
FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

First quarter financial statements on consolidated results for the period ended 31 March 2018. These figures have not been audited.

1(a)(i) Unaudited Consolidated Statement of Profit or Loss for the Quarter ended 31 March 2018

	1st Qtr 2018	1st Qtr 2017	+ / (-)
	\$'000	\$'000	%
Revenue			
Interest income and hiring charges	18,263	18,453	(1.0)
Interest expense	(6,274)	(7,899)	(20.6)
Net interest income and hiring charges	11,989	10,554	13.6
Fees and commissions	204	234	(12.8)
Dividends	10	0	NM
Rental income from investment properties	809	875	(7.5)
Other income	210	78	NM
Income before operating expenses	13,222	11,741	12.6
Staff costs	(3,662)	(3,366)	8.8
Depreciation of property, plant and equipment	(246)	(171)	43.9
Depreciation of investment properties	(94)	(94)	0.0
Other operating expenses	(1,918)	(1,800)	6.6
Total Operating Expenses	(5,920)	(5,431)	9.0
Profit from operations before impairment losses	7,302	6,310	15.7
Write-back of impairment losses on loans and advances	113	377	(70.0)
Profit before income tax	7,415	6,687	10.9
Income tax expense	(1,231)	(1,100)	11.9
Profit for the period attributable to equity holders of the Company	6,184	5,587	10.7

NM: Not meaningful

1(a)(ii) Earnings Per Share of the Group

	1st Qtr 2018	1st Qtr 2017
Annualised earnings per share (cents)		
- Basic	15.69	14.18
- Diluted	15.69	14.18

The Group's basic earnings per share is calculated based on the weighted average number of ordinary shares in issue of 157,625,764 (31 March 2017: 157,625,764) shares.

There are no potential dilutive ordinary shares for the periods ended 31 March 2018 and 2017.

1(b) Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter ended 31 March 2018

	1st Qtr 2018	1st Qtr 2017	+ / (-)
	\$'000	\$'000	%
Profit for the period	6,184	5,587	10.7
<u>Other comprehensive income</u>			
Items that will not be reclassified subsequently to profit or loss			
Net change in fair value of Equity Investments at FVTOCI	164	337	(51.3)
Income tax relating to items that will not be reclassified subsequently to profit or loss	(28)	(57)	(50.9)
	136	280	(51.4)
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of Debt Investments at FVTOCI	(3,241)	4,407	NM
Income tax relating to items that may be reclassified subsequently to profit or loss	551	(749)	NM
	(2,690)	3,658	NM
Other comprehensive income for the period - net of tax	(2,554)	3,938	NM
Total comprehensive income for the period	3,630	9,525	(61.9)

NM: Not meaningful

FVTOCI: Fair Value Through Other Comprehensive Income

2(a) Statements of Financial Position as at 31 March 2018

	Group		Company	
	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Current assets				
Cash on deposit, at banks and in hand	320,110	250,568	320,062	250,499
Other assets	5,669	6,650	5,669	6,650
Investments	261,542	259,775	261,209	259,448
Loans and advances due within twelve months	401,074	420,155	401,074	420,155
Statutory deposit with the Monetary Authority of Singapore ("MAS")	55,912	55,057	55,912	55,057
Total current assets	1,044,307	992,205	1,043,926	991,809
Non-current assets				
Property, plant and equipment	17,058	17,044	17,058	17,044
Investment properties	23,224	23,319	23,224	23,319
Subsidiary	-	-	25	25
Loans and advances due after twelve months	1,502,647	1,489,106	1,502,647	1,489,106
Total non-current assets	1,542,929	1,529,469	1,542,954	1,529,494
Total assets	2,587,236	2,521,674	2,586,880	2,521,303
LIABILITIES AND EQUITY				
Current liabilities				
Deposits and savings accounts of customers	2,184,294	2,141,763	2,185,043	2,142,512
Other liabilities	31,475	31,452	31,002	30,958
SPRING loans due within twelve months (unsecured)	2,341	1,660	2,341	1,660
Provision for employee benefits	254	254	254	254
Current tax payable	4,920	3,690	4,920	3,690
Total current liabilities	2,223,284	2,178,819	2,223,560	2,179,074
Non-current liabilities				
SPRING loans due after twelve months (unsecured)	4,633	2,963	4,633	2,963
Deferred tax liabilities	4,420	2,169	4,373	2,122
Total non-current liabilities	9,053	5,132	9,006	5,085
Total liabilities	2,232,337	2,183,951	2,232,566	2,184,159
Equity attributable to equity holders of the Company				
Share capital	180,008	180,008	180,008	180,008
Reserves	174,891	157,715	174,306	157,136
Total equity	354,899	337,723	354,314	337,144
Total liabilities and equity	2,587,236	2,521,674	2,586,880	2,521,303
Off-balance sheet items				
Undrawn loan commitments	467,958	407,424	467,958	407,424
Guarantees issued	3,481	3,481	3,481	3,481
Total off-balance sheet items	471,439	410,905	471,439	410,905

2(b) Net asset value per ordinary share (\$) 2.25 2.14 2.25 2.14

The net asset value per ordinary share of the Group and of the Company is calculated based on the net assets of the Group and of the Company and the number of ordinary shares in issue of 157,625,764 (31 December 2017: 157,625,764) shares.

3 Consolidated Statement of Cash Flows for the Quarter ended 31 March 2018

	1st Qtr 2018	1st Qtr 2017
	\$'000	\$'000
Operating activities		
Profit before income tax	7,415	6,687
Adjustments for:		
Impact of accrual of interest income	1,309	2,143
Impact of accrual of interest expense	(487)	3,620
Depreciation of property, plant and equipment	246	171
Depreciation of investment properties	94	94
(Write-back of) impairment losses on loans and advances	(113)	(378)
Dividends	(10)	-
Operating cash flows before movements in working capital	8,454	12,337
Changes in working capital		
Other assets	(263)	53
Loans and advances	21,973	58,475
Statutory deposits with the MAS	(855)	2,786
Deposits and savings accounts of customers	42,531	(164,805)
Other liabilities	511	(3,348)
SPRING loans	2,351	462
Net cash generated from / (used in) operating activities	74,702	(94,038)
Investing activities		
Purchase of property, plant and equipment and investment properties	(259)	(12)
Dividends received	10	-
Purchase of investments	(129,911)	-
Proceeds from disposal and maturity of investments	125,000	-
Net cash (used in) investing activities	(5,160)	(12)
Net increase / (decrease) in cash and cash equivalents	69,542	(94,050)
Cash and cash equivalents at beginning of the year	250,568	405,753
Cash and cash equivalents at end of the period	320,110	311,703

Note

The high cash movements for investments related to the replacements of short-term one-month MAS Bills, which form part of the liquid assets to be maintained for regulatory purposes. During first quarter 2017, the Group did not purchase MAS bills as part of the liquid assets portfolio.

4 Statements of Changes in Equity for the Quarter ended 31 March 2018

Group	Share capital	Statutory reserve	Loss Allowance Reserve	Fair value reserve	Accumulated profits	Total
	\$'000	\$'000		\$'000	\$'000	\$'000
2018						
Balance at 31 December 2017	180,008	104,960		9,731	43,024	337,723
Adjustment on initial application of SFRS(I) 9	-	-		-	13,546	13,546
Adjustment on initial application of revised MAS Notice 811	-	-	4,230	-	(4,230)	-
Balance at 1 January 2018	180,008	104,960	4,230	9,731	52,340	351,269
Total comprehensive income for the period						-
Profit for the period	-	-	-	-	6,184	6,184
Other comprehensive income for the period - net	-	-	-	(2,554)	-	(2,554)
Total	-	-	-	(2,554)	6,184	3,630
Transfer to Loss Allowance Reserve	-	-	322	-	(322)	-
Balance at 31 March 2018	180,008	104,960	4,552	7,177	58,202	354,899
2017						
Balance at 1 January 2017	180,008	99,288		6,736	33,881	319,914
Total comprehensive income for the period						
Profit for the period	-	-	-	-	5,587	5,587
Other comprehensive income for the period - net	-	-	-	3,938	-	3,938
Total	-	-	-	3,938	5,587	9,526
Balance at 31 March 2017	180,008	99,288		10,674	39,469	329,440
Company						
2018						
Balance at 31 December 2017	180,008	104,960		9,510	42,666	337,144
Adjustment on initial application of SFRS(I) 9	-	-		-	13,546	13,546
Adjustment on initial application of revised MAS Notice 811	-	-	4,230	-	(4,230)	-
Balance at 1 January 2018	180,008	104,960	4,230	9,510	51,982	350,690
Total comprehensive income for the period						
Profit for the period	-	-	-	6,184	-	6,184
Other comprehensive income for the period - net	-	-	-	(2,560)	-	(2,560)
Total	-	-	-	3,624	-	3,624
Transfer to Loss Allowance Reserve	-	-	322	-	(322)	-
Balance at 31 March 2018	180,008	104,960	4,552	13,134	51,660	354,314
2017						
Balance at 1 January 2017	180,008	99,289		6,490	33,536	319,323
Total comprehensive income for the period						
Profit for the period	-	-	-	-	5,587	5,587
Other comprehensive income for the period - net	-	-	-	3,916	-	3,916
Total	-	-	-	3,916	5,587	9,503
Balance at 31 March 2017	180,008	99,289		10,406	39,123	328,826

5. Accounting Policies

The Group has applied the same accounting policies and methods of computation in the financial statements for the current period as in the audited financial statements for the year ended 31 December 2017 except as stated below.

The Group reported the financial results for the 3 month period ended 31 March 2018 for the first time under the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)"). There are no material differences from the previous financial periods in adopting the transitional requirements under SFRS(I)1, First Time Adoption of Singapore Financial Reporting Standards (International).

During the period the Group has adopted all new SFRS(I)s as appropriate. The application of these new standards had no material impact on the financial statements except for SFRS(I)9, Financial Instruments. The Accumulated Profits at 1 January 2018 had been Increased by a net amount of \$13.5 million because of assessing the allowances for impairment of financial assets under the Expected Loss Model introduced in SFRS(I)9.

Additionally, the Monetary Authority of Singapore had under Revised Notice 811 (Credit Files, Grading and Provisioning) with effect from 1 January 2018 determined the requirement of a loss allowance reserve for financial assets to be set aside from accumulated profits. This has resulted in an amount of \$4.2 million transferred from Accumulated Profits at 1 January 2018 to a Loss Allowance Reserve.

6. Review of Performance

The Group reported a net profit after tax of \$6.2 million for the first quarter of 2018, an improvement of \$0.6 million or 10.7% from the same period last year. The better performance was primarily due to lower funding costs after offsetting increases in operating expenses.

Net interest income and hiring charges rose by 13.6% to \$12.0 million compared to \$10.6 million in previous corresponding period. This was mainly attributable to \$1.6 million decline in interest expenses driven by both lower deposit rates as well as lower average deposit base.

Total operating expenses increased by 6.8% mainly due to higher staff costs and other operating expenses incurred to support business activities.

Write-back for loan allowances was \$0.1 million for the current quarter, lower than \$0.4 million write-back during the first quarter of 2017. The Group continues to maintain adequate individual and collective impairment allowances in respect of its loan portfolio.

In compliance with the revised regulatory requirement for loan allowance, there was a transfer of \$0.3 million from the accumulated profit to the Loan Allowance Reserve for the quarter under review. The transfer is reflected in the Statement of Changes in the Equity.

The decrease in fair value of FVTOCI financial assets of \$2.5 million under Other Comprehensive Income came primarily from the decline in the prices of Singapore Government Securities ("SGS"). The Group purchases SGS as part of its liquid assets for the purpose of maintaining the minimum liquid asset required under the Finance Companies Act.

Loans and advances came down marginally by 0.3% or \$5.5 million during the quarter, from \$1,909.3 million as at 31 December 2017 to \$1,903.7 million as at 31 March 2018. The amount of customers' deposits and savings, however, grew by 2% to \$2,184.3 million as at 31 March 2018 compared to 31 December 2017.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen which is likely to affect substantially the results of the operations of the Group and the Company in the interval between the end of the financial period and the date of this report.

7. Comments on Significant Trends and Competitive Conditions in the Industry

According to the Ministry of Trade and Industry (“MTI”)’s advance GDP estimates on 13 April 2018, the Singapore economy grew by 4.3% on a year-on-year basis in the first quarter of 2018, higher than the 3.6% in the fourth quarter of last year. On a quarter-on-quarter seasonally-adjusted annualised basis, growth was 1.4%, a decline from 2.1% in the preceding quarter.

The year-on-year growth was largely powered by the manufacturing sector (10.1%) as well as service producing sector (3.8%). For the construction sector, though it continued to contract by 4.4%, the pace of slowdown is easing. The sector registered a quarter-on-quarter annualised growth of 4.1% after four earlier conservative quarters of contraction, signalling that the worst may be over for the construction sector.

Looking forward, the manufacturing sector is expected to slow down but it is likely to be cushioned by the growth in the services sectors, which would provide a more balanced expansion in the domestic economy. However, with the heightened global trade tensions and market volatilities, the Group will continue to be vigilant in risk monitoring, prudent in credit granting criteria as well as proactive in the management of interest margin.

8. Dividend

No dividend has been recommended for the present financial period.

Dividend declared for the previous corresponding period – Nil.

9. Changes in the Company’s share capital arising from rights issue, bonus issue, share buy backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for other purpose since the end of the previous period reported.

There has been no change in the Company’s share capital arising from the above issues.

As at the end of the financial period, there were no outstanding convertibles (31 March 2017: Nil).

10. Sales, transfers, disposal, cancellation and /or use of treasury shares as at the end of the financial period.

Not applicable. During the financial period, no shares were held as treasury shares.

11. Shareholders’ mandate for interested party transactions (“IPT”)

The Group has not sought any shareholders’ mandate for IPTs pursuant to Rule 920 of the SGX-ST Listing Manual.

12. SGX-ST Listing Manual Rule 720(1) – Procurement of undertakings to comply with listing rules from all directors and executive officers

Pursuant to Rule 720(1) of the SGX-ST Listing Manual, the Company has procured undertakings to comply with the Exchange’s listing rules from all its directors and executive officers.

13. Comparative Figures of the Group's Borrowings and Debt Securities

	As at 31/03/2018		As at 31/03/2017	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable in one year or less, or on demand	-	2,341	-	1,219
Amount repayable after one year	-	4,633	-	1,705

14. Other Information

- (a) Amount of any adjustment for under or overprovision of tax in respect of prior years – Nil
- (b) Amount of profits on any sale of investments, property, plant and equipment – Nil

By order of the Board

Lee Sze Leong
Managing Director
25 April 2018

Directors' Confirmation

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the Group's unaudited financial results and the Company's statement of financial position and statement of changes in equity for the three months ended 31 March 2018 to be false or misleading.

On behalf of the Board of Directors

Lee Sze Leong
Managing Director
25 April 2018