lim stepped down as Directors on 29 April 2021. The Board and Board Committee fees (where applicable) payable to them are pro-rated for FY 2021.

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

For FY 2021, 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 2021 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 2021
(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.

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. During the year, the late Mr Bertie Cheng and Mr Raymond Lim stepped down from the BRC following their cessation as Directors. Ms Tan Siew San and Mr Christian de Charnace were appointed. 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 organizational 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 54 to 57 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 2021 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:

(a) written assurance from the KMP that the Company's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) written assurance from the KMP that the Company's risk management and internal control systems in place are adequate and effective to address in all material aspects the financial, operational, compliance and IT risks in the context of the current scope of the Company's business operations.

The process of reviewing and strengthening the Company's control environment is an ongoing process. The Board and Management will take action to rectify areas which require enhancement and strengthen the internal controls and risk management systems with a view to maintain a high level of governance and internal controls. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgement in decision-making, losses, fraud or other irregularities.

The AC reviewed the adequacy of the Company's internal controls that address the Company's financial, operational, compliance and IT risks, and risk management systems for FY 2021, 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 2021 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. With the cessation of Mr Ter as a Director with effect from 1 January 2022, he had also ceased to be a member of the AC and Mr Clarence Yeo has been appointed a member of the AC in place of him.

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 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 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;

- 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 2021. 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 2021, the Group had also incorporated the potential impact of uncertain economic outlook arising from the on-going pandemic and emergence of Omicron variant. 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.

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 six 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 also considered the contribution of 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 2021. 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 2021 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 2021 are set out below:

	$'000
Audit fees	412
Non-audit fees	173

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2022, 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 2022 AGM.

Related Party and Interested Person Transactions

Taking a risk-based approach, the Company has established policies and procedures on related party ("RP") and IP transactions to ensure that such transactions are undertaken on an arm's length basis, on normal commercial terms consistent with the Company's usual business practices and policies, not prejudicial to the interests of the Company and its minority shareholders and on terms which are generally no more favourable to the RPs and/or IPs (as defined in Chapter 9 of the Listing Manual), than those extended to other unrelated third parties under similar circumstances. IA reviews all IP transactions and the RP lending transactions annually and as part of its review, updates the AC on such transactions reviewed and updates the Board on comments/findings if any relating to any loan related/connected to any AC member.

A list of RPs and IPs is maintained by the Company for monitoring purposes.

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

Name of IP	Nature of Relationship		Aggregate value of all IP transactions in FY 2021 (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 2021 under shareholders' mandate* pursuant to Rule 920 (excluding transactions less than $100,000) ($'000)
City Developments Limited ("CDL")	Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is the immediate and ultimate holding company of the Company. CDL, KPMS and CDLMS, being subsidiaries of HLIH, are IPs.	Lease of office/branch premises:	1,039	Not applicable
Kingston Property Maintenance Services Pte Ltd ("KPMS")		Cleaning, security and building maintenance services:	104	Not applicable
CDL Management Services Pte Ltd ("CDLMS")		Receipt of corporate secretarial services:	358	Not applicable
		Total:	**1,501**	

* 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 staff 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. 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 Head of IA and HR Head as the independent designated officers to investigate whistleblowing reports and report 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 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 website at www.hlf.com.sg.

Fraud Policy

HLF also has in place a 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 took over from Ms Chung Yuet Simm, who retired with effect from 31 July 2021. Ms Tay is a Fellow of CPA Australia and a Certified Fraud Examiner. She has a total of 24 years of working experience, out of which 14 years as Head of IA. The IA team members have the relevant qualifications and experience; and most of them are members of professional bodies (CPA, CA and ACCA), Certified Internal Auditor and Certified Fraud Examiner. Processes are in place to ensure that the professional competence of the IA staff is maintained or upgraded through training programmes, and the AC reviews on an annual basis the continuing professional education programme for the IA team which comprises technical and non-technical training for professional and personal development of the IA staff.

Role and Activities of IA

The primary role of the IA is to assist the Board and the AC to evaluate and improve the adequacy and effectiveness of the internal controls and risk management processes of the Company, by ensuring that the scope of the IA's work is reasonably comprehensive to enable effective and regular review of the key operational, financial and related activities of the Company.

The AC approved the 2021 IA plan in January 2021 and received regular reports during 2021 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 2021, 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.

In addition, an external quality assurance review ("QAR") is conducted every five years. The process for the last review commenced in 2020. Following IA's evaluation, Deloitte & Touche LLP was appointed as the external assessor ("External Assessor") to conduct the QAR. The External Assessor issued its report in October 2021 with certain recommendations to further improve IA's effectiveness. The AC and the Head of IA have considered the report by the External Assessor and accepted their recommendations. The AC has also considered and accepted IA's action plan and milestones in response to the said recommendations, amongst others. IA is in the midst of rolling out the action plans.

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)

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures 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 subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the notice of AGM in the AR.

At general meetings of the Company, shareholders are given the opportunity to communicate their views and are encouraged to ask the Directors and the Management questions regarding matters concerning the Company.

2021 and 2022 AGMs

In view of the COVID-19 situation, the 2021 AGM was 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.

Alternative arrangements relating to attendance at the 2021 AGM via electronic means (including arrangements by which the meetings can be electronically accessed via 'live' audio-visual webcast or 'live' audio only stream), submission of questions to the Chairman of the Meeting in advance of the 2021 AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, were put in place for the 2021 AGM.

All the Directors including the Board Chairman and the chairmen of the respective Board Committees and the EA were in attendance at the 2021 AGM which was conducted electronically.

In view of the ongoing COVID-19 situation, the Company will be convening the 2022 AGM via electronic means. Alternative arrangements similar to the 2021 AGM have been put in place to allow shareholders to participate at the 2022 AGM.

Details of the steps for pre-registration, submission of questions and voting at the 2022 AGM will be set out in a separate announcement to be released on SGXNET together with the Notice of AGM. In view of the constantly evolving COVID-19 situation in Singapore, the Company may be required to change its arrangements for the 2022 AGM at short notice. Shareholders should check the Company's corporate website or the SGX website for the latest updates on the status of the 2022 AGM.

Voting at General Meetings (Provision 11.4)

Shareholders are given the opportunity to vote at general meetings. 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.

Pursuant to Rule 730A(2) of the Listing Manual, all resolutions to be proposed at general meetings and at any adjournment thereof shall be put to the vote by way of poll.

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 instantaneously 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 2021 AGM which was held by electronic means, shareholders were able to vote by appointing the Chairman of the Meeting as proxy to vote on their behalf at the AGM. 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.

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, Management and/or the EA. The minutes of the general meetings are available on the Company's website, and the Company will also furnish the minutes of the general meetings to any shareholder upon request.

Dividend Policy (Provision 11.6)

The Company has formalized its 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.

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 2021, 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 of the Company receive the annual report of the Company and the notice of AGM.

In 2021, the Annual Report 2020, Notice of the 2021 AGM and the requisite Proxy Form were made available to shareholders by electronic means via publication on the Company's corporate website and the SGXNET.

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. Shareholders are also encouraged to attend the Company's general meetings. The Board Chairman and the chairmen of the respective Board Committees will also attend such meetings.

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 60 to 77 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 staff 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 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) 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

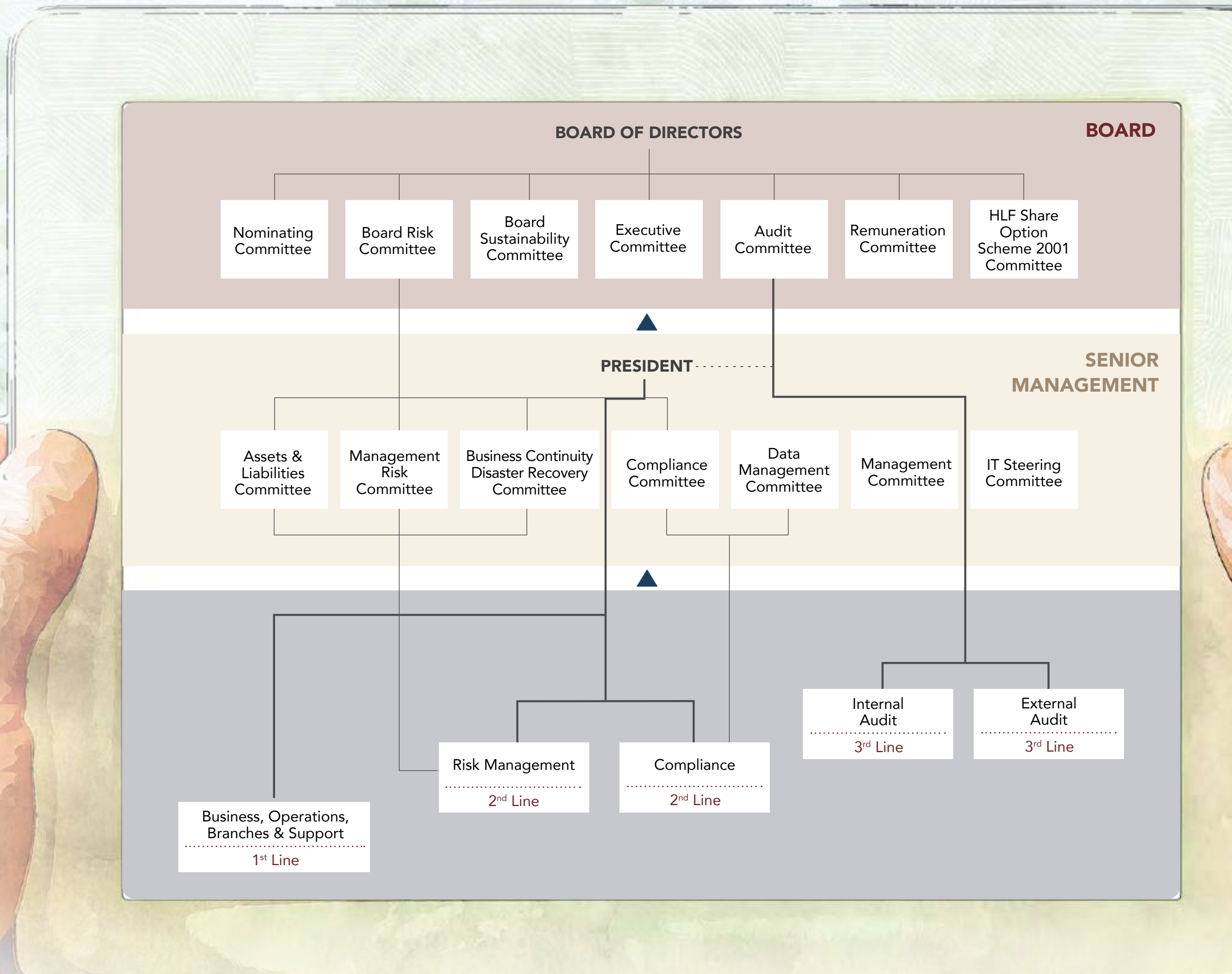
(x) Compliance Policy which states the principles to be followed by Management and staff in managing regulatory risk.

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 prior to the commencement of the "closed periods" relating to dealing in the Company's securities.

Date: 23 February 2022

RISK MANAGEMENT REPORT



Risk Management is at the centre of our business strategy. We want to protect our customers, colleagues, shareholders and the Company; at the same time enabling sustainable growth in targeted market segments. This can only be achieved through informed risk decisions and robust risk management, supported by a consistent risk-focused culture.

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

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 the three lines model in the organisation structure to instil ownership, accountability, and independence in the management of risks.

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 and Compliance establish frameworks, policies, guidelines, and limits to manage Credit, Market & Liquidity, Operational and Regulatory risks. They are also responsible for monitoring risks against limits and escalate exceptions where necessary.

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:

(a) Supporting the BRC in carrying out its oversight of the risk management programme;

(b) Supporting management in achieving the strategic priorities by maintaining and enhancing the risk framework; and

(c) 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 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 obsolescences, 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 budget process is used to help 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.

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, 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 ensures 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 136 to 142 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 have most of its 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 possible, the Company takes collateral as a secondary recourse of repayment to the borrower to mitigate credit risks. The values of collaterals, including cash, properties, motor vehicles, shares, trade receivables, plants and equipment, are monitored periodically.

Potential Impact by COVID-19 Pandemic

To address the COVID-19 outbreak and with the government's initiatives, the Company has rolled out COVID-19 Loan Relief Schemes to help SMEs and individual customers to tide over their cash flows during this difficult time. In addition, businesses and retail customers can defer the loan repayments. These measures have been well received as they demonstrate that the Company is serving customers' changing needs. The Company implements ongoing borrower review, customer engagement and oversight across the credit risk assessment process for the COVID-19 impacted customers.

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 risk.

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 current market practices and regulatory guidelines. This involves quantifying the magnitude of interest rate risk within the balance sheet through various risk techniques such as repricing gap analysis, net interest income simulation and present value of a basis point (PV01).

More details on interest rate risk could be found in the Financial Statements on pages 146 to 150 of the AR.

Mitigation

The management and 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 approved thresholds.

Stress Tests

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

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 142 to 145 of the AR.

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 are underpinned by the operational risk management framework that assists all departments to achieve their objectives through the effective identification, assessment, measurement, and mitigation of 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. Specialists are deployed to provide guidance and assurance towards full compliance with the laws and regulations.

Mitigation

Business units report their operational risks on both a regular and an event-driven basis. Risks identified through the operational risk self-assessment framework 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.

Q

How are we making a positive impact?

A

By reinforcing our commitment to sustainability.

Sustainability-Focused.

HLF believes that sustainable and responsible practices ensure not only our business longevity but also a bright future for all. From upgrading our services to promoting a caring corporate culture to reducing our ecological footprint to giving back to the community, our commitment to sustainability will always be a main component of our growth.

SUSTAINABILITY REPORT

BOARD STATEMENT

Due to the ongoing global health crisis, the year under review has continued to see challenges with several stops and starts that have severely disrupted business, economic and social activities.

Similarly at Hong Leong Finance, we have seen how the crisis has underscored the importance of business sustainability even as we pressed on to prioritise the health and safety of our customers and employees.

EESG Materiality Review

HLF conducts its EESG materiality review on a biennial basis. Our first materiality assessment began in 2017. Based on the results then, we built on our processes and conducted a review in 2019 that involved a workshop with relevant internal stakeholders including company executives and senior managers across different functions and operations. We refreshed and identified six material factors in our sustainability framework, and concluded that 'Driving Value Creation' remains our top material factor. This was followed by 'Talent Management'.

In view of the Covid-19 pandemic which began in 2020, we sharpened our focus on employees and updated 'Talent Management' to 'Employee Well-Being and Development'. This update was done to prioritise staff safety and boost our training and development programmes.

In the 2021 biennial assessment, our appraisal concluded that the six material factors remain relevant and reflect what matter most to our business stakeholders.

Our Performance

We have been tracking our performance bi-annually since 2019 and will continue to report our progress yearly. In the year under review, we have made good strides in our EESG journey by staying mindful of the impact that our financing activities and operations have on the economy and environment.

We are happy to report that we are on track in delivering our key initiatives. The following are our key achievements:

Material Factor 1: Driving Value Creation

To offer relevant holistic customer solutions and convenient services, we introduced new offerings and digital services like insurance premium financing and electronic payment services for counter products. For customer safety, we continued to encourage them to go online for their financing needs and maintained priority branch services with dedicated hours to serve vulnerable customers. For those in need, we were quick to extend cashflow support and approved over 230 applications in the year 2021.

Material Factor 2: Employee Well-Being and Development

In addition to safe management measures and remote working arrangements, we engaged a professional service to conduct virtual self-care workshops to build their mental resilience and supported them on practical developmental trainings from digital and future enabled skills to scam prevention.

Material Factor 3: Responsible Finance

To promote a greener environment, we rolled out new green lending products such as Vehicle Green-Loan to encourage sustainable consumption by our customers. About 1% of our loan portfolio comprises companies that operate in sectors with elevated EESG risk profiles as identified by the Association of Banks in Singapore. We have completed our annual EESG checks on them. We also conducted rigorous diligence on all new business loans to comply with responsible financing guidelines.

Material Factor 4: Environmental Management

We drive responsible green practices among our employees. We achieved a 3% reduction in paper consumption compared to 2020, and maintained low energy consumption.

Material Factor 5: Corporate Governance

Our governance framework is supported by firm leadership from the Board and senior executives, HLF's clear organisational structure and objective delegation of authority, as well as oversight and monitoring mechanisms. On the employee level, mandatory trainings and regular refresher courses, such as Anti-Money Laundering ("AML"), Countering the Financing of Terrorism ("CFT") and Whistleblowing, were conducted to keep employees abreast of the latest regulatory updates and industry best practices. There was one whistleblowing incident reported and it was investigated independently according to our whistleblowing policy.

Material Factor 6: Data Protection, Data Privacy and Cybersecurity

Data management policies, procedures and controls are continually maintained to ensure the confidentiality and security of our corporate and individual customers' information remain intact. We also continued to invest in cybersecurity capabilities to safeguard our customers' funds and information. There was one incident which we reported to the Personal Data Protection Commission. It was promptly investigated and resolved by the Company. No fines or sanctions arose from the incident.

Looking Ahead

The Board is pleased to report that the progress made to strategically integrate EESG in our business has led to resilience and robustness in our operations. This strategy puts us in better stead to weather the headwinds of change.

Moving forward, the Board is in full support of HLF's commitment to further enhance our EESG performance and bring impactful changes to increase sustainable value for our stakeholders. As Singapore transitions to living with Covid-19 as an endemic disease and progressively opens for recovery, the Board is confident that HLF will emerge even stronger in the coming year.

The progress made to strategically integrate EESG in our business has led to resilience and robustness in our operations. This strategy puts us in better stead to weather the headwinds of change.

ABOUT THIS REPORT

Hong Leong Finance ("HLF") is pleased to present our Sustainability Report 2021 ("SR"), which communicates our approach on managing the material Economic, Environmental, Social and Governance ("EESG") factors that affect our business. The SR outlines our practices, initiatives and performance and provides an update on our progress for the financial year ended 31 December 2021 ("FY 2021").

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 issued in June 2016; and
- with reference to the Global Reporting Initiative ("GRI") Standards issued in October 2016 by the Global Sustainability Standards Board. GRI was adopted as it provides practical reporting principles and performance indicators for material factors.

Reporting Scope

This report covers the operations of HLF which operates solely in Singapore. It provides an overview of our sustainability-related activities carried out in FY 2021, 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 and external audit.

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

Please visit our website at https://www.hlf.com.sg/ar.html for the following:

- the SR, which is a part of our Annual Report 2021; and
- a GRI Content Index with a full list of disclosures referenced in this SR.

Our Sustainability

VISION

To be a leading multi-model financial institution serving SMEs and consumers.

Our Sustainability

MISSION

To deliver high quality value propositions and innovative solutions that meet our stakeholders' needs and achieve sustainable profits.

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 Framework that guides our approach to sustaining a thriving and profitable business, even as we deliver on 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 Framework and Material Factors

Our sustainability framework is a cornerstone of our business strategy that focuses on sustainable business priorities and responsible business practices.

We conducted a materiality review in 2021 to ensure that our EESG issues remain relevant with changing industry trends and stakeholder expectations. Our review which involved an appraisal of the existing material factors by the Senior Management Group, were found to be in line with HLF's strategic formulation. These factors were endorsed by the Board Sustainability Committee and Board of Directors.

There are no major changes to the six material factors outlined below. They are within two broad pillars of the sustainability framework. These are 'Sustainable Business Priorities' that represent areas we prioritise to create and sustain long-term profitability for our business and stakeholders, and 'Responsible Business Practices' that refer to responsibilities we believe are fundamental to protecting the value, trust and success of our day-to-day operations.

We continue to deepen our efforts to address these six material factors, and will continue to conduct reviews on a biennial basis.

Material Factors	Why They Are Important To Us
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 SME and individual customers to ensure business sustainability.
SOCIAL **Employee Well-Being and Development**	We promote a culture of diversity and inclusion, and wellness activities to protect 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.
Responsible Business Practices	
ENVIRONMENT **Responsible Finance**	Given the changing climate landscape, 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. These initiatives have helped us to reduce additional costs.
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 and stringent 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 privacy and cybersecurity, we continue to invest in efforts to ensure data privacy and to strengthen cybersecurity across our business.

Sustainability Governance

A strong and robust governance is key to our ability to deliver our purpose and business strategy.

Sustainability Governance Structure

Our Sustainability Governance Structure outlined below is based on accountability, effective delegation and adequate oversight to support sound decision making.

Board of Directors	Board Sustainability Committee ("BSC")	Senior Management Group	Sustainability Project Team ("WC")
Provides overall oversight of our sustainability approach, including final sign-off on material issues and sustainability reports, as well as ensuring the issues are part of strategic formulation.	Provides guidance on our sustainability approach and commitments and oversees management and monitoring of material issues.	Ensures proper execution of sustainability actions via periodic reviews and monitoring of our progress.	Manages and executes our sustainability action plans against material issues.

Sustainability Reporting Policy

To define our commitment towards sustainability reporting with integrity, consistency and transparency, we developed a Sustainability Reporting Policy in 2021. This was done in compliance with all applicable laws and regulatory requirements.

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, to ensure our products and services stay relevant in the changing environment, and stay sharp in our practices and performance.

Our Key Stakeholders	Forms of Engagement	Key Topics Raised	Our Response
Customers	• Website feedback form • Calls to Customer Service Centre • Formal correspondence • Face-to-face meetings • Newsletters, emails, SMS alerts • SR • Annual Report ("AR")	• Customers' own challenges and priorities caused by Covid-19 • Feedback on products and services	• Approved over 230 loan applications for Covid-19 Loan Reliefs for 2021 as additional support to help customers with their challenges and priorities • Acted on feedback and suggestions received by the Customer Experience Committee ("CEC") and implemented customer delivery improvements • Continued to enhance and innovate products and services for customers

Our Key Stakeholders	Forms of Engagement	Key Topics Raised	Our Response
Employees	• Performance appraisals • Seminars and training sessions • Employee orientation • Sports and Recreation Club for employees and their family members • SR	• Employee welfare, health and safety • Upgrading of skills • Career development	• Continued enforcement of workplace Safe Management Measures ("SMM") and work-from-home • Launched new training topics across core, adaptive and future-enabled skills categories • Hosted trainings via e-learning platform due to Covid-19
Regulators	• Consultations and meetings • Inspection reports • Survey, business and financial information updates • Clearance for half-yearly financial statements, annual audited financial statements, submission of regulatory and tax returns/surveys as prescribed by Monetary Authority of Singapore ("MAS") Notices and SGX circulars and regulations • SR	• 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 • Strengthen data management processes	• 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 • Implemented revised IT security policies • Hosted regular IT Security Awareness Employee Training • Enhanced Money Laundering and Terrorism Financing monitoring controls through a screening system
Investors	• 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 • AR • SR • Website	• 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 policy	• Ongoing digitalisation initiatives such as upgrading our loan processing platform, migration to Microsoft Office 365 and establishing potential strategic fintech partnerships • Maintained good practices in corporate governance, business ethics and integrity
Local Community	• Community engagement activities, donations	• Community projects, local charities	• 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 ("ABS"), the Finance Houses Association of Singapore, and the Singapore National Employers Federation.

MATERIAL FACTOR 1: DRIVING VALUE CREATION

ECONOMIC

It is vital for us to drive our business in a way that creates value for our stakeholders.

Our Approach

We strive to build a profitable and sustainable business that drives long-term value creation for our stakeholders. As part of the wider economy, we contribute by creating jobs for employees, pay taxes to the government and distribute dividends to shareholders. To ensure our business stays relevant and sustainable in the long-run, we adopted a customer-centric approach by bringing value-added services to customers. We also invest in digitalisation and build on our core products and services.

Our Direct Economic Impact

In 2021, we generated higher total income (before operating expenses) of S$189.4 million, of which S$64.5 million were distributed in employee compensation and benefits for 608 employees. Income tax accrued was S$17.1 million, and dividends of S$41.4 million were distributed to shareholders. We aim to continue achieving sustainable growth, of which the returns are distributed to our stakeholders through staff compensation, taxes to the government and dividends to our shareholders.

Our Indirect Economic Impact

In addition to our direct economic impact, our efforts to drive sustainable value creation for our stakeholders like digitalising our services and introducing new offerings, also result in indirect economic impact.

Digitalising for Customers' Convenience

Digital technology is an integral part of our society, and the pandemic has further heightened the advantages of using digital services. We continued to improve efforts to digitise our product and service offerings, and encourage customers to use them as a quicker, safer and more convenient way to meet their financial needs.

KEY INITIATIVES

- **Increasing Adoption of Our Digitalised Fixed Deposit ("FD") Placement Process**
  As Covid-19 is set to be endemic, digitalisation remains our utmost priority to better serve our customers in a non-face-to-face environment. Since 2020, we have implemented a host of e-services for FD customers. These services include an online Letter of Instruction to settle FD matters such as new placements, renewals and withdrawals.

  In 2021, we rolled out additional digitalised processes:

  I. Extended PayNow acceptance
  PayNow acceptance was expanded to include collecting of new FD placements and topping up on FDs, which was well-received by customers for the added convenience. Monthly volume for PayNow averaged 2,503 transactions in 2021, an increase of 104% from 1,229 monthly transactions in 2020.

  II. E-payment services for counter products
  HLF supports the government's initiative for Singapore to be a cheque-free nation by 2025. We implemented e-payment services for counter products such as FDs and Savings and Business Current Accounts, where funds can be transferred out from HLF electronically upon request, instead of through cheque issuance. In 2021, 164 e-payment transactions were completed.

  III. Auto-renewal of mature FDs
  Implemented in Q3 2021, HLF rolled out the auto-renewal of FDs at maturity. The renewal is done at prevailing rates and customers do not need to visit the branch in order to process the renewal. A total of 181 FDs were automatically renewed as at 31 December 2021.

- **Increasing Adoption of Our Digital Loan Application Process for Vehicle Financing**
  Our digital transformation plan for vehicle financing remains on track with the continuous upgrading and strengthening of our legacy loan platforms to better support digital applications and connectivity with our business partners. Volume through our digital application portal has increased almost 400%. This is also due to the encouraging support received from our distribution partners.

- **Supporting an Improved Public Housing Buying Journey**
  HLF partnered with the Housing Development Board ("HDB") on the launch of its new HDB Flat Portal to improve customers' flat buying. The online portal provides financial guidance to customers, helping them to work out their finances conveniently through a single platform. A one-stop portal, HLF's HDB Home Loan packages are also listed among the integrated loan listing services provided.

Keeping Customer Experience at the Core of Our Products and Services

We respond to customers' fast-changing needs by developing and adapting new or existing products and services. These are then tailored to suit their various needs and delivered in a responsible and sustainable way while ensuring quality customer experience.

KEY INITIATIVES

- **Introducing Premium Financing for Insurance**
  HLF launched its new product Premium Financing in Q2 2021, for customers who need financing of a single premium insurance policy through referrals from Great Eastern Life Assurance Company. We have disbursed over S$27 million since its launch.

- **Working on Fintech Solutions for Multi-Currency Transactions**
  Cashless payments have grown to be a part of consumers' daily life, especially in the pandemic situation. The demand for digital payment solutions have also increased. To enhance our engagement with customers online and compete in the digital banking space, we are working on a strategic partnership with a fintech company to further build up our digital capabilities, and stay relevant and connected with customers.

- **Being Responsive to Customer's Feedback**
  Our CEC continues to meet regularly to share feedback received which are categorised into three areas: Compliments; Suggestions; and Complaints. In the course of each review, events and reasons leading to the received feedback are assessed and root causes identified. All feedback resolutions are completed with 75% of these cases resolved within five working days. CEC also addresses upcoming projects in the pipeline and any other operational processes that may affect the customer experience.

Supporting our Customers During the Pandemic

The safety of our employees and customers remained our top priority amidst pandemic challenges. We continued to support our customers in the following ways.

KEY INITIATIVES

- **Continuing Safe Management Measures**
  Safe management measures remain in place with mandatory use of TraceTogether by employees, customers and visitors to facilitate contact tracing. With the increase in Covid-19 cases in Singapore, some branches and offices had to be closed for deep cleaning and disinfection. This is to ensure that the safety and wellness of all staff and customers are safeguarded. To reduce footfall, we continued to encourage customers to reach us online for their financial needs and maintained priority branch service with dedicated hours for vulnerable customers.

- **Supporting the Extended Support Scheme ("ESS")**
  HLF continued to support loan relief measures initiated by MAS in 2020 to help individuals and businesses mitigate their cash flow difficulties. The ESS, which includes collateral-free bridging loans for businesses and loan payment deferments, was extended from 30 June to 30 September 2021 to provide further support. Since the roll-out of the scheme in 2020, we have approved over 1,600 loan relief applications.

- **Offering Enterprise Financing Schemes ("EFS")**
  Since the roll-out of EFS in 2020, HLF has extended almost S$80 million to business customers affected by Covid-19, particularly SMEs. The EFS provided alternative financing avenues to SMEs which helped ease their cash flow and working capital requirements with the ongoing pandemic. One such EFS is the Temporary Bridging Loan Programme, a collateral-free loan under the government-assisted scheme which will end on 30 September 2022. With the financial help rendered, majority of the businesses have become more resilient and are responding very well to the crisis.

- **Outreach Through Collaboration with Partners**
  HLF continued to collaborate with partners like the Singapore Chinese Chamber of Commerce and Industry to actively engage SMEs and provide financial support assistance. We provided the support through a myriad of secured and unsecured loans to help cash-strapped businesses.

Our Targets

- Continuously achieve sustainable growth and provide value-added services.
- Continue to promote and roll out digital channels for customer adoption to facilitate ease of financial transactions and support Singapore's Smart Nation realisation.
- Sustain efforts to enhance products and services to better meet customers' evolving needs.
- Achieve issue resolution within five business days for at least 80% of customer complaints.

MATERIAL FACTOR 2: EMPLOYEE WELL-BEING AND DEVELOPMENT

SOCIAL

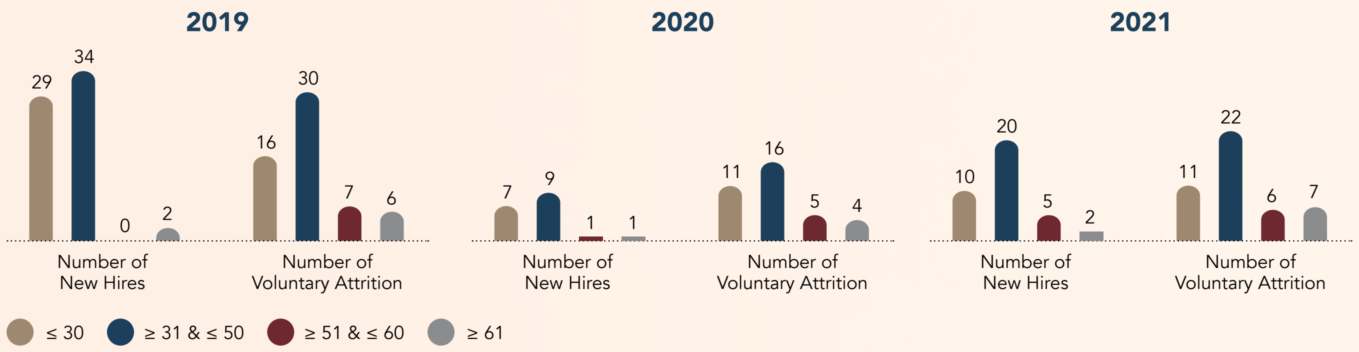
At HLF, our people are our most valuable asset. This is because each person brings different sets of talent, capabilities and experience to the table. Our employees are the essence of our culture on which our reputation and achievements are built.

Our Approach

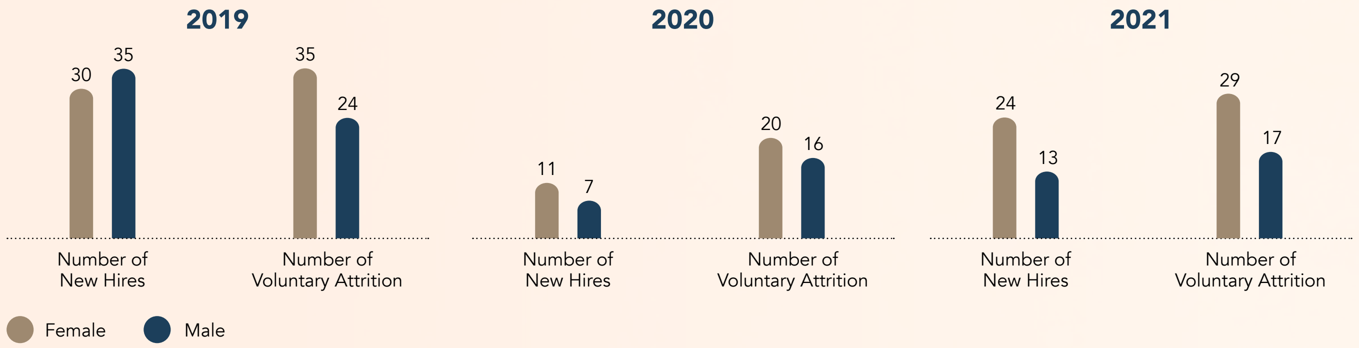
We recognise that when employees are satisfied, they are more motivated to reach performance targets, increase profits, and enhance customer experience. This is why it is important we continue to enhance a diverse and inclusive workplace environment where our employees can enjoy a fulfilling work experience and reach their maximum potential professionally and personally.

Our Employees

By Age Group



By Gender



* In 2021, we expanded our age group reporting for '>50' to better reflect our support of Singapore's silver workforce aged 60 and above. The employee figures for 2020 and 2019 have been restated.

Supporting the Well-Being of Employees

We remain committed to providing a safe and supportive workplace that enables them to lead enriched lives both inside and outside of the office.

Special precautions were taken throughout the Covid-19 pandemic. Since the Circuit Breaker in 2020, all staff who can work from home are encouraged to continue to do so while safety measures remain strictly in place to protect those who are operationally required to be in the office.

To facilitate seamless integration of remote working capabilities, our IT, Risk and Compliance teams worked closely together to fine-tune security and risk management protocols. Our IT infrastructure was also quickly upgraded to meet the increased requirements for staff to work from home.

We also keep abreast of government and medical advisories and disseminate information quickly through a dedicated site on our intranet. This is to ensure staff is regularly updated of the various precautionary measures during the different phases. To safeguard the safety of other employees and customers, we also issued additional ART Test Kits for all employees who are either required to be on-site or need to return to office premises for their own regular testing.

Imbuing mental resilience and raising staff morale is particularly important in our care towards them. We are aware that the pandemic has placed a large strain on the mental health of staff and their families, particularly those in frontline operations, and continued to support them where possible.

We engaged Caregivers Alliance Limited to help our staff better understand and manage their mental and emotional well-being. According to feedback received, the attendees gained valuable insights into various mental health conditions and learned tips on self-care and emotion management.

Ensuring a Culture of Diversity, Equity and Inclusion

Our diversity initiatives are not limited to just recruitment and selection practices and policies, professional development and training, job transfers, and social and recreational activities. We also encourage employees to maintain a healthy work-life balance through having flexible work schedules to accommodate their various needs especially during the pandemic.

All employees have a responsibility to treat each other with dignity and respect, and are expected to exhibit conduct that reflects inclusion during work and when representing HLF externally.

Supporting Employees' Continuous Learning and Development

2021 continued to be a year of adjustments and changes. Transformation in the financial industry has made it pertinent for HLF to refocus on reskilling and upskilling. We continued with our approach focused on the 3Rs – Refocus, Resilience, Relevance. This approach was shared in our SR 2020.

When in-person trainings and workshops were unable to be carried out during the pandemic, we shifted our learning and development sessions online. This provided more flexibility, with employees also gaining access to a wealth of virtual learning resources to acquire new skills, knowledge and competencies. A hybrid approach was also adopted with a combination of webinars, virtual and in-person sessions. HLF also provided employees with equal and on-demand access to learning resources for self-paced e-learning.

With the government's enhanced funding and grants, HLF pushed on with the training and development of employees on various fronts:

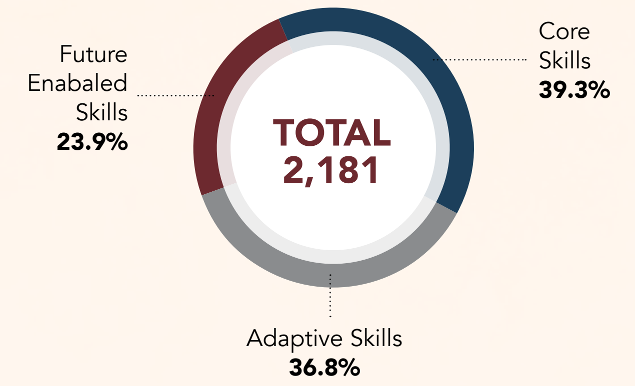
- **Scam prevention**
  In response to the increased prevalence of scams during the pandemic, we invited the Singapore Police Force Commercial Affairs Department ("CAD") to share an overview of potential scam indicators. The sessions increased our team's adaptability and awareness to identify any potential scam transactions. All staff including those in the frontline and backend were in these sessions for a more inclusive and holistic training approach.
- **Digital and future enabled skills**
  Ongoing digitalisation efforts at HLF necessitated the review of fundamental regulatory processes. They include topics on EESG as well as risk and governance, so staff are equipped with the necessary skills to ride this digital wave.

  With digital finance and sustainability gaining more traction, we wanted to ensure our employees have the necessary competencies to meet the needs in a rapidly changing landscape. Digital upskilling and future-enabling skills accounted for 24% of all trainings, with another 4.3% relating to EESG and sustainability topics.

Over the year, our employees attended more than 240 courses with 2,181 training places, across the categories of Core, Adaptive and Future-Enabled Skills . These courses are targeted at specific skill sets and tailored to professional roles. On average, we achieved 10.2 hours of training for each employee.

Employee feedback on the training courses conducted has been positive. Staff shared that they learnt relevant knowledge applicable in their areas of work, enhanced their soft skills, and increased their understanding of regulatory requirements.

Training Places based on Training Category (%)



Average Training Hours		
2021	**2020**	**2019**
10.2 hours	12 hours	28 hours

Our Targets

- Maintain inclusiveness by ensuring gender equality and supporting the silver workforce.
- Continue to attract, develop and retain people with different perspectives, experience and backgrounds and offer training opportunities to support HLF's strategic journey.
- Continue to invest in initiatives to protect employees' health, safety and well-being.
- Ensure employees continue to meet 100% attendance for all mandatory training requirements for their roles.

MATERIAL FACTOR 3: RESPONSIBLE FINANCE

ENVIRONMENT

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. 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.

Our Approach

We have an important role to play in the financial ecosystem and are committed to carrying out responsible lending practices. Being a lender also has its risks on the environment. Hence, we will continue to support and promote our customers' eco-friendly practices and behaviour. In line with regulatory Environmental Risk Management (Guidelines) which will come into effect in June 2022, we defined industries considered to have "high risks" so as to better manage our EESG responsibilities and minimise environmental and economic impact. These industries include Forestry and Oil & Gas, to which HLF has minimal exposure.

Helping Customers Embrace Sustainability

The world faces an increasingly urgent climate crisis. 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**
  Supporting Singapore's initiative to phase out internal combustion engine cars by 2040, we launched the first Green Loan for vehicle rental companies in March 2021. The two-part initiative comprised the Vehicle-Green Loan for automobiles and the Charger-Green Loan for charging station financing.

  The Vehicle-Green Loan was also extended to consumers with preferential interest rates through our partners including major car distributors and dealers, to encourage them to switch to hybrid or electric vehicles (EVs).

  Since its launch, HLF has approved a total of 1,405 hybrid and EV loans totalling S$125 million, 15% higher than the number of similar green vehicle loans approved in 2020. Green vehicle loans currently make up 13% of our vehicle loan portfolio.

- **Financing Green Buildings**
  We continue to seek out greater collaborations with other lead banks and borrowers in the financing of green buildings, certified with the Building & Construction Authority's Green Mark Award, in support of the Singapore Green Plan 2030.

EESG Risk Profile Assessment

Our portfolio comprises mainly personal, SME and corporate loans. Among our borrowers, only about 1% of our total loan portfolio operates in sectors with elevated EESG risk profiles identified by ABS. For these borrowers, our internal processes stipulate that 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.

The EESG risk analysis is part of our review process for all corporate borrowers. In line with the Responsible Financing Guidelines ("RFG") by ABS, our due diligence process includes the following components:

Conducting EESG checks on companies at loan origination and annual checks on companies with the following characteristics:

- Operating in the eight sectors identified, as per the RFG, to have an elevated risk profile, including agriculture, energy and forestry. For borrowers in these industries, our Relationship Managers ("RMs") conduct a detailed risk assessment together with them.
- Previously identified to have EESG issues from the last assessment.

Scope of RFG considerations on EESG issues	
Environmental	Greenhouse gas ("GHG") emissions, deforestation and forest degradation, loss of biodiversity and critical ecosystem services, water, air and soil pollution and contamination, as well as resource efficiency.
Social	Labour standards, community relations and engagement, human rights, health and safety, food security and other basic necessities of local communities or indigenous people.
Governance	Corporate ethics and integrity, reputation, management effectiveness, and risk management.

Identifying EESG Risks

Where EESG issues are identified and depending on the scale of the risks, a timeline will be suggested for the borrower to comply with their progress. Each borrower's progress is reviewed periodically. The decision on the loan is assessed on a case-by-case basis. Where appropriate, sector specific guidance or approach for EESG-sensitive industries are incorporated to provide further information on EESG risks unique to that industry.

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

To date, we do not have any exposure to borrowers with unmitigated EESG risks and we continue to monitor those with elevated EESG risk profiles. These borrowers with elevated EESG risk profiles are reviewed annually to ensure that the mitigating factors remain updated and relevant.

Our Targets

- 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.
- Strengthen the review of borrowers with elevated EESG risk profiles annually to ensure that the mitigating factors are updated and relevant.

MATERIAL FACTOR 4: ENVIRONMENTAL MANAGEMENT

ENVIRONMENT

With the increasing urgency of climate change, we are committed to supporting the push towards net zero emissions and use of renewable energy. Our primary focus on addressing environmental issues is linked to our financing activities, where we drive responsible and green financing. As an office-based company, our direct ecological footprint is not where we make the greatest impact on the environment. Nonetheless we believe in doing our part for the environment and lowering our ecological footprint at our premises.

Our Approach

While our employees are encouraged to do their part, we have also implemented various initiatives to reduce our direct impact on the environment.

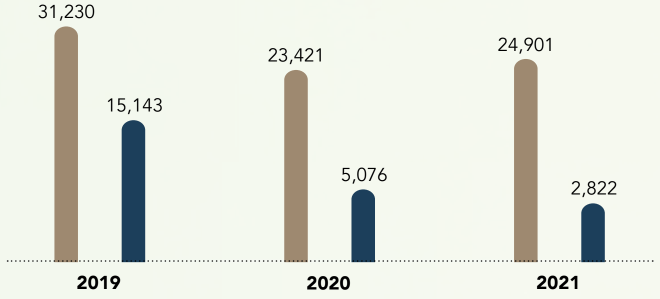
The continuing safety measures such as social distancing and working from home have contributed to the increased reduction of paper usage, lower energy consumption, and Scope 2 emissions in 2021.

Reducing Paper Usage

The following initiatives were in place to reduce paper consumption:

- **E-Reporting System**
  This system continued to be progressively introduced across departments, and products and services. Correspondingly, we continue to see lower paper usage as fewer hardcopy reports are printed.
- **Electronic Payment Modes**
  We extended electronic payment modes to all banks, and at the same time converted more customers and suppliers to e-transactions. This reduced paper usage as the electronic payment modes replace paper instructions and cheque issuance.

Breakdown by Paper Consumption (kg)

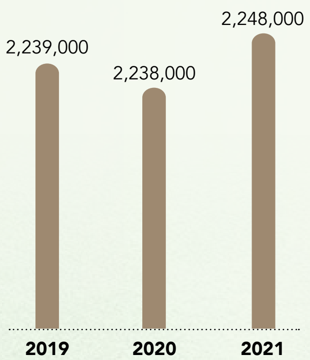


We saw an overall reduction in paper usage by 3%. There was a slight 6% increase in A4 paper usage, mainly due to the low paper usage base in 2020. However, it was a 20% reduction compared to pre-Covid-19 usage in 2019.

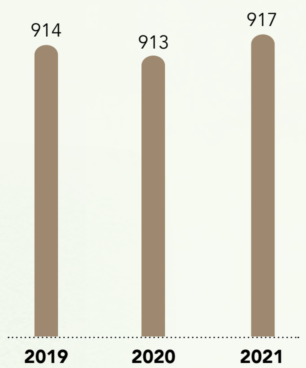
Reducing Energy Consumption

In managing energy consumption, we engaged our employees on energy efficiency issues and explored energy efficient options during the upgrading of our existing infrastructure and facilities. This included installing LED lighting systems and replacing end-of-life desktops with laptops.

Energy Consumption (kWh)



Scope 2 Emissions (tonne CO_2e)



Notes:
1. The Scope 2 GHG emissions are from the consumption of purchased electricity.
2. The emission figures for 2020 and 2019 have been restated to reflect the latest conversion factors published by the Energy Market Authority (Electricity Grid Emission Factor updated in September 2021) and to include emissions from our data centre. Water consumption figures are not reported as the overall impact was not material.

Overall energy consumption and Scope 2 emissions have remained stable.

Our Targets

- Continue to reduce paper use with 5% reduction in A4 paper usage.
- Continue to explore opportunities to reduce energy consumption

MATERIAL FACTOR 5: CORPORATE GOVERNANCE

GOVERNANCE

A strong corporate governance allows us to retain customers' trust, enhance our reputation and protect the long-term value we create. It is key to our business. We are committed to conducting our business activities with highest 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 with firm leadership from the top, a clear organisational structure, fair delegation of authority, as well as oversight and monitoring of mechanisms. On the employee level, mandatory trainings and regular refresher courses are conducted to keep employees of latest regulatory updates and industry best practices.

Ethical Business Conduct, Anti-Corruption and Combating Financial and Cybercrime

We view corruption and financial and cybercrime as significant risks to our business and reputation. Business ethics and conduct are addressed within our governance framework by establishing and maintaining an effective risk culture that promotes good conduct.

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 also have internal controls on personal dealing that is reviewed bi-annually.

Preventing Fraud and Scams

Our Fraud Policy provides guidance to employees on matters relating to fraudulent activities. Any cases of suspected corruption or fraud are reported to the relevant authorities through our Human Resources or Internal Audit Departments.

With the number of reported scam cases on the rise, our top priority is to ensure a safe and trusted banking environment for our customers. Among other initiatives implemented are website alerts that warn customers of scam calls and voice phishing. We also continue to educate our customers on how to spot signs of threats. These are done at various customer touch points, including posters in our branches.

A Fraud Awareness Team was also set up to keep employees updated with lessons that can be learnt from different scam cases. This helps to elevate their awareness of various scam techniques and teach them how to detect similar potential incidences with our customers.

Thanks to the vigilance and efforts of our employees, we prevented about S$140,000 of customer funds from being withdrawn and paid to scammers for the year. HLF has a firm zero-tolerance policy for all acts of fraud, bribery and corruption committed by any employee. To date, no such instances have been reported.

Vigilant staff thwarts an impersonation scam

With vigilance and alertness, our Hougang Branch Manager Ms Pamela Phua successfully helped to prevent a customer from losing her fixed deposits to an individual who impersonated a government officer. This incident occurred in June 2021.

The anxious customer suddenly wanted to withdraw five fixed deposits amounting to more than S$90,000 from the branch. Noticing the odd behaviour, the alert manager instinctively probed further and the customer eventually revealed their reasons for the bulk withdrawal. The customer had received a call from a purported local crime division officer who said that their cards had been used overseas by criminals. Claiming to aid in the investigation, the caller told the customer they were required by the authorities to report their daily whereabouts and consolidate their savings into a single bank account.

Ms Phua immediately realised that the customer was a victim of a scam and contacted the customer's next-of-kin who lodged a police report. The customer's accounts were also promptly put on hold to prevent any further transactions, and we were able to safeguard the customer's finances.

HLF stymies recruitment scam

In August 2021, HLF's name was used in a recruitment scam via an American job search platform 'Indeed'. The perpetrators impersonated HLF and posted several fake job offers on the platform. They then communicated with unsuspecting job seekers via WhatsApp and tried to persuade them to invest in Bitcoin.

Upon finding out about the scam, HLF immediately lodged a police report and strengthened efforts to educate customers and the public on scam identification and intervention.

Anti-Money Laundering ("AML") and Countering the Financing of Terrorism ("CFT")

To manage the money laundering and terrorist financing risk, HLF has a defined AML and CFT policy in place, along with compliance advisory capabilities, employee trainings, compliance assurance reviews and transaction monitoring. Our Compliance Department continually updates and revises this policy in accordance with regulatory changes.

In end-2019, we rolled out a 'Know Your Client' system and a transaction monitoring system. These systems facilitate daily customer screening and holistic reviews of customer transactions to detect unusual or suspicious activities against their respective backgrounds and profiles.

To further strengthen our Enterprise Risk Assessment (EwRA) Framework, we engaged an external consultant to review our existing EwRA Framework and assess our overall enterprise risk. With the assessment outcome, respective enhancements were made to bring the EwRA Framework in alignment with industry standards.

Whistleblowing

HLF has in place a whistleblowing policy where employees or other persons can raise concerns confidentially on improprieties related to accounting, financial reporting, internal controls, auditing, or any other matters. In line with our policy, improprieties can be reported without fear of reprisals. One whistleblowing incident was reported and investigated independently according to our whistleblowing policy. For further details on this policy, please refer to our https://www.hlf.com.sg/site-services/whistle-blowing-policy.html.

Employee Training

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 understand the risks of corruption against the company, and how to recognise, address, resolve and prevent such instances from happening during the course of their work. Employees also learn key terms to help them identify when and how to use our whistleblowing mechanism. All whistleblowers are protected.

Addressing the increase in cybercrime cases, we worked with the CAD to conduct online sessions to enhance our frontline employees' knowledge on cybercrime and learn tools to tackle them.

AML and CFT

Trainings for the Board and all employees continue to be conducted. We also participated in the two-day ABS Financial Crime Seminar 2021 to gain further insights and learn more about industry best practices on AML and CFT. All employees have completed the AML and CFT biennial refresher training for the year.

More details on our corporate governance practices can be found on pages 24 to 53.

Risk Management

We implement a prudent approach to risks with strong governance, risk management framework and control mindset to support sustainable business growth and minimise potential losses. Our risk management is executed through systematic risk identification, assessment and response, while we ensure staff 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 have:

- Organised trainings to entrench risk culture;
- Strengthened risk management capabilities to sharpen reporting and analysis for better business decision-making;
- Established technology risk management framework to reinforce existing practice for technology and cyber security risks; and
- Finetuned business continuity management practices to deal with uncertainties, such as the ongoing Covid-19 pandemic.

Enhancing Business Resilience

Covid-19 is set to be endemic in our community. With constant engagement with Management, the Crisis Management Team devised appropriate strategies to keep employees and customers safe within HLF's premises. These strategies, which continue to be in place, include:

- Adopting default work-from-home protocols for all employees who can do so;
- Maintaining safety measures, such as social distancing and regular testing for employees who work-in-office;
- Updating HLF's pandemic guidelines to communicate the latest directives and protocols to employees in a timely manner;
- Setting up 24/7 channels for employees to seek necessary clarifications and instructions;
- Implementing routine testing for staff who work-in-office;
- Disinfecting premises regularly; and
- Updating relevant stakeholders, including employees, customers and vendors on adopted measures

More details on our risk management practices can be found in the Risk Management Report on pages 54 to 57.

Our Targets

- 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 on regulations, fraud and conflict of interest committed by employees.

MATERIAL FACTOR 6: DATA PROTECTION, DATA PRIVACY AND CYBERSECURITY

GOVERNANCE

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. These are vital and confidential information that we use, produce and collect in our business operations.

Our Approach

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), IT, cyber resilience and compliance to regulator's notices and guidelines. We will not compromise on these areas and will not accept any risks that has a severe and/or widespread impact to our operations, or 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. We have a Data Management Committee that establishes the data management policies, procedures and controls, and to identify and manage risks related to strategic data management. Policies and processes, such as Personal Data Protection Policy, are put in place to ensure that the Company discharges its responsibility for personal data in its possession or under its control.

We have always 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 staff 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. There was one incident which we reported to the Personal Data Protection Commission. It was promptly investigated and resolved by the Company. No fines or sanctions arose from the incident.

Cybersecurity

Technology security risks continue to increase with greater sophistication and broadened activities by cyber criminals. Throughout the year, HLF has been monitoring, evaluating 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.

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. They are also regularly updated and educated on recent events and emerging cyberthreats.

In 2021, no significant events or incidents with impact on business operations were noted. There were also no adverse IT incidents or cyberattacks that required incident reporting.

Our Targets

- 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.

COMMUNITY

While community investment may not be identified as a material issue for HLF, we are committed to serving and giving back to the communities in which we operate.

We want to create meaningful impact in the wider community by committing resources to support social causes that are aligned with our values. As Covid-19 restrictions progressively relax, we aim to work safely and closely with charity partners to contribute to a sustainable and inclusive society.

KEY INITIATIVES

- **Assisi Hospice Fundraising Event**
  For the fourth consecutive year, HLF extended support to Assisi Hospice's fundraising event Assisi Fun Day. Due to the ongoing Covid-19 pandemic, the fundraiser was held virtually for the second year. HLF set up a virtual snack stall during the 10-day campaign and raised over S$5,500, which will go towards providing palliative home and inpatient care to patients with life-limiting illnesses.
- **Children for Children ("CFC") Fundraising Event**
  HLF, together with the Hong Leong Group of companies, were named "Super Hero Donor" in the 13th CFC fundraising event. The Group's collective donation of S$30,000 was the largest CFC received in 2021. Jointly organised by The Rice Company Limited, CHIJ Kellock, The Business Times and Resorts World Sentosa, the annual fundraising campaign supports The Business Times Budding Artists Fund which provides needy children and youth with opportunities and access to the arts.
- **Dementia Awareness**
  With Singapore's ageing population, dementia currently affects about one in ten people aged 60 and above. According to the Agency of Integrated Care, about 130,000 people are expected to be afflicted with dementia by 2030. As many of our customers fall under this 'seniors' age group, HLF aims to be well-equipped and prepared to extend extra customer care and support in this area.

  In 2021, in underscoring our commitment as a Dementia-Friendly organisation, we extended the Dementia Awareness training to another 380 staff across various departments to complement the existing 180 trained frontline staff. This will enable us to better consider the needs of these customers in tailoring our products and services.

Our Target

- Sustain staff participation in a safe and meaningful way.

FINANCIAL ANALYSIS AND REVIEW

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

	2021 $mil	2020 $mil	Variance* +/(-) %
KEY FINANCIAL INDICATORS			
Selected Profit and Loss Items			
Net interest income/hiring charges	178.0	146.8	21.2
Fee and commission income	11.2	10.2	9.3
Other operating income	0.2	1.7	(84.2)
Income before operating expenses	189.4	158.7	19.3
Less: Operating expenses	87.4	76.3	14.5
Profit from operations before allowances	102.0	82.4	23.7
Less: Allowances for doubtful debts and other financial assets net of reversal or recovery of doubtful debts	0.1	7.7	(99.2)
Profit before tax	101.9	74.7	36.4
Profit after tax attributable to owners	84.8	63.9	32.7
Selected Balance Sheet Items			
Loans, advances and receivables (net of allowances)	10,695	10,948	(2.3)
Deposits and balances of customers	10,807	11,194	(3.5)
Total assets	12,952	13,365	(3.1)
Total liabilities	10,989	11,447	(4.0)
Total equity	1,963	1,918	2.3
Key Financial Ratios			
Net interest margin (%)	1.4	1.1	
Net interest income/total income (%)	94.0	92.5	
Non-interest income/total income (%)	6.0	7.5	
Cost/income ratio (%)	46.1	48.1	
Loans/deposits ratio (%)	99	98	
Non-performing loans ratio (%)			
- Secured by collateral	1.5	0.9	
- Unsecured and fully provided for	0.1	0.1	
Return on equity (%)	4.4	3.3	
Return on assets (%)	0.6	0.5	
Capital adequacy ratio (%)	16.9	16.4	
Earnings per share (cents)			
- per basic share	18.9	14.3	
- per diluted share	18.9	14.3	
Net assets per share ($)			
- per basic share	4.38	4.29	
- per diluted share	4.26	4.18	

* Calculated based on actual figures before rounding.

	2021 cents	2020 cents
Dividend per share (tax exempt)		
- interim	3.75	3.5
- final	8.25	5.5
Total	**12**	**9**

FINANCIAL OVERVIEW

For the full year ended 31 December 2021, the Group reported operating profit of $102.0 million before loan loss allowances and tax, up 23.7%. The net attributable profit was $84.8 million, improved 32.7% from the previous year, driven by stepped-up effort in managing the cost of fund and lower loan loss allowances.

The net interest income for 2021 surged by 21.2% to $178.0 million, as the strategic management of deposit reap a substantial saving in funding cost, outpaced the prolonged low loan and asset yields. Net interest margin lifted by 32 basis points to 1.4%.

The fee and commission income increased 9.3% to $11.2 million for the full year 2021 from both lending and corporate finance activities.

For the full year 2021, total staff and operating expenses increased by 14.5% to $87.4 million for the year on lower base last year. Excluding budget relief grants totaling $0.1 million in the current year and $10.4 million in prior year mainly for the offset of staff cost from Jobs Support Scheme, there was a slight increase of 0.8% year-on-year with tightened cost management of discretionary expenses.

For the full year 2021, the net allowances for loans and other financial assets declined to $0.06 million as the allowance for credit-impaired loans was partially offset by lower allowance for non credit-impaired loans with improved credit risk parameters and bad debt recovered.

The Group continues to stay vigilant in its credit risk management and set aside adequate loss allowances to cover its loan portfolio, taking into consideration the potential downside risk on the sectorial impact of the pandemic.

Net loan assets totalling $10,695 million as at 31 December 2021, came down by 2.3% or $253 million over the previous year's base of $10,948 million as at 31 December 2020. The loan portfolio remained well-secured.

In tandem with the lower net loan growth and to optimize funding cost, deposits and balances of customers were pared down to $10,807 million as at 31 December 2021, representing a decrease of 3.5% or $387 million over the previous year's base of $11,194 million as at 31 December 2020. 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 $2,184 million as at 31 December 2021 (31 December 2020: $2,337 million). The Group's balance sheet remained resilient with ample liquidity and strong capital to sustain lending activities and remains well-positioned to ride through the economy recovery, amid market uncertainties.

Group shareholders' funds as at 31 December 2021 totalled $1,963 million (31 December 2020: $1,918 million) with higher net asset value at $4.38 per share (31 December 2020: $4.29 per share).

The Group continues to maintain a strong capital adequacy ratio of 16.9% as at 31 December 2021, well above the prescribed requirement.

FINANCIAL ANALYSIS AND REVIEW

An interim dividend of 3.75 cents per share (tax exempt one-tier) was paid on 8 September 2021. With the proposed payment of a final dividend of 8.25 cents per share (tax exempt one-tier) in respect of the financial year ended 31 December 2021, the total distribution for 2021 at 12 cents per share will amount to approximately $53.7 million, compared to 9 cents per share amounting to $40.3 million for 2020. This represents a dividend payout ratio of 63.3% for financial year 2021, as compared with 63.0% in financial year 2020. 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 2021 based on figures that have been audited.

ANALYSIS OF PERFORMANCE

Net Interest Income

Net interest income includes hiring charges, was the main source of income contributing 94.0% (2020: 92.5%) to total income. Overall, net interest income rose by 21.2% to $178.0 million in 2021 from $146.8 million in 2020 arising from substantial reduction of $101.7 million in interest expenses led by proactive management of deposit base and tightening of funding cost. It outweighed the decline of $70.8 million in interest income arising from lower loan growth and compressed loan and asset yields. As a results, net interest margin improved to 1.4% in 2021 (2020: 1.1%).

	2021			2020		
	Average Balance $mil	Interest $mil	Average Rate %	Average Balance $mil	Interest $mil	Average Rate %
Interest-bearing Assets						
Loans, advances and receivables	10,648	224.4	2.1	11,288	282.4	2.5
Singapore Government debt securities, MAS Bills and MAS Floating Rate Note	1,392	13.9	1.0	1,437	20.2	1.4
Other assets	572	1.6	0.3	804	8.1	1.0
Total	**12,612**	**239.9**	**1.9**	**13,529**	**310.7**	**2.3**
Interest-bearing Liabilities						
Deposits and balances of customers	10,775	61.6	0.6	11,741	163.1	1.4
Borrowings (unsecured)	–	–	–	3	0.1	1.3
Borrowings (secured)	52	–	0.1	13	–	0.1
Other liabilities	2	–	3.0	4	0.1	3.8
Total	**10,829**	**61.6**	**0.6**	**11,761**	**163.3**	**1.4**
Net interest income/margin as a percentage of interest-bearing assets	–	178.3*	1.4	–	147.4*	1.1

* Before deducting interest expense on lease liabilities of $0.3 million (2020: $0.6 million).

Volume and Rate Analysis

Increase/(decrease) for 2021 over 2020 due to change in	Volume $mil	Rate $mil	Total $mil
Interest Income			
Loans, advances and receivables	(16.0)	(42.0)	(58.0)
Singapore Government debt securities, MAS Bills and MAS Floating Rate Note	(0.6)	(5.7)	(6.3)
Other assets	(2.3)	(4.2)	(6.5)
Net	(18.9)	(51.9)	(70.8)
Interest Expense			
Deposits and balances of customers	(13.4)	(88.1)	(101.5)
Borrowings (unsecured)	(0.1)	–	(0.1)
Borrowings (secured)	–	–	–
Other liabilities	(0.1)	–	(0.1)
Net	(13.6)	(88.1)	(101.7)
Net interest income	**(5.3)**	**36.2**	**30.9**

Non-Interest Income

Total non-interest income for 2021 was 6.0% of total income, down from 7.5% for 2020, mainly attributed to one-off gain of $1.4 million on disposal of property in FY2020. Fee and commission income from the loan and financing business rose by $0.8 million or 8.5% with higher loan commitment and review fees income. Fees from non-lending business increased by $0.2 million or 16.7% mainly from corporate finance's advisory activities.

	2021 $mil	2020 $mil	Variance* +/(-) %
Fee and Commission Income			
Loan related and other financing business	10.0	9.2	8.5
Non-lending business including corporate advisory services and other trailer fees	1.2	1.0	16.7
	11.2	10.2	9.3
Other Operating Income	0.2	1.7	(84.2)
Total	**11.4**	**11.9**	**(4.1)**

* Calculated based on actual figures before rounding.

Operating Expenses

Total operating expenses increased by 14.5% to $87.4 million in 2021 from $76.3 million in 2020 on lower base.

	2021 $mil	2020 $mil	Variance* +/(-) %
Staff costs	64.5	54.7	18.0
Depreciation of property, plant and equipment	8.0	7.9	1.1
Other operating expenses	14.9	13.7	8.4
Total	**87.4**	**76.3**	**14.5**
Group staff strength – period end	608	617	(1.5)
Group staff strength – average	606	630	(3.8)

Total operating expenses includes budget relief grants of $0.1 million in 2021 (2020: $10.4 million). Excluding the budget relief grants, total operating expenses increased marginally by 0.8%.

Analysis of Gross Loan Portfolio

(a) Customer loans by product group

The Group continues to focus on its key pillar business with mortgage loan from residential and commercial sectors made up 74% of total portfolio (2020: 73%). The housing and HDB loans component stood at 9% of the total (2020: 11%) of which HDB home loans made up of 6% (2020: 7%). HP Vehicles formed 13% of total loan portfolio as at 31 December 2021 (2020: 13%) with remaining portfolios supporting other corporate loans (HP Industrial/Equipment/TF).

	2021		2020	
	$mil	%	$mil	%
Property Loans – Residential/Commercial	7,981	74	7,961	73
Housing and HDB Home Loans	1,001	9	1,186	11
HP Industrial/Vehicles	1,476	14	1,585	14
Share Loans	93	1	108	1
Others	171	2	135	1
Total	**10,722**	**100**	**10,975**	**100**

(b) Customer loans by remaining contractual maturity

	2021		2020	
	$mil	%	$mil	%
Reviewable/due within 1 year	2,922	27	2,425	22
Due after 1 year but within 3 years	3,379	32	3,726	34
Due after 3 years but within 5 years	1,848	17	1,935	18
Over 5 years	2,573	24	2,889	26
Total	**10,722**	**100**	**10,975**	**100**

* Calculated based on actual figures before rounding.

(c) Non-performing loans

The loan portfolio includes secured non-performing loans of 1.5% of the portfolio in 2021 (2020: 0.9%) together with unsecured non-performing loans of 0.1% of the portfolio in 2021 (2020: 0.1%). 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 1.6% (2020: 1.0%) mainly attributed to slow repayment of a few files which are fully collateralised. The non-performing exposures remained largely secured.

There are no loans and advances graded as doubtful as at 31 December 2021 and 2020.

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

	2021 $mil	2020 $mil	Variance* +/(-) %
Substandard	165.1	96.7	70.7
Loss	8.5	8.1	5.5
Total	**173.6**	**104.8**	**65.6**
(i) Secured non-performing loans ("NPLs")	165.1	96.7	70.7
Secured NPLs as % of total NPLs	95.1	92.3	2.8%pt
(ii) Unsecured NPLs	8.5	8.1	5.5
Specific allowances for NPLs	10.2	8.1	26.0
(iii) Specific allowances as % of total NPLs	5.9	7.7	(1.8%pt)

Analysis of non-performing loans by industrial classification

	2021		2020	
	$'000	%	$'000	%
Manufacturing	261	–	355	–
Building and construction	15,405	9	23,426	22
General commerce	2,580	2	6,372	6
Transport, storage and communication	2,369	1	2,827	3
Investment and holding companies	–	–	48	–
Professional and private individuals	64,920	37	71,099	68
Others	88,034	51	661	1
Total	**173,569**	**100**	**104,788**	**100**

* Calculated based on actual figures before rounding.

(c) Non-performing loans (continued)

Analysis of non-performing loans by period overdue

	2021		2020	
	$'000	%	$'000	%
Over 180 days	18,385	11	34,861	33
Over 90 to 180 days	12,475	7	8,473	8
Less than 90 days	17,397	10	19,134	18
Not overdue	125,312	72	42,320	41
Total	**173,569**	**100**	**104,788**	**100**

Funding Sources

Total funding (including total equity) decreased by 3.1% in 2021 to $12,952 million from $13,365 million in 2020. Customers' deposits was $387 million or 3.5% lower in 2021 closing at $10,807 million from $11,194 million in 2020 in line with lower funding requirements. The Group's loans to deposits ratio was 99% compared to 98% a year ago with the scale down of deposit to optimize loan funding. There are no bank borrowings outstanding as at 31 December 2021.

	2021 $mil	2020 $mil	Variance* +/(-) %
Fixed deposits	10,526	10,943	(3.8)
Savings deposits and other balances of customers	258	235	10.1
Current accounts and other deposits	23	16	39.7
Total customer deposits	10,807	11,194	(3.5)
Other liabilities	182	253	(27.6)
Total shareholders' equity	1,963	1,918	2.3
Total	**12,952**	**13,365**	**(3.1)**
Customer deposits by remaining contractual maturity			
On demand/up to 1 year	9,490	10,950	(13.3)
Over 1 year to 3 years	1,316	244	>100
Over 3 years to 5 years	1	–	100.0
Total customer deposits	**10,807**	**11,194**	**(3.5)**

* Calculated based on actual figures before rounding.

Capital Adequacy Ratio

As at 31 December 2021, the capital adequacy ratio was 16.9% as compared to 16.4% a year ago amid slow down of loan growth. The Group maintains strong capital adequacy ratio well above the minimum regulatory requirement.

	2021 $mil	2020 $mil
Share capital	890	889
Reserves	980	949
Eligible total capital	1,870	1,838
Risk-weighted assets	11,032	11,212
Ratio	16.9%	16.4%

Date : 23 February 2022

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How are we shaping our future?

A

By embracing innovation while growing with our customers.

INNOVATION-DRIVEN.

HLF further stepped up our efforts to ride the digital wave to stay relevant and better support our customers. Not only did we take advantage of digital platforms to market our solutions and services, we also adopted online customer services to reduce footfall in our branches during the pandemic. We believe the deep synergy between innovative technology and our emphasis on personalised service will continue to underpin our bright future.

FINANCIAL REPORT

DIRECTORS' STATEMENT

Year ended 31 December 2021

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 2021.

In our opinion:-

(a) the consolidated financial statements of the Group set out on pages 100 to 159 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 2021 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:-

	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	6,618,607	6,667,567
Kwek Leng Peck	517,359	517,359
Kwek Leng Kee	1,595,079	1,595,079
Kevin Hangchi	472,109	648,016
Options to subscribe for shares under the Hong Leong Finance Share Option Scheme 2001		
Kwek Leng Beng	814,960	856,000
Immediate and Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd. Ordinary Shares		
Kwek Leng Beng	2,320	2,320
Kwek Leng Peck	10,921	10,921
Kevin Hangchi	518	518
Related Corporations		
Hong Leong Holdings Limited Ordinary Shares		
Kwek Leng Beng	259,000	259,000
Kwek Leng Peck	381,428	381,428
Kwek Leng Kee	997,000	997,000
Kevin Hangchi	354,833	354,833

	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	7,870,700
Kwek Leng Kee	300,000	300,000
Options to subscribe for ordinary shares under the Hong Leong Asia Share Option Scheme 2000		
Kwek Leng Peck	300,000	–

	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 2021 disclosed above remained unchanged as at 21 January 2022.

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.

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
22.9.2021	22.9.2022 to 21.9.2031	1,625,000 (net of options not accepted)	$2.38

(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	90,000	5,480,000	2,064,000	2,560,000	856,000

(ii) None of the participants were regarded by the directors as controlling shareholders of the Company.

(iii) None of the other participants were granted options representing 5% or more of the total number of Shares under option available under the Share Option Scheme.

(iv) None of the Parent Group Employees were granted options representing 5% or more of the total number of Shares under option available under the Share Option Scheme to all Parent Group Employees and Parent Group Non-Executive Directors. A total of 250,000 Shares under option were granted to Parent Group Employees since the commencement of the Share Option Scheme to the end of the financial year under review.

(v) Except for options granted to persons in their capacity as Group Employees and/or Parent Group Employees, no other options have been granted by the Company to any other categories of persons since the commencement of the Share Option Scheme.

(vi) The options granted to certain participants of executive rank (including those granted to an Executive Director of the Company) since the commencement of the Share Option Scheme are subject to a vesting schedule as follows:-

(1) one year after the date of grant for up to 33% of the Shares over which the options are exercisable;

(2) two years after the date of grant for up to 66% (including (1) above) of the Shares over which the options are exercisable; and

(3) three years after the date of grant for up to 100% (including (1) and (2) above) of the Shares over which the options are exercisable.

(vii) The persons to whom options have been granted do not have any right to participate by virtue of these options in any share issue of any other company.

(c) Unissued Shares under option

There were a total of 15,286,180 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.

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 subject to the approval of the Monetary Authority of Singapore.

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

Auditors

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

On behalf of the Board of Directors

Kwek Leng Beng
Director

Peter Chay Fook Yuen
Director

Singapore

23 February 2022

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 2021, 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 100 to 159.

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 2021 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 83% 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 are 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.

In 2021, the resulting economic uncertainty from the Covid-19 pandemic has added further complexity to the level of judgement required by the Group in calculating the ECL.

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. We also considered the modifications made by management to the ECL model to account for the effects of Covid-19.

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.

We found that the methodology and management's assumptions used 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 and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
HONG LEONG FINANCE LIMITED

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

23 February 2022

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group 31 Dec 2021	Group 31 Dec 2020	Company 31 Dec 2021	Company 31 Dec 2020
Number of shares in issue	4	**447,817,233**	447,552,473	**447,817,233**	447,552,473
		$'000	$'000	**$'000**	$'000
Share capital	4	**889,771**	889,117	**889,771**	889,117
Reserves	4	**778,592**	756,941	**778,592**	756,941
Accumulated profits		**294,184**	272,055	**290,720**	268,612
Equity attributable to owners of the Company		**1,962,547**	1,918,113	**1,959,083**	1,914,670
Liabilities					
Deposits and balances of customers	6	**10,806,871**	11,194,359	**10,811,206**	11,198,668
Trade and other payables	7	**164,710**	232,213	**163,365**	230,874
Current tax payable		**17,165**	19,480	**17,163**	19,474
Deferred tax liabilities	8	**970**	897	**970**	897
Total liabilities		**10,989,716**	11,446,949	**10,992,704**	11,449,913
Total equity and liabilities		**12,952,263**	13,365,062	**12,951,787**	13,364,583
Assets					
Cash at banks and in hand	9	**528,208**	613,775	**527,198**	612,762
Statutory deposit with the Monetary Authority of Singapore	9	**298,598**	317,621	**298,598**	317,621
Singapore Government debt securities, MAS bills and MAS Floating Rate Note ("FRN")	10	**1,357,675**	1,405,434	**1,357,675**	1,405,434
Loans, advances and receivables	11	**10,695,494**	10,947,909	**10,695,494**	10,947,909
Other receivables, deposits and prepayments	12	**16,963**	19,070	**16,962**	19,069
Subsidiaries	13	**–**	–	**535**	535
Investments (long-term)	14	**–**	–	**–**	–
Property, plant and equipment	15	**55,325**	61,253	**55,325**	61,253
Total assets		**12,952,263**	13,365,062	**12,951,787**	13,364,583
Acceptances, guarantees and other obligations on behalf of customers	16	**1,978**	4,054	**1,978**	4,054

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	Group 2021 $'000	Group 2020 $'000
Profit and loss account:			
Interest on loans		**179,765**	230,360
Hiring charges		**44,668**	52,086
Other interest income		**15,544**	28,339
Interest income/hiring charges		**239,977**	310,785
Less: Interest expense		**62,011**	163,937
Net interest income/hiring charges	17	**177,966**	146,848
Fee and commission income	18	**11,181**	10,229
Other operating income	19	**270**	1,714
Income before operating expenses		**189,417**	158,791
Less: Staff costs	20	**64,506**	54,678
Depreciation of property, plant and equipment	15	**8,011**	7,922
Other operating expenses	21	**14,896**	13,739
Total operating expenses		**87,413**	76,339
Profit from operations before allowances		**102,004**	82,452
Less: Allowances for doubtful debts and other financial assets net of reversal or recovery of doubtful debts	9, 11	**60**	7,733
Profit before income tax		**101,944**	74,719
Less: Income tax expense	22	**17,123**	10,810
Profit for the year/Comprehensive income attributable to owners of the Company		**84,821**	63,909
Earnings per share (cents)	23		
Basic		**18.95**	14.28
Diluted		**18.94**	14.28

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	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 2020	889,051	728,766	2,307	3,279	15,562	275,278	1,914,243
Issue of shares under share option scheme	62						62
Value of employee services received for issue of share options				319			319
Value of employee services transferred for share options exercised or lapsed	4			(1,201)		1,197	–
Final dividend of 10 cents per share (tax exempt one-tier) paid in respect of year 2019						(44,756)	(44,756)
Interim dividend of 3.5 cents per share (tax exempt one-tier) paid in respect of year 2020						(15,664)	(15,664)
Adjustment under MAS 811					(8,069)	8,069	–
Comprehensive income for the year						63,909	63,909
Transfer to Statutory reserve		15,978				(15,978)	–
At 31 December 2020	889,117	744,744	2,307	2,397	7,493	272,055	1,918,113
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**

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 2021

	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 2020	889,051	728,766	2,307	3,279	15,562	271,899	1,910,864
Issue of shares under share option scheme	62						62
Value of employee services received for issue of share options				319			319
Value of employee services transferred for share options exercised or lapsed	4			(1,201)		1,197	–
Final dividend of 10 cents per share (tax exempt one-tier) paid in respect of year 2019						(44,756)	(44,756)
Interim dividend of 3.5 cents per share (tax exempt one-tier) paid in respect of year 2020						(15,664)	(15,664)
Adjustment under MAS 811					(8,069)	8,069	–
Comprehensive income for the year						63,845	63,845
Transfer to Statutory reserve		15,978				(15,978)	–
At 31 December 2020	889,117	744,744	2,307	2,397	7,493	268,612	1,914,670
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**

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 2021

	Note	2021 $'000	2020 $'000
Operating activities			
Profit for the year		**84,821**	63,909
Adjustments for:-			
Impact of accrual of interest income		**(2,653)**	4,414
Impact of accrual of interest expense		**(29,087)**	(68,726)
Allowances for doubtful debts		**587**	8,219
Interest expense on lease liabilities		**339**	633
Depreciation of property, plant and equipment		**8,011**	7,922
(Gain)/loss on disposal of property, plant and equipment		**1**	(1,357)
Value of employee services received for issue of share options		**418**	319
Income tax expense	22	**17,123**	10,810
		79,560	26,143
Changes in working capital:-			
Loans, advances and receivables		**251,828**	598,174
Other receivables, deposits and prepayments		**4,760**	(1,324)
Singapore Government debt securities, MAS Bills and MAS FRN		**47,759**	126,329
Deposits and balances of customers		**(387,488)**	(1,112,690)
Trade and other payables		**(42,464)**	45,409
Cash used in operations		**(46,045)**	(317,959)
Income taxes paid		**(19,365)**	(14,055)
Cash flows used in operating activities		**(65,410)**	(332,014)
Investing activities			
Purchase of property, plant and equipment		**(399)**	(349)
Proceeds from disposal of property, plant and equipment		**–**	1,750
Cash flows from/(used in) investing activities		**(399)**	1,401
Financing activities			
Payment for lease liabilities		**(6,917)**	(6,370)
Proceeds from exercise of share options		**602**	62
Proceeds from borrowings		**8,941**	42,914
Dividends paid		**(41,407)**	(60,420)
Cash flows used in financing activities		**(38,781)**	(23,814)
Net decrease in cash and cash equivalents		**(104,590)**	(354,427)
Cash and cash equivalents at beginning of year		**931,396**	1,285,823
Cash and cash equivalents at end of year	9	**826,806**	931,396

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 23 February 2022.

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 2021 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.

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 2021:-

- Covid-19-Related Rent Concessions (Amendments to SFRS(I) 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16)

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

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on opening equity balances as a result of retrospective application.

Specific policies applicable from 1 January 2021 for interest rate benchmark reform
The Phase 2 amendments provide practical relief from certain requirements in SFRS(I) Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:-

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Subsequently, the Group applies the policies on accounting for modifications to the additional changes.

See also note 24 for related disclosures about risks, financial assets and financial liabilities indexed to IBOR.

The accounting policies have been applied consistently 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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

Non-derivative financial assets: Subsequent measurement and gains and losses
Financial assets at 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Derecognition (continued)

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.

(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.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

(i) As a lessee (continued)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(i) Non-derivative financial assets (continued)

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.

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).

For loans subjected to the Covid-19 repayment deferral arrangements, an assessment of any change to credit risk has been determined based on various measures of the customer's current financial position and earnings capacity. Significant increase in credit risk is then determined in accordance with the accounting policy set out in Note 3f(i).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(i) Non-derivative financial assets (continued)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Recognition of income and expense (continued)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 2021 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

		Company	
	Note	**2021** **Number of shares**	2020 Number of shares
Fully paid shares, with no par value:-			
At 1 January		**447,552,473**	447,526,473
Issue of shares under share option scheme	5	**264,760**	26,000
At 31 December		**447,817,233**	447,552,473

4. CAPITAL AND RESERVES (CONTINUED)

Share capital (continued)

In 2021, pursuant to the Hong Leong Finance Share Option Scheme 2001 ("Share Option Scheme"), the Company issued new shares fully paid in cash as follows:-

	Company	
Exercise price	**2021** **Number of shares**	2020 Number of shares
$2.28	**51,800**	500
$2.34	**23,500**	–
$2.23	**109,960**	15,500
$2.58	**–**	10,000
$2.31	**79,500**	–
	264,760	26,000

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.

Reserves

	Group and Company	
	2021 **$'000**	2020 $'000
Statutory reserve	**765,950**	744,744
Capital reserve	**2,307**	2,307
Share option reserve	**2,468**	2,397
Regulatory loss allowance reserve	**7,867**	7,493
	778,592	756,941

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 8.25 cents per share, tax exempt one-tier, amounting to $36,945,000 (2020: 5.5 cents per share, tax exempt one-tier, amounting to $24,618,000) 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 $16,789,000 (2020: 3.5 cents per share, tax exempt one-tier, amounting to $15,664,000) paid on 8 September 2021 (2020: 9 September 2020).

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.

Information regarding the Share Option Scheme is as follows:-

(a) 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.

(b) 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.

(c) All options are settled by delivery of shares upon receipt of the exercise price in cash.

(d) 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 2021 $	**Number of options 2021 '000**	Weighted average exercise price 2020 $	Number of options 2020 '000
At 1 January	**2.49**	**15,236**	2.62	15,076
Granted	**2.38**	**1,836**	2.31	3,006
Not accepted	**2.38**	**(211)**	2.31	(194)
Lapsed	**2.39**	**(1,310)**	3.04	(2,626)
Exercised	**2.27**	**(265)**	2.37	(26)
At 31 December	**2.49**	**15,286**	2.49	15,236
Exercisable at 31 December	**2.51**	**13,091**	2.53	11,858

The options outstanding at 31 December 2021 have an exercise price in the range of $2.23 to $2.66 (2020: $2.23 to $2.66) and a weighted average remaining contractual life of 6.2 years (2020: 6.5 years).

The weighted average share price at the date of exercise for share options exercised in 2021 was $2.27 (2020: $2.37).

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.

5. EMPLOYEE SHARE OPTIONS (CONTINUED)

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.

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	29.9.2011	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
Fair value at grant date	$0.28	$0.31	$0.36	$0.29	$0.17	$0.13	$0.20	$0.11	$0.08	$0.17	$0.17
Share price	$2.29	$2.45	$2.60	$2.67	$2.30	$2.22	$2.60	$2.58	$2.60	$2.30	$2.37
Exercise price	$2.28	$2.45	$2.56	$2.66	$2.34	$2.23	$2.61	$2.58	$2.62	$2.31	$2.38
Expected volatility	27.2%	26.7%	25.7%	20.5%	15.0%	14.8%	14.8%	13.1%	12.9%	15.7%	15.7%
Expected option life	4.9 to 10 years	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
Expected dividend yield	5.2%	4.9%	4.6%	4.5%	4.4%	4.5%	3.9%	5.4%	5.8%	3.3%	3.8%
Risk-free interest rate (based on government bonds)	0.5 to 1.7%	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%

Employee expenses:-

	2021 $'000	2020 $'000
Share options granted in		
2017	**–**	7
2018	**5**	16
2019	**11**	174
2020	**332**	122
2021	**70**	–
Total expense recognised as employee costs	**418**	319

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		29.9.2011	14.9.2012	25.9.2013	25.9.2014	23.9.2015	23.9.2016
Expiry date		28.9.2021	13.9.2022	24.9.2023	24.9.2024	22.9.2025	22.9.2026
Exercise price		$2.28	$2.45	$2.56	$2.66	$2.34	$2.23
Number of options outstanding at 1.1.2021		712,490	1,167,500	1,038,000	1,351,500	762,500	873,460
Options lapsed		(660,690)	(50,000)	(44,000)	(48,000)	(19,500)	(19,500)
Options exercised (1.1.2021 to 31.12.2021)		(51,800)	–	–	–	(23,500)	(109,960)
Number of options outstanding at 31.12.2021		–	1,117,500	994,000	1,303,500	719,500	744,000
Number of options exercisable at 1.1.2021		712,490	1,167,500	1,038,000	1,351,500	762,500	873,460
Number of options exercisable at 31.12.2021		–	1,117,500	994,000	1,303,500	719,500	744,000
Option exercise period of options outstanding at 31.12.2021							
14.9.2013 to 13.9.2022	vested on 14.9.2013		905,780				
	vested on 14.9.2014		104,280				
	vested on 14.9.2015		107,440				
25.9.2014 to 24.9.2023	vested on 25.9.2014			865,360			
	vested on 25.9.2015			63,360			
	vested on 25.9.2016			65,280			
25.9.2015 to 24.9.2024	vested on 25.9.2015				1,044,880		
	vested on 25.9.2016				127,380		
	vested on 25.9.2017				131,240		
23.9.2016 to 22.9.2025	vested on 23.9.2016					600,180	
	vested on 23.9.2017					48,970	
	vested on 23.9.2018					70,350	
23.9.2017 to 22.9.2026	vested on 23.9.2017						627,755
	vested on 23.9.2018						57,255
	vested on 23.9.2019						58,990

5. EMPLOYEE SHARE OPTIONS (CONTINUED)

		(7)	(8)	(9)	(10)	(11)
Date of grant of options		21.9.2017	25.9.2018	23.9.2019	23.9.2020	22.9.2021
Expiry date		20.9.2027	24.9.2028	22.9.2029	22.9.2030	21.9.2031
Exercise price		$2.61	$2.58	$2.62	$2.31	$2.38
Number of options outstanding at 1.1.2021		1,178,500	2,193,000	3,165,000	2,794,000	–
Options granted		–	–	–	–	1,835,500
Options not accepted		–	–	–	–	(210,500)
Options lapsed		(40,000)	(102,200)	(156,620)	(161,000)	(8,500)
Options exercised (1.1.2021 to 31.12.2021)		–	–	–	(79,500)	–
Number of options outstanding at 31.12.2021		1,138,500	2,090,800	3,008,380	2,553,500	1,616,500
Number of options exercisable at 1.1.2021		1,178,500	2,034,390	2,739,550	–	–
Number of options exercisable at 31.12.2021		1,138,500	2,090,800	2,804,720	2,178,300	–
Option exercise period of options outstanding at 31.12.2021						
21.9.2018 to 20.9.2027	vested on 21.9.2018	933,480				
	vested on 21.9.2019	100,980				
	vested on 21.9.2020	104,040				
25.9.2019 to 24.9.2028	vested on 25.9.2019		1,788,445			
	vested on 25.9.2020		153,945			
	vested on 25.9.2021		148,410			
23.9.2020 to 22.9.2029	vested on 23.9.2020			2,607,050		
	vested on 23.9.2021			197,670		
	vesting on 23.9.2022			203,660		
23.9.2021 to 22.9.2030	vested on 23.9.2021				2,178,300	
	vesting on 23.9.2022				184,800	
	vesting on 23.9.2023				190,400	
22.9.2022 to 21.9.2031	vesting on 22.9.2022					1,398,415
	vesting on 22.9.2023					107,415
	vesting on 22.9.2024					110,670

6. DEPOSITS AND BALANCES OF CUSTOMERS

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Fixed deposits	**10,525,819**	10,943,459	**10,530,154**	10,947,768
Savings deposits and other balances of customers	**258,342**	234,641	**258,342**	234,641
Current accounts and other deposits	**22,710**	16,259	**22,710**	16,259
Total deposits and balances of customers	**10,806,871**	11,194,359	**10,811,206**	11,198,668

7. TRADE AND OTHER PAYABLES

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Due after 12 months				
Borrowings from MAS SGD Facility	**8,941**	42,914	**8,941**	42,914
Amount due to Enterprise Singapore	**748**	762	**748**	762
Other trade payables and accrued operating expenses	**263**	303	**263**	303
Lease liabilities	**30,157**	35,152	**30,157**	35,152
	40,109	79,131	**40,109**	79,131
Due within 12 months				
Borrowings from MAS SGD Facility	**42,914**	–	**42,914**	–
Amount due to Enterprise Singapore	**1,119**	1,299	**1,119**	1,299
Interest payable	**34,738**	63,825	**34,743**	63,836
Other trade payables and accrued operating expenses	**37,565**	79,807	**36,313**	78,553
Other payables	**1,731**	1,718	**1,633**	1,622
Lease liabilities	**6,534**	6,433	**6,534**	6,433
	124,601	153,082	**123,256**	151,743
Total trade and other payables	**164,710**	232,213	**163,365**	230,874

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 $57,638,000 (2020: $47,682,000) as collaterals under Enterprise Singapore's Enhanced Enterprise Financing Scheme.

8. DEFERRED TAX

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

	Group and Company				
	At 1 January 2020 $'000	Recognised in profit or loss (Note 22) $'000	At 31 December 2020 $'000	**Recognised in profit or loss (Note 22) $'000**	**At 31 December 2021 $'000**
Deferred tax liabilities/(assets)					
Trade and other payables	(190)	–	(190)	**(11)**	**(201)**
Loans, advances and receivables	2,024	(751)	1,273	**64**	**1,337**
Property, plant and equipment	(41)	(146)	(187)	**6**	**(181)**
Other items	1	–	1	**14**	**15**
Net deferred tax liabilities/(assets)	1,794	(897)	897	**73**	**970**

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 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Cash at banks and in hand	**528,250**	613,842	**527,240**	612,829
Less: Loss allowances				
At 1 January	**67**	67	**67**	67
Allowances reversed during the year	**(25)**	–	**(25)**	–
At 31 December	**42**	67	**42**	67
Cash at banks and in hand, net	**528,208**	613,775	**527,198**	612,762
Statutory deposit with the Monetary Authority of Singapore	**298,598**	317,621	**298,598**	317,621
Total	**826,806**	931,396	**825,796**	930,383

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

	Group and Company 2021 $'000	Group and Company 2020 $'000
Singapore Government debt securities, MAS Bills and MAS Floating Rate Note ("FRN")		
- Within 12 months	**763,302**	843,506
- After 12 months	**594,373**	561,928
	1,357,675	1,405,434
Market value	**1,362,858**	1,423,039

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

11. LOANS, ADVANCES AND RECEIVABLES

	Group and Company 2021 $'000	2020 $'000
(a) Loans, advances and receivables at amortised cost		
Due after 12 months		
Loans, advances and hire purchase receivables	**7,846,964**	8,606,852
Less: Unearned charges and interest	**46,328**	57,219
	7,800,636	8,549,633
Less: Allowances for doubtful debts		
- Loans and advances	**16,089**	17,131
- Hire purchase receivables	**3,560**	3,616
	19,649	20,747
	7,780,987	8,528,886
Due within 12 months		
Loans, advances, factoring receivables and hire purchase receivables	**2,957,391**	2,467,121
Less: Unearned charges and interest	**35,460**	42,073
	2,921,931	2,425,048
Less: Allowances for doubtful debts		
- Loans, advances and factoring receivables	**5,885**	4,511
- Hire purchase receivables	**1,539**	1,514
	7,424	6,025
	2,914,507	2,419,023
Total loans, advances and receivables	**10,695,494**	10,947,909
(b) Allowances for doubtful debts		
Stage 3 loss allowances		
At 1 January	**8,090**	6,562
Net allowances made during the year	**2,386**	2,297
Receivables written off against allowances	**(286)**	(769)
At 31 December	**10,190**	8,090
Stages 1 & 2 loss allowances		
At 1 January	**18,682**	12,760
Net allowances made/(reversed) during the year	**(1,799)**	5,922
At 31 December	**16,883**	18,682
Total allowances for doubtful debts	**27,073**	26,772

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 $502,000 (2020: $486,000), as recorded in the Consolidated Statement of Comprehensive Income.

11. LOANS, ADVANCES AND RECEIVABLES (CONTINUED)

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

	Group and Company 2021 Receivables $'000	2021 Interest $'000	2021 Principal $'000	2020 Receivables $'000	2020 Interest $'000	2020 Principal $'000
Due within 1 year	**480,062**	**34,598**	**445,464**	508,641	40,823	467,818
Due after 1 year but within 5 years	**1,001,027**	**45,184**	**955,843**	1,099,928	55,863	1,044,065
Due after 5 years	**76,219**	**1,135**	**75,084**	74,005	1,275	72,730
Total	**1,557,308**	**80,917**	**1,476,391**	1,682,574	97,961	1,584,613

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

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Interest receivables	**8,597**	5,944	**8,597**	5,944
Deposits	**1,847**	1,841	**1,847**	1,841
Prepayments	**1,296**	1,358	**1,295**	1,357
Other receivables	**5,223**	9,927	**5,223**	9,927
Total	**16,963**	19,070	**16,962**	19,069

13. SUBSIDIARIES

	Company 2021 $'000	Company 2020 $'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 2021 %	2020 %
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 2021 $'000	2020 $'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.

15. PROPERTY, PLANT AND EQUIPMENT

Group and Company	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Office equipment, fixtures and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Cost							
At 1 January 2020	50	2,938	85,673	13,993	10,227	543	113,424
Additions	–	–	2,487	81	268	–	2,836
Disposals	–	–	(834)	(70)	(43)	–	(947)
At 31 December 2020	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**
Accumulated depreciation and impairment losses							
At 1 January 2020	–	1,718	22,004	13,232	9,544	194	46,692
Depreciation charge for the year	–	60	7,109	298	348	107	7,922
Disposals	–	–	(442)	(69)	(43)	–	(554)
At 31 December 2020	–	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**
Carrying amount							
At 1 January 2020	50	1,220	63,669	761	683	349	66,732
At 31 December 2020	50	1,160	58,655	543	603	242	61,253
At 31 December 2021	**50**	**1,100**	**53,149**	**392**	**500**	**134**	**55,325**

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties held at 31 December are as follows:-

	Group and Company 2021 $'000	2020 $'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.	**838**	865
(2) Properties with carrying amounts up to $500,000 each comprise 2 shop units held as branch premises.	**312**	345
Total	**1,150**	1,210
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.	**1,056**	1,108
(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.	**1,340**	1,398
(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.	**1,258**	1,300
(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.	**6,971**	7,147
(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.	**3,361**	3,432
(2) Properties with carrying amounts more than $500,000 to $1,000,000 each comprise 4 shop units held as branch premises.	**2,620**	2,729
(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.	**1,722**	1,885
Total	**18,328**	18,999

Property, plant and equipment includes right-of-use assets of $34.8 million (2020: $39.7 million) related to leasehold buildings.

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	
	2021	2020
	$'000	$'000
Guarantees	**1,978**	4,054
Total	**1,978**	4,054

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

17. NET INTEREST INCOME/HIRING CHARGES

	Group	
	2021	2020
	$'000	$'000
Interest income/hiring charges		
Loans, advances and receivables	**224,433**	282,446
Deposits placed	**1,607**	8,098
Singapore Government debt securities, MAS bills and MAS FRN	**13,937**	20,241
Total interest income/hiring charges	**239,977**	310,785
Interest expense		
Deposits and balances of customers	**61,569**	163,120
Others	**51**	135
Borrowings	**52**	49
Lease liabilities	**339**	633
Total interest expense	**62,011**	163,937
Net interest income/hiring charges	**177,966**	146,848

18. FEE AND COMMISSION INCOME

	Group	
	2021	2020
	$'000	$'000
Fee and commission income arising from:-		
Loans and advances	**9,996**	9,201
Non-lending activities	**1,165**	998
Others	**20**	30
Total	**11,181**	10,229

19. OTHER OPERATING INCOME

	Group	
	2021	2020
	$'000	$'000
Gain/(loss) on disposal of plant and equipment	**(1)**	1,357
Other operating income	**271**	357
Total	**270**	1,714

20. STAFF COSTS

	Group	
	2021	2020
	$'000	$'000
Short-term employee benefits	**57,826**	48,010
CPF contributions to defined contribution plans	**6,262**	6,349
Share-based payments	**418**	319
Total	**64,506**	54,678

Included in short-term employee benefits is the offset of wage credit subsidies, Jobs Support Scheme and Covid-19 support grant from budget relief measures amounting to $0.1 million (2020: $10.1 million).

21. OTHER OPERATING EXPENSES

	Group	
	2021	2020
	$'000	$'000
Audit fees to auditors	**412**	412
Non-audit fees to auditors	**173**	55
Operating lease expenses	**61**	68
IT-related expenses	**2,856**	2,858
Other expenses	**11,394**	10,346
Total	**14,896**	13,739

Included in other expenses are fee and commission expenses arising from loans, advances and receivables amounting to $1,079,000 (2020: $429,000) and the offset of Covid-19 support grant and rebates from budget relief measures amounting to $Nil (2020: $0.3 million).

22. INCOME TAX EXPENSE

	Note	Group 2021 $'000	Group 2020 $'000
Current tax expense			
Current year		**17,163**	12,327
Adjustment for prior years		**(113)**	(620)
		17,050	11,707
Deferred tax expense			
Origination and reversal of temporary differences		**73**	(1,517)
Adjustment for prior year		**–**	620
	8	**73**	(897)
Income tax expense		**17,123**	10,810

Adjustment for prior years of $113,000 (2020: $620,000) relates to provision for tax for prior years being written back following the finalisation of tax assessment.

Reconciliation of income tax expense

	Group 2021 $'000	Group 2020 $'000
Profit after tax for the year	**84,821**	63,909
Income tax expense	**17,123**	10,810
Profit before income tax	**101,944**	74,719
Tax calculated using Singapore tax rate of 17% (2020: 17%)	**17,331**	12,702
Tax effect of:-		
Exempt income not taxable for tax purposes	**(26)**	(1,915)
Enhanced tax deductions	**(1)**	(1)
Bad debts recovered not subject to tax	**(45)**	(17)
Income taxed at a 10% concessionary tax rate	**(404)**	(326)
Expenses not deductible for tax purposes	**367**	389
Others	**14**	(22)
	17,236	10,810
Adjustment for prior years	**(113)**	–
Income tax expense	**17,123**	10,810
Effective tax rate (%)	**16.8**	14.5

23. EARNINGS PER SHARE

(a) Basic earnings per share

	Group 2021 $'000	Group 2020 $'000
Basic earnings per share is based on:-		
Profit after tax for the year attributable to owners of the Company	**84,821**	63,909

	2021 Number of shares '000	2020 Number of shares '000
Issued shares at 1 January	**447,552**	447,526
Effect of share options exercised	**100**	18
Weighted average number of shares during the year	**447,652**	447,544

(b) Diluted earnings per share

	Group 2021 $'000	Group 2020 $'000
Diluted earnings per share is based on:-		
Profit after tax for the year attributable to owners of the Company	**84,821**	63,909

For the purpose of calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options, with the potential shares weighted for the period outstanding.

The effect of the exercise of share options on the weighted average number of shares in issue is as follows:-

	Group 2021 Number of shares '000	Group 2020 Number of shares '000
Weighted average number of:-		
shares used in the calculation of basic earnings per share	**447,652**	447,544
potential shares issuable under share options	**217**	90
Weighted average number of issued and potential shares assuming full conversion	**447,869**	447,634

Outstanding share options that were not included in the computation of diluted earnings per share because the share options were anti-dilutive amounted to 11,269,180 at exercise price of $2.38 to $2.66 as at 31 December 2021 (2020: 12,887,500 at exercise price of $2.31 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.

(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.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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.

Potential Impact to Covid-19 Pandemic
To address the Covid-19 outbreak and with the Government's initiatives, the Group has rolled out Covid-19 Loan Relief Schemes to help SMEs and individual customers to tide over their cash flows during this difficult time. In addition, businesses and retail customers are also able to defer payment of their loans. These measures have been well received and the Group remains responsive to the customers' changing needs. The measures are expected to be unwound gradually. The Group remains closely engaged to understand the impact of these measures on the customers and credit risk profile. There are processes in place to ensure appropriate ongoing borrower review, customer engagement and oversight across the credit risk assessment process for the Covid-19 impacted customers.

Notwithstanding the range of relief measures made available to individuals and corporates, the depth and severity of Covid-19 impacts on the economy remain uncertain. To recognise the potential downside on credit risk, we continue to set aside adequate expected credit loss allowance for non credit-impaired assets as at 31 December 2021, taking into consideration the macroeconomic outlook due to the evolving Covid-19 pandemic. These were determined based on plausible economic and industry stress factors, amid expiration of government-assisted schemes.

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			
	12-month expected credit loss Not credit-impaired	**Lifetime expected credit loss Not credit-impaired**	**Lifetime expected credit loss Credit-impaired**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
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**
2020				
Performing accounts				
- neither past due nor impaired	10,572,634	150,528	–	10,723,162
- past due but not impaired	109,570	37,161	–	146,731
Substandard	–	–	96,698	96,698
Loss	–	–	8,090	8,090
Gross amount	10,682,204	187,689	104,788	10,974,681
Stage 1 & 2 loss allowances	(17,963)	(719)	–	(18,682)
Stage 3 loss allowances	–	–	(8,090)	(8,090)
Carrying amount	10,664,241	186,970	96,698	10,947,909

There are no loans and advances graded as doubtful as at 31 December 2021 and 2020.

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.

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 2021		
Substandard	**165,035**	**163,378**
Loss	**8,533**	**–**
Total	**173,568**	**163,378**
31 December 2020		
Substandard	96,698	96,698
Loss	8,090	–
Total	104,788	96,698

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 $10,622,882,000 (2020: $10,879,463,000). The Group's claim against such collateral has been limited to the obligations of the respective obligors.

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

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Exposure to credit risk (continued)

	Group and Company	
	2021	2020
	$'000	$'000
Equipment	**–**	297
Motor vehicles	**49**	10
Properties	**3,335**	1,750
Total	**3,384**	2,057

Covid-19 repayment deferral: Since April 2020, the Group has 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 has 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.

The gross carrying amount of loans at the date of modification that were considered non-substantial modifications was $846,123,000 (2020: $1,350,158,000). Of which, loans with loan loss allowances based on lifetime expected losses was $40,792,000 (2020: $52,850,000). No gain or loss was recognised as a result of the modification at the end of financial year 2020 and 2021 and the gross carrying amount of loans that have subsequently changed to a 12-month loan loss allowance was $7,522,000 (2020: $3,573,000).

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	
	2021	2020
	$'000	$'000
Gross carrying amount	**10,722,567**	10,974,681
Concentration by sector		
Hire purchase/block discounting	**1,476,391**	1,584,613
Housing loans secured by property under finance	**838,837**	970,262
Other loans and advances:-		
Manufacturing	**35,643**	47,399
Building and construction	**5,300,262**	5,042,100
General commerce	**76,645**	93,978
Transport, storage and communication	**163,034**	184,945
Investment and holding companies	**781,773**	706,467
Professional and private individuals	**230,836**	220,757
Others (including hotels, associations and charitable organisations)	**1,819,146**	2,124,160
Total	**10,722,567**	10,974,681

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 $1,978,000 as at 31 December 2021 (2020: $4,054,000). At the reporting date, the Company does not consider it probable that claims will be made against the Company under the guarantees.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Reconciliation of Loss Allowance
Reconciliation of impairment provision

	12-month ECL Not credit-impaired	**Lifetime ECL Not credit-impaired**	**Lifetime ECL Credit-impaired**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
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**
2020				
Balance as at 1 January	11,742	1,018	6,562	19,322
New financial assets originated or purchased	5,499	40	5	5,544
Financial assets repaid	(4,270)	(454)	(888)	(5,612)
Financial assets written off	–	–	(769)	(769)
Transfer to 12-month ECL – not credit-impaired	276	(276)	–	–
Transfer to Lifetime ECL – not credit-impaired	(372)	374	(2)	–
Transfer to Lifetime ECL – credit-impaired	(54)	(53)	107	–
Changes in models/risk parameters	4,159	47	–	4,206
Impairment loss recognised	982	24	3,075	4,081
Balance as at 31 December	17,962	720	8,090	26,772

Write-off still under enforcement activity
The contractual amount of outstanding on loans and advances to customers that were written off during the reporting period, and are still subject to enforcement activity was $0.3 million (2020: $0.8 million).

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 $528,208,000 and $527,198,000 respectively at 31 December 2021 (2020: $613,775,000 and $612,762,000 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 $298,598,000 at 31 December 2021 (2020: $317,621,000) 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 $1,357,675,000 at 31 December 2021 (2020: $1,405,434,000) 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.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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.

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	
	2021	2020
At 31 December	**16.95%**	16.23%
Average for the period	**16.77%**	16.35%
Maximum for the period	**18.64%**	17.53%
Minimum for the period	**16.10%**	16.09%

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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.

	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 2021							
Non-derivative financial liabilities							
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)**
31 December 2020							
Non-derivative financial liabilities							
Deposits and balances of customers	11,194,359	(11,297,147)	(3,095,444)	(1,508,241)	(6,445,765)	(247,697)	–
Borrowings from MAS SGD Facility	42,914	(43,000)	–	–	–	(43,000)	–
Amount due to Enterprise Singapore	2,061	(2,091)	(549)	(181)	(588)	(773)	–
Other liabilities	78,195	(78,195)	(61,101)	(123)	(16,478)	(303)	(190)
Lease liabilities	41,585	(43,272)	(582)	(1,158)	(5,014)	(23,546)	(12,972)
	11,359,114	(11,463,705)	(3,157,676)	(1,509,703)	(6,467,845)	(315,319)	(13,162)
Financial guarantees	–	(4,054)	(4,054)	–	–	–	–
	11,359,114	(11,467,759)	(3,161,730)	(1,509,703)	(6,467,845)	(315,319)	(13,162)
Undrawn loan commitments	–	(1,222,276)	(960,376)	(261,900)	–	–	–
	11,359,114	(12,690,035)	(4,122,106)	(1,771,603)	(6,467,845)	(315,319)	(13,162)

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
Company							
31 December 2021							
Non-derivative financial liabilities							
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)**
31 December 2020							
Non-derivative financial liabilities							
Deposits and balances of customers	11,198,668	(11,301,468)	(3,095,788)	(1,508,241)	(6,449,742)	(247,697)	–
Borrowings from MAS SGD Facility	42,914	(43,000)	–	–	–	(43,000)	–
Amount due to Enterprise Singapore	2,061	(2,091)	(549)	(181)	(588)	(773)	–
Other liabilities	76,845	(76,845)	(59,780)	(109)	(16,463)	(303)	(190)
Lease liabilities	41,585	(43,272)	(582)	(1,158)	(5,014)	(23,546)	(12,972)
	11,362,073	(11,466,676)	(3,156,699)	(1,509,689)	(6,471,807)	(315,319)	(13,162)
Financial guarantees	–	(4,054)	(4,054)	–	–	–	–
	11,362,073	(11,470,730)	(3,160,753)	(1,509,689)	(6,471,807)	(315,319)	(13,162)
Undrawn loan commitments	–	(1,222,276)	(960,376)	(261,900)	–	–	–
	11,362,073	(12,693,006)	(4,121,129)	(1,771,589)	(6,471,807)	(315,319)	(13,162)

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.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk (continued)

Repricing analysis (continued)

				Group		
	Note	Carrying amount $'000	Up to 1 year $'000	Over 1 to 5 years $'000	After 5 years $'000	Non-interest bearing $'000
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**
31 December 2020						
Financial assets						
Loans, advances and receivables	11	10,947,909	9,485,397	1,389,959	72,553	–
Singapore Government debt securities and MAS bills	10	1,405,434	843,506	561,928	–	–
Cash at banks and in hand	9	613,775	539,887	–	–	73,888
Statutory deposit with the Monetary Authority of Singapore	9	317,621	–	–	–	317,621
Other assets		17,712	–	–	–	17,712
Financial liabilities						
Deposits and balances of customers	6	11,194,359	10,875,119	243,983	–	75,257
Borrowings from MAS SGD Facility	7	42,914	–	42,914	–	–
Amount due to Enterprise Singapore	7	2,061	1,299	762	–	–
Other liabilities	7	145,653	–	–	–	145,653
Lease liabilities	7	41,585	–	–	–	41,585

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk (continued)

Repricing analysis (continued)

	Note	Carrying amount $'000	Up to 1 year $'000	Company Over 1 to 5 years $'000	After 5 years $'000	Non-interest bearing $'000
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		**527,198**	**436,159**	**–**	**–**	**91,039**
Statutory deposit with the Monetary Authority of Singapore		**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**
31 December 2020						
Financial assets						
Loans, advances and receivables	11	10,947,909	9,485,397	1,389,959	72,553	–
Singapore Government debt securities and MAS bills	10	1,405,434	843,506	561,928	–	–
Cash at banks and in hand		612,762	539,887	–	–	72,875
Statutory deposit with the Monetary Authority of Singapore		317,621	–	–	–	317,621
Other assets		17,712	–	–	–	17,712
Financial liabilities						
Deposits and balances of customers	6	11,198,668	10,879,428	243,983	–	75,257
Borrowings from MAS SGD Facility	7	42,914	–	42,914	–	–
Amount due to Enterprise Singapore	7	2,061	1,299	762	–	–
Other liabilities	7	144,314	–	–	–	144,314
Lease liabilities	7	41,585	–	–	–	41,585

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 2021 $'000	2020 $'000
+ 100 basis points parallel shift in yield curves	**36,269**	34,481
- 100 basis points parallel shift in yield curves	**(15,859)**	(14,514)

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. The Group's main IBOR exposures at 31 December 2021 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 2021.

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.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk (continued)

Interest rate benchmark reform (continued)

	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 2021				
Loans and advances	3,814,827	580,082	2,057,805	1,651,392
Loan commitments	447,350	72,599	187,840	187,840
31 December 2021				
Loans and advances	**3,460,867**	**467,039**	**1,784,130**	**1,310,870**
Loan commitments	**462,361**	**30,155**	**140,856**	**126,515**

(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:-

	2021	2020
	$'000	$'000
Share capital	**889,771**	889,117
Accumulated profits	**230,648**	214,858
Statutory reserve	**744,744**	728,766
Capital reserve	**2,307**	2,307
Share option reserve	**2,397**	3,279
Eligible total capital	**1,869,867**	1,838,327
Risk-weighted assets	**11,031,725**	11,211,746
Capital adequacy ratio	**16.9%**	16.4%

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:-

		Group			
	Note	**Carrying amount 2021 $'000**	**Fair value 2021 $'000**	Carrying amount 2020 $'000	Fair value 2020 $'000
Financial assets					
Loans, advances and receivables	11	**10,695,494**	**10,704,980**	10,947,909	10,959,355
Singapore Government debt securities, MAS bills and MAS FRN	10	**1,357,675**	**1,362,858**	1,405,434	1,423,039
		12,053,169	**12,067,838**	12,353,343	12,382,394
Financial liabilities					
Deposits and balances of customers	6	**(10,806,871)**	**(10,825,699)**	(11,194,359)	(11,213,180)
		1,246,298	**1,242,139**	1,158,984	1,169,214

25. FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (continued)

	Note	**Company** Carrying amount 2021 $'000	Fair value 2021 $'000	Carrying amount 2020 $'000	Fair value 2020 $'000
Financial assets					
Loans, advances and receivables	11	**10,695,494**	**10,704,980**	10,947,909	10,959,355
Singapore Government debt securities, MAS bills and MAS FRN	10	**1,357,675**	**1,362,858**	1,405,434	1,423,039
		12,053,169	**12,067,838**	12,353,343	12,382,394
Financial liabilities					
Deposits and balances of customers	6	**(10,811,206)**	**(10,830,037)**	(11,198,668)	(11,217,494)
		1,241,963	**1,237,801**	1,154,675	1,164,900

Fair value hierarchy
Fair value measurements for financial assets and financial liabilities by the levels in the fair value hierarchy are based on the inputs to valuation techniques. The different levels are defined as follows:-

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: unobservable inputs for the asset or liability including prices of an item that is not identical.

*Group/Company financial assets and financial liabilities not carried at fair value but for which fair values are disclosed**
The fair value of the portion of loans, advances and receivables being Level 3 instruments amounts to $2.47 billion (2020: $2.41 billion) against a carrying value of $2.462 billion (2020: $2.396 billion). Singapore Government debt securities, MAS bills and MAS FRN are Level 1 instruments with fair value of $1.36 billion (2020: $1.42 billion). The portion of deposits and balances of customers being Level 2 instruments have a fair value of $8.94 billion (2020: $8.99 billion) against a carrying value of $8.92 billion (2020: $8.97 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.

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 $Nil (2020: $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 $1,486,024,000 (2020: $1,222,276,000).

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 2021 $'000	2020 $'000
Short-term employee benefits	**4,123**	3,872
CPF contributions to defined contribution plans	**33**	33
Depreciation of motor vehicles	**21**	21
Other operating expenses including principally directors' fees	**1,530**	1,745
Share-based payments	**27**	53
	5,734	5,724

Directors' remuneration (inclusive of fees) included in key management personnel compensation amounted to $3,726,000 (2020: $3,808,000).

27. RELATED PARTY TRANSACTIONS (CONTINUED)

Key Management Personnel Compensation (continued)

Key management personnel of the Company participate in the Share Option Scheme as described in Note 5. During the year, options to 173,500 (2020: 309,000) shares were granted to key management personnel. These share options are subject to a vesting schedule.

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

	2021	2020
Granted on		
29.9.2011	**–**	143,190
14.9.2012	**127,000**	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**	119,960
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**	–

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

	2021	2020
Granted on		
25.9.2014	**160,000**	160,000
23.9.2016	**–**	48,960
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**	–

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:-

	Holding Company $'000	**Group 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 2020	–	660	67,523
Increase	–	111	84,687
(Decrease)	–	(452)	(5,558)
As at 31 December 2020	–	319	146,652
Increase	**–**	**–**	**35,477**
(Decrease)	**–**	**(114)**	**(39,446)**
As at 31 December 2021	**–**	**205**	**142,683**
Undrawn loan commitments:			
As at 1 January 2020	–	–	88,427
Increase	–	–	–
(Decrease)	–	–	(23,730)
As at 31 December 2020	–	–	64,697
Increase	**–**	**–**	**–**
(Decrease)	**–**	**–**	**(54,697)**
As at 31 December 2021	**–**	**–**	**10,000**
(b) Specific allowances for doubtful debts			
As at 31 December 2020	–	–	–
As at 31 December 2021	**–**	**–**	**–**
(c) Other receivables, deposits and prepayment			
Outstanding balances:			
As at 1 January 2020	–	1,238	–
Increase	–	–	–
(Decrease)	–	–	–
As at 31 December 2020	–	1,238	–
Increase	**–**	**7**	**–**
(Decrease)	**–**	**–**	**–**
As at 31 December 2021	**–**	**1,245**	**–**
(d) Deposits and balances of customers			
Outstanding balances:			
As at 1 January 2020	55,511	339,396	25,407
Increase	10,611	166,314	15,727
(Decrease)	–	(7,380)	(640)
As at 31 December 2020	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**

27. RELATED PARTY TRANSACTIONS (CONTINUED)

Other Related Party Transactions (continued)

	Group Holding Company $'000	Group Fellow Subsidiaries and Associates of Holding Company $'000	Group Key Management Personnel* $'000
(e) Trade and other payables			
Outstanding balances:			
As at 1 January 2020	116	1,620	164
Increase	–	631	1
(Decrease)	(95)	(735)	(116)
As at 31 December 2020	21	1,516	49
Increase	**146**	**43**	**2**
(Decrease)	**–**	**(610)**	**(35)**
As at 31 December 2021	**167**	**949**	**16**
(f) Lease liabilities			
As at 31 December 2020	–	22,434	–
As at 31 December 2021	**–**	**18,659**	**–**
(g) Profit and loss transactions			
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)**	**–**
Year ended 31 December 2020			
- Interest income on loans and advances and hiring charges in respect of hire purchase receivables	–	13	3,277
- Interest expense on deposits	(521)	(3,653)	(284)
- Fee, commission and other income	–	–	3
- Other operating expenses	–	(698)	–
- Specific allowances for bad and doubtful debts	–	–	–
- Interest expense on lease liabilities	–	(362)	–
(h) Cash outflows relating to operating leases			
- Lease payments			
Year ended 31 December 2020	–	(4,582)	–
Year ended 31 December 2021	**–**	**(4,949)**	**–**

27. RELATED PARTY TRANSACTIONS (CONTINUED)

Other Related Party Transactions (continued)

	Company Holding Company $'000	Company Fellow Subsidiaries and Associates of Holding Company $'000	Company Key Management Personnel* $'000	Company Subsidiaries $'000
(a) Secured loans, advances and hire purchase receivables				
Outstanding balances:				
As at 1 January 2020	–	660	67,523	–
Increase	–	111	84,687	–
(Decrease)	–	(452)	(5,558)	–
As at 31 December 2020	–	319	146,652	–
Increase	**–**	**–**	**35,477**	**–**
(Decrease)	**–**	**(114)**	**(39,446)**	**–**
As at 31 December 2021	**–**	**205**	**142,683**	**–**
Undrawn loan commitments:				
As at 1 January 2020	–	–	88,427	–
Increase	–	–	–	–
(Decrease)	–	–	(23,730)	–
As at 31 December 2020	–	–	64,697	–
Increase	**–**	**–**	**–**	**–**
(Decrease)	**–**	**–**	**(54,697)**	**–**
As at 31 December 2021	**–**	**–**	**10,000**	**–**
(b) Specific allowances for doubtful debts				
As at 31 December 2020	–	–	–	–
As at 31 December 2021	**–**	**–**	**–**	**–**
(c) Other receivables, deposits and prepayment				
Outstanding balances:				
As at 1 January 2020	–	1,238	–	–
Increase	–	–	–	–
(Decrease)	–	–	–	–
As at 31 December 2020	–	1,238	–	–
Increase	**–**	**7**	**–**	**–**
(Decrease)	**–**	**–**	**–**	**–**
As at 31 December 2021	**–**	**1,245**	**–**	**–**

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 2020	55,511	339,396	25,407	4,233
Increase	10,611	166,314	15,727	76
(Decrease)	–	(7,380)	(640)	–
As at 31 December 2020	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**
(e) Trade and other payables				
Outstanding balances:				
As at 1 January 2020	116	1,611	164	32
Increase	–	626	1	–
(Decrease)	(95)	(735)	(116)	(14)
As at 31 December 2020	21	1,502	49	18
Increase	**146**	**43**	**2**	**–**
(Decrease)	**–**	**(603)**	**(35)**	**(6)**
As at 31 December 2021	**167**	**942**	**16**	**12**
(f) Lease liabilities				
As at 31 December 2020	–	22,434	–	–
As at 31 December 2021	**–**	**18,659**	**–**	**–**

* 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.

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 ten 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	
	2021 $'000	2020 $'000
Balance at 1 January	**39,656**	43,592
Depreciation charge for the year	**(6,520)**	(6,423)
Additions to right-of-use assets	**1,685**	2,487
Balance at 31 December	**34,821**	39,656

Amounts recognised in profit or loss

	2021 $'000	2020 $'000
Interest on lease liabilities	**339**	633
Expenses relating to short-term leases	**36**	61
Expenses relating to leases of low-value assets	**25**	7

Amount recognised in consolidated statement of cash flows

	2021 $'000	2020 $'000
Total cash outflow for leases	**6,917**	6,370

Extension options
Some property leases contain extension options exercisable by the Group up to ten years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

ANALYSIS OF SHAREHOLDINGS

As at 4 March 2022

Number of Shares in Issue	:	447,849,233
Class of Shares	:	Ordinary shares ("Shares")
Number of Shareholders	:	11,880
Voting Rights	:	1 vote for 1 share

Pursuant to the Finance Companies Act 1967, the Company does not hold treasury shares and accordingly, there were no treasury shares held as at 4 March 2022. As at 4 March 2022, 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	340	2.86	13,688	0.00
100 – 1,000	1,815	15.28	1,218,391	0.27
1,001 – 10,000	7,282	61.29	32,880,374	7.34
10,001 – 1,000,000	2,416	20.34	117,004,546	26.13
1,000,001 and above	27	0.23	296,732,234	66.26
	11,880	100.00	447,849,233	100.00

Based on the information available to the Company as at 4 March 2022, approximately 50.35% of the total number of issued Shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual is complied with.

Major Shareholders List - Top 20 as at 4 March 2022

No.	Name	No. of Shares Held	% *
1.	Hong Leong Investment Holdings Pte. Ltd.	116,507,363	26.01
2.	DBS Nominees Pte Ltd	24,012,599	5.36
3.	Hong Realty (Private) Limited	23,271,370	5.20
4.	Hong Leong Corporation Holdings Pte Ltd	19,685,812	4.40
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	10,815,122	2.41
8.	City Developments Limited	9,149,817	2.04
9.	HSBC (Singapore) Nominees Pte Ltd	7,190,428	1.61
10.	Tudor Court Gallery Pte Ltd	6,517,000	1.46
11.	Citibank Nominees Singapore Pte Ltd	6,323,872	1.41
12.	Raffles Nominees (Pte.) Limited	5,775,232	1.29
13.	Chng Gim Huat	5,770,000	1.29
14.	Hong Leong Holdings Limited	5,460,422	1.22
15.	Hong Leong Enterprises Pte. Ltd.	4,485,047	1.00
16.	Phillip Securities Pte Ltd	4,327,526	0.97
17.	OCBC Nominees Singapore Private Limited	2,656,971	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
		288,469,153	64.41

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 4 March 2022.

ANALYSIS OF SHAREHOLDINGS

As at 4 March 2022

Substantial Shareholders

(As shown in the Register of Substantial Shareholders as at 4 March 2022)

	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	45.97
Davos Investment Holdings Private Limited	-	205,860,758[4]	205,860,758	45.97
Kwek Holdings Pte Ltd	-	205,860,758[4]	205,860,758	45.97

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 4 March 2022.

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.

(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.

NOTICE IS HEREBY GIVEN that the Sixty-Second Annual General Meeting (the "Meeting") of HONG LEONG FINANCE LIMITED (the "Company") will be convened and held by way of electronic means on Friday, 29 April 2022 at 11.00 a.m. for the following purposes:

A) ORDINARY BUSINESS:

1. To receive the Directors' Statement and Audited Financial Statements for the year ended 31 December ("FY") 2021 and the Auditors' Report thereon.

2. To declare a final one-tier tax exempt dividend of 8.25 cents per share for FY 2021 ("Final Dividend").

3. To approve Directors' Fees of $1,463,808 for FY 2021 (FY 2020: $1,681,533).

4. To elect/re-elect the following Directors retiring in accordance with the Company's Constitution and who, being eligible, offer themselves for election/re-election as Directors of the Company:

    (a) Mr Kevin Hangchi
    (b) Mr Peter Chay Fook Yuen
    (c) Mr Tan Tee How
    (d) Mr Clarence Yeo Gek Leong (appointed on 1 January 2022)

    Detailed information on the Directors who are proposed to be elected/re-elected can be found under the sections on 'Board of Directors' and 'Additional Information on Directors Seeking Election/Re-election at the 62nd Annual General Meeting' of the Annual Report 2021.

5. 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, of which Resolutions 6 and 7 will be proposed as Ordinary Resolutions, and Resolution 8 will be proposed as a Special Resolution:

6. That authority be and is hereby given to the Directors to:

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

    (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

    at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

    (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution is in force,

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.

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

8. That the new Constitution of the Company submitted to this Meeting and, for the purpose of identification, subscribed to by the Company Secretary, be and is hereby approved and adopted as the new Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution of the Company.

C) TO TRANSACT ANY OTHER ORDINARY BUSINESS

BY ORDER OF THE BOARD

Yeo Swee Gim, Joanne
Ng Siew Ping, Jaslin
Company Secretaries
Singapore, 30 March 2022

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 11 May 2022 up to (and including) 12 May 2022. Registrable transfers received up to 5.00 p.m. on 11 May 2022 will be registered to determine shareholders' entitlement to the Final Dividend. If approved at the Meeting, it will be paid on 27 May 2022.

2. With reference to item 3 of the Ordinary Business above, the Directors' Fees of $1,463,808 for FY 2021 will be payable upon approval of the shareholders at the Meeting. The structure of fees payable to Directors for FY 2021 can be found on page 41 of the Annual Report 2021.

3. With reference to item 4(a) above (under the heading "Ordinary Business"), Mr Kevin Hangchi will, upon re-election as a Director of the Company, remain as chairman of the Board Sustainability Committee ("BSC") and a member of the Board Risk Committee ("BRC"). Detailed information on Mr Hangchi is found on pages 19 and 168 to 173 of the Annual Report 2021.

4. With reference to item 4(b) above (under the heading "Ordinary Business"), Mr Peter Chay Fook Yuen will, upon re-election as a Director of the Company, remain as the Lead Independent Director, the chairman of the Audit Committee ("AC"), Remuneration Committee ("RC"), the Hong Leong Finance Share Option Scheme 2001 Committee ("SOSC"), and a member of the BRC and the Nominating Committee ("NC"). Mr Chay is considered independent by the Board. Detailed information on Mr Chay is found on pages 19 and 168 to 173 of the Annual Report 2021.

5. With reference to item 4(c) above (under the heading "Ordinary Business"), Mr Tan Tee How will, upon re-election as a Director of the Company, remain as chairman of the BRC, a member of the AC and the Executive Committee ("Exco"). Mr Tan is considered independent by the Board. Detailed information on Mr Tan is found on pages 20 and 168 to 173 of the Annual Report 2021.

6. With reference to item 4(d) above (under the heading "Ordinary Business"), Mr Clarence Yeo Gek Leong will, upon election as a Director of the Company, remain as a member of the AC, Exco, RC, SOSC and BSC. Mr Yeo is considered independent by the Board. Detailed information on Mr Yeo is found on pages 21 and 168 to 173 of the Annual Report 2021.

7. With reference to item 5 above (under the heading "Ordinary Business"), the re-appointment of KPMG as the Company's Auditors is subject to and conditional upon the approval of the Monetary Authority of Singapore pursuant to Section 41 of the Finance Companies Act 1967.

8. The Ordinary Resolution set out in item 6 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.

9. The Ordinary Resolution set out in item 7 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 7 in relation to the SOS, and accordingly should not appoint the Chairman of the Meeting to vote on his/her/its behalf.

10. The Special Resolution set out in item 8 of the Special Business above, if passed, will allow for the adoption of the new Constitution which takes into account, *inter alia*, relevant legislative amendments and updates to listing rules, which were introduced since the Company's existing Constitution was last amended. The new Constitution will consist of the provisions of the existing Constitution, and incorporate various amendments as detailed in the Letter to Shareholders dated 30 March 2022 ("Letter to Shareholders"). Please refer to the said Letter for more details.

Meeting Notes:

1. The Meeting is being convened, and will be 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. 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. Alternative arrangements relating to the attendance at the Meeting via electronic means (including arrangements by which the Meeting can be electronically accessed via 'live' audio-visual webcast or 'live' audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Meeting, addressing of substantial and relevant questions at the Meeting and voting by appointing the Chairman of the Meeting as proxy at the Meeting, are set out in the accompanying Company's announcement dated 30 March 2022. 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.

3. **Due to the current COVID-19 situation in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.** The accompanying 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.

   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.

   CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 19 April 2022.

NOTICE OF ANNUAL GENERAL MEETING

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. The form appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (i) if submitted by post, be lodged with the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902; or

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

   in either case, at least 72 hours before the time for holding the Meeting.

   A member who wishes to submit an instrument of proxy must 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.

   Due to the current COVID-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms electronically via email.

6. The Annual Report 2021 and Letter to Shareholders are 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 printed copies of the Annual Report 2021 and the Letter to Shareholders by completing and submitting the online Request Form at https://www.hlf.com.sg/investor-relations/annual-reports.php no later than 6 April 2022.

Personal Data Privacy:

By (a) submitting a form appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the Meeting via a 'live' audio-visual webcast or a 'live' audio-only stream (via telephone) or (c) submitting any question prior to the Meeting in accordance with this Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

(i) processing and administration by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy 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);

(ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to observe the proceedings of the Meeting and providing them with any technical assistance where necessary;

(iii) addressing relevant and substantial questions from members received before the Meeting and if necessary, following up with the relevant members in relation to such questions; and

(iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines by the relevant authorities.

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ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 62ND ANNUAL GENERAL MEETING

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 62ND ANNUAL GENERAL MEETING

Name of Director	Kevin Hangchi	Peter Chay Fook Yuen	Tan Tee How	Clarence Yeo Gek Leong
Age	**49**	**62**	**62**	**62**
Date of appointment	1 October 2016	11 June 2019	11 June 2019	1 January 2022
Job Title	Non-Executive and Non-Independent Director Chairman of the Board Sustainability Committee ("BSC") and member of the Board Risk Committee ("BRC")	Non-Executive and Lead Independent Director Chairman of the Audit Committee ("AC"), Remuneration Committee ("RC") and Hong Leong Finance Share Option Scheme 2001 Committee ("SOSC"), and a member of the BRC and Nominating Committee	Non-Executive and Independent Director Chairman of the BRC and a member of the Executive Committee ("Exco") and AC	Non-Executive and Independent Director Member of the Exco, AC, RC, SOSC and BSC
Date of last re-election as Director (if applicable)	25 June 2020	25 June 2020	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 nominating process)	The Board reviewed the recommendation of the Nominating Committee ("NC") on the election/re-election of Mr Kevin Hangchi, Mr Peter Chay Fook Yuen, Mr Tan Tee How and Mr Clarence Yeo Gek Leong and took into account, *inter alia,* their skills set and contribution to the effectiveness of the Board (which includes their level of attendance and participation at Board, Board Committee and Non-Executive Directors' meetings, where applicable), their time commitment especially for Directors who have multiple board representations and/or other principal commitments as well as their confirmation that they continue to remain fit and proper for continued appointment on the Board.		The Board recommends the election/re-election of Mr Kevin Hangchi, Mr Peter Chay Fook Yuen, Mr Tan Tee How and Mr Clarence Yeo Gek Leong as Directors of the Company. For more details on the NC's evaluation process, please refer to Principle 4: Board Membership and Principle 5: Board Performance on pages 35 to 38 of the Corporate Governance Report.	
Whether appointment is executive, and if so, the area of responsibility	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 62ND ANNUAL GENERAL MEETING

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ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 62ND ANNUAL GENERAL MEETING

Name of Director	Kevin Hangchi	Peter Chay Fook Yuen	Tan Tee How	Clarence Yeo Gek Leong
Professional qualification, working experience and occupation(s) during the past 10 years	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. January 2009 to Present Senior Vice President of Hong Leong Management Services Pte. Ltd. Holds a BSc (Social Sciences) (Hons) Degree in Accounting and Law from the University of Southampton, United Kingdom. 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.	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. 2010 to September 2017 Deputy Managing Partner, KPMG LLP February 2018 to Present Managing Director of Advisory Plus Pte. Ltd. Holds a Bachelor of Commerce majoring in Accounting, Finance and Systems from the University of New South Wales, Australia. Fellow of the Institute of Singapore Chartered Accountants and a member of the Institute of Chartered Accountants in Australia.	Had 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 Chief Executive Officer ("CEO") of National Healthcare Group ("NHG") (from 2000 to 2004). November 2011 to November 2014 Permanent Secretary of the Ministry of Home Affairs ("MHA") December 2014 to January 2018 Commissioner of Inland Revenue of Singapore ("IRAS") and concurrently the CEO of IRAS February 2018 to Present Executive Director of Chip Eng Seng Corporation Ltd ("CES") Also currently the Chairman of the Casino Regulatory Authority. Holds a Bachelor of Business Administration (Honours) Degree from the National University of Singapore and a Master of Public Administration Degree from Harvard University. Attended the Wharton Business School Advanced Management Programme in 2002. Was awarded a Fulbright Fellowship in 1989/90.	Held senior public sector leadership appointments as the Commissioner, Immigration & Checkpoints Authority ("ICA"), the Chief Executive of Home Team Academy ("HTA") and Senior Advisor (Special Duties) in MHA. 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 & digitalisation and organisational transformation. September 2010 – September 2018: Commissioner, ICA September 2018 – July 2021 Chief Executive, HTA August 2021 – To-date Senior Advisor (Special Duties), MHA 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. Also an alumnus of INSEAD, having attended a Senior Executive Development Programme at Fontainebleau.
Shareholding interest in the Company and its subsidiaries	Please refer to the Directors' Statement on pages 90 to 91.	Nil	Nil	Nil
Relationship (including immediate family relationship) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries	Nephew of Mr Kwek Leng Beng (Chairman/Managing Director), Mr Kwek Leng Peck and Mr Kwek Leng Kee. Shareholder of Hong Realty (Private) Limited ("HR") and Hong Leong Investment Holdings Pte. Ltd. ("HLIH"). HR and HLIH are substantial shareholders and related corporations of the Company. Please refer to the Directors' Statement on pages 90 to 91 on his shareholding interests in HR and HLIH.	Nil	Nil	Nil

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 62ND ANNUAL GENERAL MEETING

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/RE-ELECTION

AT THE 62ND ANNUAL GENERAL MEETING

Name of Director	Kevin Hangchi	Peter Chay Fook Yuen	Tan Tee How	Clarence Yeo Gek Leong
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	Principal Commitments: Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"	Principal Commitments: Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"	Principal Commitments: Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"	Principal Commitments: Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"
	Directorships:	Directorships:	Directorships:	Directorships:
Past (for the last 5 years):	Nil	• KPMG Corporate Finance Pte Ltd • Singapore Business Federation Foundation Limited • Stirling Coleman Consultancy Sdn Bhd	• St Joseph's Institution International School • St Joseph's Institution International Elementary School • National University Health System • Caritas Singapore Community Council Limited	Nil
Present:	• HLF* and its 2 subsidiaries • 1 subsidiary of City Developments Limited* • Millennium & Copthorne Hotels New Zealand Limited* and 1 subsidiary • 5 subsidiaries of Hong Leong Investment Holdings Pte. Ltd. • Hong Leong Nominees (Private) Limited • Kwek Holdings Pte Ltd	• HLF* • Advisory Plus Pte Ltd • Advisory Plus Sdn Bhd • Scotts Ventures Sdn Bhd	• HLF* • CES* and 48 of its subsidiaries and associated companies • National Healthcare Group Pte Ltd and 7 of its subsidiaries • MOH Holdings Pte Ltd • Temus Pte Ltd • Catholic Preschool Education (Singapore) Ltd	• HLF*
Responses to questions (a) to (k) under Appendix 7.4.1 of the SGX Listing Manual	Negative confirmation	Negative Confirmation	Negative Confirmation	Negative Confirmation

* Listed company

Information as at 4 March 2022

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HONG LEONG FINANCE LIMITED
Co. Reg. No. 196100003D
(Incorporated in the Republic of Singapore)

PROXY FORM

FOR 62ND ANNUAL GENERAL MEETING

IMPORTANT:

Alternative Arrangements for Annual General Meeting ("Meeting")

1. The Meeting is being convened, and will be 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. 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.
2. Alternative arrangements relating to attendance at the Meeting via electronic means (including arrangements by which the Meeting can be electronically accessed via 'live' audio-visual webcast or 'live' audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Meeting, addressing of substantial and relevant questions at the Meeting and voting by appointing the Chairman of the Meeting as proxy at the Meeting, are set out in the accompanying Company's announcement dated 30 March 2022. 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.
3. **Due to the current COVID-19 situation in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.**
4. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the Meeting.

CPF/SRS Investors

5. CPF/SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks/SRS Operators to submit their votes by 5.00 p.m. on 19 April 2022.

Personal Data

6. By submitting a form appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Meeting dated 30 March 2022.

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

of (address) ____

being a member/members of HONG LEONG FINANCE LIMITED (the "Company"), hereby appoint the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Sixty-Second Annual General Meeting of the Company (the "Meeting") to be convened and held by way of electronic means on Friday, 29 April 2022 at 11.00 a.m. and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against each item below how I/we wish the Chairman of the Meeting as my/our proxy to vote, or to abstain from voting.

NOTE: Voting on all resolutions will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**

No.	Resolutions		For	Against	Abstain
A)	**ORDINARY BUSINESS:**				
1.	Receipt of the Directors' Statement and Audited Financial Statements together with the Auditor's Report thereon				
2.	Declaration of a Final Dividend				
3.	Approval of Directors' Fees				
4.	Election/Re-election of Directors:	(a) Mr Kevin Hangchi			
		(b) Mr Peter Chay Fook Yuen			
		(c) Mr Tan Tee How			
		(d) Mr Clarence Yeo Gek Leong			
5.	Re-appointment of KPMG LLP as Auditors				
B)	**SPECIAL BUSINESS:**				
6.	Authority for Directors to issue shares and/or make or grant offers, agreements or options pursuant to Section 161 of the Companies Act 1967 and the Listing Manual of Singapore Exchange Securities Trading Limited				
7.	Authority for Directors to offer and grant options to eligible participants under the Hong Leong Finance Share Option Scheme 2001 (the "SOS") other than Parent Group Employees and Parent Group Non-Executive Directors and to issue shares in accordance with the provisions of the SOS				
8.	Adoption of the new Constitution				

Dated this ____________ day of ______________ 2022

Total No. of Shares Held

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

NOTES: SEE OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. **Due to the current COVID-19 situation in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.** 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. 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 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.

   CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 19 April 2022.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. The form appointing the Chairman of the Meeting as proxy 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, be submitted 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.

   Due to the current COVID-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The form appointing the Chairman of the Meeting as proxy must be signed by the appointor or his attorney duly authorized in writing. Where the form appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or signed by a director or an officer or an attorney duly authorized.

6. 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

SME CENTRE @ HONG LONG FINANCE

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
#01-216
Singapore 120725
T : 6873 3056
F : 6775 2751

Hong Lim
Blk 531 Upper Cross Street
#01-50 Hong Lim Complex
Singapore 050531
T : 6534 1909
F : 6534 5868

Hougang
Blk 208 Hougang Street 21
#01-211/213
Singapore 530208
T : 6383 2807
F : 6281 3046

Jurong East
Blk 134 Jurong Gateway Road
#01-313
Singapore 600134
T : 6665 1950
F : 6564 3787

Potong Pasir
51 Upper Serangoon Road
#01-60/61 The Poiz Centre
Singapore 347697
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
F : 6468 4181

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

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HONG LEONG FINANCE

HONG LEONG FINANCE LIMITED
16 RAFFLES QUAY
#01-05 HONG LEONG BUILDING
SINGAPORE 048581

www.hlf.com.sg

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