



HONG LEONG FINANCE

Full Year Financial Statements And Related Announcement

Full year financial statements on consolidated results for the year ended 31 December 2016. These figures have been audited in accordance with Singapore Standards on Auditing.

1(a). Audited Group Statement of Comprehensive Income For The Year Ended 31 December 2016

	2016	2015	+ / (-)
	\$'000	\$'000	%
Profit and loss account:			
Interest on loans	237,795	235,175	1.1
Hiring charges	38,749	33,686	15.0
Other interest income	30,661	27,509	11.5
Interest income/hiring charges	307,205	296,370	3.7
Less: Interest expense	170,536	134,266	27.0
Net interest income/hiring charges	136,669	162,104	(15.7)
Fee and commission income	12,538	12,490	0.4
Other operating income	214	377	(43.2)
Income before operating expenses	149,421	174,971	(14.6)
Less: Staff costs	59,212	65,454	(9.5)
Depreciation of property, plant and equipment	4,102	4,344	(5.6)
Other operating expenses	20,978	22,037	(4.8)
Profit from operations before allowances/provision	65,129	83,136	(21.7)
Add/(Less): (Allowances for)/reversal or recovery of doubtful debts and provision for settlements and costs relating to distribution of wealth management products	(1,108)	3,642	(130.4)
Profit before tax	64,021	86,778	(26.2)
Less: Income tax expense	10,955	13,922	(21.3)
Profit for the year/Comprehensive income attributable to owners of the Company	53,066	72,856	(27.2)
Earnings per share (cents):			
- Basic	11.96	16.42	
- Diluted	11.96	16.41	

1(b). Other Information

	2016	2015	+ / (-)
	\$'000	\$'000	%
(i) Profit after tax			
- first half year	25,584	29,525	(13.3)
- second half year	27,482	43,331	(36.6)

The decrease in the profit after tax for the second half of 2016 when compared to the same period in 2015 was principally attributable to a continued decline in net interest income, and additional net allowances for doubtful debts of \$55,000 compared to a reversal of provision for settlements and costs relating to wealth management products distributed net of allowances for doubtful debts amounting to \$7,028,000 in the second half of 2015.

- (ii) Other operating income includes loss on disposal of plant and equipment amounting to \$3,000 (2015: gain on disposal of plant and equipment of \$155,000).
- (iii) The Group operates in only one segment. Its activities relate to financing business augmented by secondary non-lending activities. All activities are carried out in the Republic of Singapore. Fee and commission income in paragraph 1(a) above includes fee and commission income from non-lending activities amounting to \$1,943,000 (2015: \$1,148,000).

2(a). Summarised Statements of Financial Position

	Group		Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Number of shares in issue	443,784,033	443,784,033	443,784,033	443,784,033
	\$'000	\$'000	\$'000	\$'000
Share capital	879,279	879,279	879,279	879,279
Reserves	642,622	629,821	642,622	629,821
Accumulated profits	175,207	179,011	172,072	175,979
Equity attributable to owners of the Company	1,697,108	1,688,111	1,693,973	1,685,079
Liabilities				
Deposits and balances of customers	10,441,758	11,443,999	10,445,816	11,448,002
Trade and other payables	162,075	139,848	160,765	138,540
Current tax payable	12,159	15,171	12,155	15,165
Total liabilities	10,615,992	11,599,018	10,618,736	11,601,707
Total equity and liabilities	12,313,100	13,287,129	12,312,709	13,286,786
Assets				
Cash at banks and in hand	1,207,113	1,495,006	1,206,188	1,494,129
Statutory deposit with the Monetary Authority of Singapore	278,099	300,979	278,099	300,979
Singapore Government securities	1,258,398	1,333,205	1,258,398	1,333,205
Hire purchase receivables	1,545,273	1,343,363	1,545,273	1,343,363
Loans, advances and factoring receivables	8,080,517	8,856,287	8,080,517	8,856,287
	9,625,790	10,199,650	9,625,790	10,199,650
Allowances for doubtful debts	(110,863)	(108,557)	(110,863)	(108,557)
	9,514,927	10,091,093	9,514,927	10,091,093
Other receivables, deposits and prepayments	29,161	37,478	29,160	37,477
Subsidiaries and long term investments	546	546	1,081	1,081
Property, plant and equipment	24,530	27,897	24,530	27,897
Deferred tax assets	326	925	326	925
Total assets	12,313,100	13,287,129	12,312,709	13,286,786
Acceptances, guarantees and other obligations on behalf of customers	15,645	14,026	15,645	14,026

2(b). Net Asset Value

Net asset value per share (\$)	3.82	3.80	3.82	3.80
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2(c). There are no outstanding borrowings and debt securities as at 31 December 2016 (31 December 2015: \$Nil) for the Group and the Company.

3. Consolidated Statement of Cash Flows

	2016	2015
	\$'000	\$'000
Operating activities		
Profit for the year	53,066	72,856
Adjustments for:		
Impact of accrual of interest income	1,122	(821)
Impact of accrual of interest expense	24,224	26,727
Allowances for doubtful debts and receivables	6,088	6,438
Depreciation of property, plant and equipment	4,102	4,344
Loss/(gain) on disposal of property, plant and equipment	3	(155)
Value of employee services received for issue of share options	310	513
Income tax expense	10,955	13,922
	99,870	123,824
Changes in working capital:		
Loans, advances and receivables	570,078	(515,023)
Other receivables, deposits and prepayments	7,195	(12,939)
Singapore Government securities	74,807	(74,517)
Deposits and balances of customers	(1,002,241)	975,469
Trade and other payables	(1,997)	(5,559)
Cash generated from/(used in) operations	(252,288)	491,255
Income taxes paid	(13,368)	(12,359)
Cash flows from/(used in) operating activities	(265,656)	478,896
Investing activities		
Purchase of property, plant and equipment	(741)	(4,699)
Proceeds from disposal of property, plant and equipment	3	166
Cash flows used in investing activities	(738)	(4,533)
Financing activities		
Proceeds from exercise of share options	-	548
Dividends paid	(44,379)	(44,374)
Cash flows used in financing activities	(44,379)	(43,826)
Net increase/(decrease) in cash and cash equivalents	(310,773)	430,537
Cash and cash equivalents at beginning of year	1,795,985	1,365,448
Cash and cash equivalents at end of year	1,485,212	1,795,985

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

	31 December	31 December
	2016	2015
	\$'000	\$'000
Cash at banks and in hand	1,207,113	1,495,006
Statutory deposit with the Monetary Authority of Singapore	278,099	300,979
Cash and cash equivalents at end of year	1,485,212	1,795,985

In addition to the cash and cash equivalents above, marketable Singapore Government securities amounted to \$1,258,398,000 (31 December 2015: \$1,333,205,000) for the Group.

4. Statements of Changes in Equity

Group	Share capital \$'000	Statutory reserve \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1 January 2015	878,664	601,809	2,307	7,776	168,012	1,658,568
Issue of shares under share option scheme	548					548
Value of employee services received for issue of share options				513		513
Value of employee services transferred for share options exercised or lapsed	67			(799)	732	-
Final dividend paid of 6 cents per share (tax exempt one-tier) in respect of year 2014					(26,623)	(26,623)
Interim dividend paid of 4 cents per share (tax exempt one-tier) in respect of year 2015					(17,751)	(17,751)
Comprehensive income for the year					72,856	72,856
Transfer to Statutory reserve		18,215			(18,215)	-
At 31 December 2015	<u>879,279</u>	<u>620,024</u>	<u>2,307</u>	<u>7,490</u>	<u>179,011</u>	<u>1,688,111</u>
At 1 January 2016	879,279	620,024	2,307	7,490	179,011	1,688,111
Value of employee services received for issue of share options				310		310
Value of employee services transferred for share options exercised or lapsed				(776)	776	-
Final dividend paid of 7 cents per share (tax exempt one-tier) in respect of year 2015					(31,065)	(31,065)
Interim dividend paid of 3 cents per share (tax exempt one-tier) in respect of year 2016					(13,314)	(13,314)
Comprehensive income for the year					53,066	53,066
Transfer to Statutory reserve		13,267			(13,267)	-
At 31 December 2016	<u>879,279</u>	<u>633,291</u>	<u>2,307</u>	<u>7,024</u>	<u>175,207</u>	<u>1,697,108</u>
Company						
At 1 January 2015	878,664	601,809	2,307	7,776	165,081	1,655,637
Issue of shares under share option scheme	548					548
Value of employee services received for issue of share options				513		513
Value of employee services transferred for share options exercised or lapsed	67			(799)	732	-
Final dividend paid of 6 cents per share (tax exempt one-tier) in respect of year 2014					(26,623)	(26,623)
Interim dividend paid of 4 cents per share (tax exempt one-tier) in respect of year 2015					(17,751)	(17,751)
Comprehensive income for the year					72,755	72,755
Transfer to Statutory reserve		18,215			(18,215)	-
At 31 December 2015	<u>879,279</u>	<u>620,024</u>	<u>2,307</u>	<u>7,490</u>	<u>175,979</u>	<u>1,685,079</u>
At 1 January 2016	879,279	620,024	2,307	7,490	175,979	1,685,079
Value of employee services received for issue of share options				310		310
Value of employee services transferred for share options exercised or lapsed				(776)	776	-
Final dividend paid of 7 cents per share (tax exempt one-tier) in respect of year 2015					(31,065)	(31,065)
Interim dividend paid of 3 cents per share (tax exempt one-tier) in respect of year 2016					(13,314)	(13,314)
Comprehensive income for the year					52,963	52,963
Transfer to Statutory reserve		13,267			(13,267)	-
At 31 December 2016	<u>879,279</u>	<u>633,291</u>	<u>2,307</u>	<u>7,024</u>	<u>172,072</u>	<u>1,693,973</u>

5. Review Of The Performance Of The Group

Net loan assets including hire purchase receivables (net of allowances) stood at \$9,515 million at the end of the year. This was a decrease of 5.7% or \$576 million over the previous year's base of \$10,091 million as at 31 December 2015.

In line with lower funding requirements, deposits and balances of customers closed at \$10,442 million as at 31 December 2016. This was a decrease of 8.8% or \$1,002 million over the previous year's base as at 31 December 2015. Cash and cash equivalents (including balances with the Monetary Authority of Singapore) together with Singapore Government securities held as liquid assets amounted to \$2,744 million as at 31 December 2016 (31 December 2015: \$3,129 million).

The Group recorded profit from operations before allowances/provision of \$65.1 million for the year ended 31 December 2016, a decrease of 21.7% from \$83.1 million for the previous year, due mainly to increases in interest expense. Group profit before tax for the year ended 31 December 2016 was arrived at after topping up provision (net of write back of provision/recoveries) amounting to \$1.1 million against a write back of \$3.6 million in 2015. Accordingly, Group profit after tax for the year registered a decrease of \$19.8 million or 27.2% over the previous year. The Group continues to maintain adequate individual and collective provisions in respect of its loan portfolio in line with the practice in prior years.

Total interest income/hiring charges for the year ended 31 December 2016 increased by 3.7% mainly due to a higher loan yield. Interest expense for the year registered an increase of \$36.3 million or 27.0% over the previous year. This was due to higher interest payable on deposits resulting from higher applicable interest rates. Accordingly, net interest income/hiring charges for the year decreased 15.7% from the previous year.

Staff costs for the year decreased by 9.5% mainly due to lower provision for bonus. Lower depreciation on renovation accounted for the slight decrease in depreciation of property, plant and equipment. Other operating expenses were controlled.

Group shareholders' funds as at 31 December 2016 totalled \$1,697 million (31 December 2015: \$1,688 million) amounting to \$3.82 per share (31 December 2015: \$3.80 per share).

There has been no forecast or prospect statement previously disclosed to shareholders in respect of the year ended 31 December 2016.

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

Statistics from the Ministry of Trade and Industry showed that in the last three months of 2016, the economy grew by 12.3% on a quarter-on-quarter seasonally-adjusted annualised basis. This reverses the revised 0.4% contraction in the third quarter of the year. The strong fourth quarter performance helped the Singapore economy which grew 2.0% for the whole of last year, beating the official forecast of between 1.0% and 1.5%. The growth was essentially driven by the manufacturing and services industries.

Externally the IMF as well as the World Bank has said that the world economic growth in 2016 has slowed down to the 2.7% to 3.0% mark. This is due to the slowdown in Europe following the June UK vote in favour of leaving the European Union and the uncertainties in the economic policies of the new US administration. The slowdown in the Chinese economy has also taken its toll on the world markets.

The uncertainties and conditions in 2016 will continue in 2017. Risks, economic and others, remain in the major economies. Continuing slow growth, job losses and income inequality have given rise to anti-globalisation and protectionist sentiments. Against this background, the Singapore economy is expected to continue to grow slowly.

In the light of all the above events, Hong Leong Finance continues to be very risk and customer focused. Risk and Credit parameters are closely monitored. The business managers are also focused on Knowing the Customers (KYC) and Knowing the Customers' Customers (KYCC). We continue to support our deposit customers through attractive deposit programmes as well as rolling out innovative lending packages for both the SMEs and the HDB customers. Through our Corporate Finance department we have also set up an advisory team to assist the SMEs.

This is to build our relevancy for all our customers and to ensure that they are adequately served during these challenging times.

On 14 February 2017, the Monetary Authority of Singapore announced forthcoming changes to Finance Company regulations to enhance the industry's ability to finance and support SMEs. The proposed measures are a relaxation of some of the business restrictions, and as an example include an increase in the limit for the grant of unsecured business loans. The Company welcomes the relaxation which represents further opportunities for the Company to expand its business with SMEs and further support them in their quest to grow and expand both domestically and overseas. We will actively study the applicable regulatory changes as and when they are phased in by the regulator.

7. Dividends

A Final Dividend of 6 cents per share (tax exempt one-tier) is recommended by the directors for approval by shareholders in respect of the year ended 31 December 2016. Subject to shareholders' approval at the Annual General Meeting to be held on 26 April 2017, the dividend will be payable on 23 May 2017.

Latest Year

(i)	Name of Dividend	Final (Proposed)
	Dividend Type	Cash
	Dividend Rate	6 cents per share
	Total Dividend	\$26,627,000*
	Tax Rate	Tax exempt one-tier

7. Dividends (continued)

(ii)	Name of Dividend	Interim (Paid on 16 September 2016)
	Dividend Type	Cash
	Dividend Rate	3 cents per share
	Total Dividend	\$13,314,000
	Tax Rate	Tax exempt one-tier

Previous Year

(i)	Name of Dividend	Final (Paid on 23 May 2016)
	Dividend Type	Cash
	Dividend Rate	7 cents per share
	Total Dividend	\$31,065,000
	Tax Rate	Tax exempt one-tier

(ii)	Name of Dividend	Interim (Paid on 9 September 2015)
	Dividend Type	Cash
	Dividend Rate	4 cents per share
	Total Dividend	\$17,751,000
	Tax Rate	Tax exempt one-tier

* The amount of dividend is computed on the shares in issue as at the reporting date. This amount is subject to change arising from the issue of shares upon exercise of options, if any, under the Hong Leong Finance Share Option Scheme 2001 ("Share Option Scheme") between the reporting date and the last day for exercise of options to determine shareholders' entitlement to the dividend.

8. Shares Issued and Outstanding Convertibles

Since the end of the previous quarter,

- (i) options to 3,000 shares under the Share Option Scheme lapsed upon cessation of employment of participants; and
- (ii) options to 42,500 shares under the Share Option Scheme to subscribe for shares granted on 23 September 2016 were not accepted.

As at the end of the year, unissued shares of the Company under option amounted to 21,555,685 shares (31 December 2015: 22,429,395 shares).

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

9. Accounting Policies

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

As previously announced, the adoption of the FRSs which came into effect for the current year ended 31 December 2016 does not have a material impact on the audited financial statements. Save as disclosed, accounting policies and methods of computation used in the audited financial statements for the year ended 31 December 2016 are consistent with those applied in the audited financial statements for the year ended 31 December 2015.

10. Closure of Books

Notice is hereby given that, subject to shareholders' approval of the payment of a final dividend of 6 cents per share in respect of the year ended 31 December 2016 at the Annual General Meeting to be held on 26 April 2017, the Share Transfer Books and Register of Members of the Company will be closed on 9 May 2017. Duly completed registrable transfers received by the Company's Registrar, M & C Services Private Limited of 112 Robinson Road #05-01, Singapore 068902 up to 5.00 p.m. on 8 May 2017 will be registered to determine shareholders' entitlement to the dividend. In respect of shares in the securities accounts with The Central Depository (Pte) Limited ("CDP"), the said dividend will be paid by the Company to CDP which will distribute the said dividend to holders of the securities accounts.

11. Shareholders' Mandate for Interested Person Transactions

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

12. Disclosure of person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company pursuant to Rule 704(13) of the Listing Rules

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Kwek Leng Beng	76	Cousin of Mr Kwek Leng Peck and Mr Kwek Leng Kee; and uncle of Mr Kevin Hangchi.	Chairman/Managing Director Full responsibilities as Chief Executive Officer. Managing Director of the Company since March 1979. Chairman of the Company since 1984.	-

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

Dated this 24th day of February 2017

Independent auditors' report

Members of the Company Hong Leong Finance Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hong Leong Finance Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended, and notes to financial statements, including a summary of significant accounting policies, as set out on pages 14 to 64.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Impairment of loans, advances and receivables

(Refer to Note 11 in the financial statements)

The key audit matter

The Group's loans, advances and receivables to customers represent 77% of its total assets. The impairment of loans, advances and receivables is highly subjective due to the judgement applied by management in estimating the allowances.

Given the weak credit environment in Singapore and coupled with the estimation uncertainty, the valuation of loans, advances and receivables is considered a key audit risk.

As a finance company, the Group has to meet regulatory requirements relating, inter alia, to maintenance of collective impairment allowances, which include management assumptions that require significant judgements.

How the matter was addressed in our audit

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

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

We recomputed management's calculation to ascertain that the Group's collective allowances is maintained in accordance with regulatory requirements. We have also assessed management's calculations and assumptions over collective allowances to ascertain that the Group's collective allowances is in accordance with the accounting standards.

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

Other Information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements and our auditors' report thereon. Other than the directors' statement, five-year financial summary, chairman's statement, directory of services, corporate profile, corporate directory, board of directors, operating and financial review and corporate governance report, which we obtained prior to the date of this auditors' report, and the financial highlights and analysis of shareholdings (the "Reports") which are 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 Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal 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.

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 regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

KPMG LLP

Public Accountants and
Chartered Accountants

Singapore

24 February 2017