
SECOND QUARTER AND HALF-YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

Second quarter and half year financial statements on consolidated results for the period ended 30 June 2018. These figures have not been audited.

1(a)(i) Unaudited Consolidated Statement of Profit or Loss for the Quarter and Half-year Ended 30 June 2018

	2nd Qtr 2018	2nd Qtr 2017	+ / (-) %	1st Half 2018	1st Half 2017	+ / (-) %
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue						
Interest income and hiring charges	18,122	17,347	4.5	36,385	35,800	1.6
Interest expense	(6,665)	(6,685)	(0.3)	(12,939)	(14,584)	(11.3)
Net interest income and hiring charges	11,457	10,662	7.5	23,446	21,216	10.5
Fees and commissions	292	218	34.0	496	452	9.7
Dividends	85	73	16.5	95	73	30.2
Rental income from investment properties	822	828	(0.8)	1,631	1,703	(4.2)
Other income	118	2,631	(95.5)	328	2,709	(87.9)
Income before operating expenses	12,774	14,412	(11.4)	25,996	26,153	(0.6)
Staff costs	(3,657)	(3,797)	(3.7)	(7,319)	(7,163)	2.2
Depreciation of property, plant and equipment	(251)	(168)	49.6	(497)	(339)	46.7
Depreciation of investment properties	(95)	(94)	0.7	(189)	(188)	0.3
Other operating expenses	(1,792)	(1,707)	5.0	(3,710)	(3,507)	5.8
Total Operating Expenses	(5,795)	(5,767)	0.5	(11,715)	(11,198)	4.6
Profit from operations before impairment losses	6,979	8,646	(19.3)	14,281	14,956	(4.5)
Write-back/(Allowances for) of impairment losses on loans and advances	280	(1,515)	NM	393	(1,138)	NM
Profit before income tax	7,259	7,131	1.8	14,674	13,818	6.2
Income tax expense	(1,234)	(1,118)	10.4	(2,465)	(2,218)	11.2
Profit for the period attributable to equity holders of the Company	6,025	6,013	0.2	12,209	11,600	5.3

NM: Not Meaningful

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

	2nd Qtr 2018	2nd Qtr 2017	1st Half 2018	1st Half 2017
Annualised earnings per share (cents)				
- Basic	15.29	15.26	15.49	14.72
- Diluted	15.29	15.26	15.49	14.72

The Group's basic earnings per share is calculated based on the weighted average number of ordinary shares in issue of 157,625,764 (30 June 2017: 157,625,764) shares.

There are no potential dilutive ordinary shares for the periods ended 30 June 2018 and 2017.

1(b) Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter and Half-year Ended 30 June 2018

	2nd Qtr 2018	2nd Qtr 2017	+/(-) %	1st Half 2018	1st Half 2017	+/(-) %
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the period	6,025	6,013	0.2	12,209	11,600	5.3
<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 FVOCI	(332)	268	NM	(168)	605	NM
Income tax relating to items that will not be reclassified subsequently to profit or loss	57	(46)	NM	29	(103)	NM
	(275)	222	NM	(139)	502	NM
Items that may be reclassified subsequently to profit or loss						
Net change in fair value of Debt Investments at FVOCI	(2,031)	(706)	187.7	(5,272)	3,702	NM
Income tax relating to items that may be reclassified subsequently to profit or loss	345	120	187.5	896	(629)	NM
	(1,686)	(586)	187.7	(4,376)	3,073	NM
Other comprehensive income for the period - net of tax	(1,961)	(364)	438.7	(4,515)	3,575	NM
Total comprehensive income for the period	4,064	5,649	(28.1)	7,694	15,175	(49.3)

NM: Not meaningful

FVOCI: Fair Value through Other Comprehensive Income

2(a) Statements of Financial Position as at 30 June 2018

	Group		Company	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Current assets				
Cash on deposit, at banks and in hand	267,651	250,568	267,607	250,499
Other assets	7,416	6,650	7,416	6,650
Investments	274,139	259,775	273,773	259,448
Loans and advances due within twelve months	384,711	420,155	384,711	420,155
Statutory deposit with the Monetary Authority of Singapore ("MAS")	57,305	55,057	57,305	55,057
Total current assets	991,222	992,205	990,812	991,809
Non-current assets				
Property, plant and equipment	16,929	17,044	16,929	17,044
Investment properties	23,130	23,319	23,130	23,319
Subsidiary	-	-	25	25
Loans and advances due after twelve months	1,572,673	1,489,106	1,572,673	1,489,106
Total non-current assets	1,612,732	1,529,469	1,612,757	1,529,494
Total assets	2,603,954	2,521,674	2,603,569	2,521,303
LIABILITIES AND EQUITY				
Current liabilities				
Deposits and balances of customers	2,212,767	2,141,763	2,213,519	2,142,512
Other liabilities	27,567	31,452	27,103	30,958
Enterprise Singapore loans due within twelve months (unsecured)	2,554	1,660	2,554	1,660
Provision for employee benefits	254	254	254	254
Current tax payable	4,352	3,690	4,352	3,690
Total current liabilities	2,247,494	2,178,819	2,247,782	2,179,074
Non-current liabilities				
Enterprise Singapore loans due after twelve months (unsecured)	4,513	2,963	4,513	2,963
Deferred tax liabilities	4,018	2,169	3,966	2,122
Total non-current liabilities	8,531	5,132	8,479	5,085
Total liabilities	2,256,025	2,183,951	2,256,261	2,184,159
Equity attributable to equity holders of the Company				
Share capital	180,008	180,008	180,008	180,008
Reserves	167,921	157,715	167,300	157,136
Total equity	347,929	337,723	347,308	337,144
Total liabilities and equity	2,603,954	2,521,674	2,603,569	2,521,303
Off-balance sheet items				
Undrawn loan commitments	595,152	407,424	595,152	407,424
Guarantees issued	2,286	3,481	2,286	3,481
Total off-balance sheet items	597,438	410,905	597,438	410,905

2(b) Net asset value per ordinary share (\$) 2.21 2.14 2.20 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 and Half-year Ended 30 June 2018

	2nd Qtr 2018	2nd Qtr 2017	1st Half 2018	1st Half 2017
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Profit before income tax	7,259	7,131	14,674	13,818
Adjustments for:				
Impact of accrual of interest income	(1,375)	(495)	(66)	1,648
Impact of accrual of interest expense	(1,255)	(3,749)	(1,742)	(129)
Depreciation of property, plant and equipment	251	168	497	339
Depreciation of investment properties	95	94	189	188
(Write-back of) / Allowances for impairment losses on loans and advances	(280)	1,515	(393)	1,137
Gain on disposal of investments	-	(2,426)	-	(2,426)
Dividends	(85)	(73)	(95)	(73)
Operating cash flows before movements in working capital	4,610	2,165	13,064	14,502
Changes in working capital				
Other assets	(220)	(80)	(483)	(27)
Loans and advances	(53,383)	(11,873)	(31,410)	46,602
Statutory deposits with the MAS	(1,394)	533	(2,249)	3,319
Deposits and balances of customers	28,562	(72,024)	71,093	(236,828)
Other liabilities	(2,742)	(5,928)	(2,231)	(9,275)
Enterprise Singapore loans	93	1,567	2,444	2,029
Cash (used in) generated from operating activities	(24,474)	(85,640)	50,228	(179,678)
Income taxes paid	(1,803)	(1,389)	(1,803)	(1,389)
Net cash used in operating activities	(26,277)	(87,029)	48,425	(181,067)
Investing activities				
Purchase of property, plant and equipment and investment properties	(123)	(2)	(382)	(14)
Dividends received	66	62	76	62
Purchase of investments	(70,091)	(67,692)	(200,002)	(67,692)
Proceeds from disposal and maturity of investments	55,000	84,426	180,000	84,426
Net cash generated from (used in) investing activities	(15,148)	16,794	(20,308)	16,782
Financing activities				
Dividend paid	(11,034)	(7,881)	(11,034)	(7,881)
Net cash used in financing activities	(11,034)	(7,881)	(11,034)	(7,881)
Net decrease in cash and cash equivalents	(52,459)	(78,116)	17,083	(172,166)
Cash and cash equivalents at beginning of the period	320,110	311,703	250,568	405,753
Cash and cash equivalents at end of the period	267,651	233,587	267,651	233,587

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.

4 Statements of Changes in Equity

Group	Share	Statutory	Regulatory	Fair value	Accumulated	Total
	capital	reserve	Loss Allowance Reserve	reserve	profits	
	\$'000	\$'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 Regulatory Loss Allowance Reserve	-	-	322	-	(322)	-
Balance at 31 March 2018	180,008	104,960	4,552	7,177	58,202	354,899
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,025	6,025
Other comprehensive income for the period - net	-	-	-	(1,961)	-	(1,961)
Total	-	-	-	(1,961)	6,025	4,064
Transfer to Regulatory Loss Allowance Reserve	-	-	758	-	(758)	-
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2017 of 7 cents per share	-	-	-	-	(11,034)	(11,034)
Balance at 30 June 2018	180,008	104,960	5,310	5,216	52,435	347,929
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
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,013	6,013
Other comprehensive income for the period - net	-	-	-	(363)	-	(363)
Total	-	-	-	(363)	6,013	5,650
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2016 of 5 cents per share	-	-	-	-	(7,881)	(7,881)
Balance at 30 June 2017	180,008	99,288	-	10,311	37,600	327,208

4 Statements of Changes in Equity

	Share capital	Statutory reserve	Regulatory Loss Allowance Reserve	Fair value reserve	Accumulated profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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	-	-	-	(2,560)	6,184	3,624
Transfer to Regulatory Loss Allowance Reserve	-	-	322	-	(322)	-
Balance at 31 March 2018	180,008	104,960	4,552	6,950	57,844	354,314
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,016	6,016
Other comprehensive income for the period - net	-	-	-	(1,988)	-	(1,988)
Total	-	-	-	(1,988)	6,016	4,028
Transfer to Regulatory Loss Allowance Reserve	-	-	758	-	(758)	-
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2017 of 7 cents per share	-	-	-	-	(11,034)	(11,034)
Balance at 30 June 2018	180,008	104,960	5,310	4,962	52,068	347,308
Balance at 1 January 2017	180,008	99,288		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	99,288		10,406	39,123	328,826
Total comprehensive income for the period						
Profit for the period	-	-		-	6,001	6,001
Other comprehensive income for the period - net	-	-		(344)	-	(344)
Total	-	-		(344)	6,001	5,656
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2016 of 5 cents per share	-	-		-	(7,881)	(7,881)
Balance at 30 June 2017	180,008	99,288		10,062	37,242	326,601

5 Accounting Policies and Comparative Figures

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:

- i. With effect from 1 January 2018, the Group has reported our financial results 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).
- ii. For the period beginning 1 January 2018 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.
- iii. 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 regulatory 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 Regulatory Loss Allowance Reserve.

6 Review of Performance

For the second quarter of 2018, despite the absence of the \$2.4 million gain from sale of government bonds during the same period last year, the Group registered a marginally higher net profit after tax of \$6.0 million. The key contributors for this quarter’s better performance were the higher net interest income of \$0.8 million coupled with a \$0.3 million write back of loan allowances, versus a charge of \$1.5 million in 2017.

For the first six months of 2018, the Group’s net profit after tax was \$12.2 million, an improvement of \$0.6 million or 5.3% compared to a year ago. Higher interest income as well as write back of loan allowances more than compensate for the absence of investment gain and slight increase in operating expenses.

Net interest income, which benefited from lower cost of deposits of \$1.6 million together with higher interest income of \$0.6 million, rose by 10.5% to \$23.4 million compared to \$21.2 million a year ago.

Total operating expenses edged up by 4.6% mainly due to higher staff costs and other operating expenses incurred to support business activities. Depreciation also increased in line with greater investments in technology to build capabilities and IT infrastructure for future growth.

The Group managed to write back \$0.4 million for loan allowances during the first six months of 2018 compared to \$2.3 million allowances during the first half of 2017. The Group continues to maintain adequate loss allowances in respect of its loan portfolio.

In compliance with the revised regulatory requirement for loan allowance, there was an additional transfer of \$0.8 million from the accumulated profit to the Regulatory Loan Allowance Reserve for the quarter under review, bringing the total transfer for the first half of 2018 to \$1.1 million. The transfers are reflected in the Statement of Changes in the Equity.

The decline in the Other Comprehensive Income of \$4.5 million during the first half of 2018 was attributed primarily to the decline in fair value of Singapore Government Securities (“SGS”) bonds. 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 grew by \$48.1 million or 2.5% during the period, from \$1,909.3 million as at 31 December 2017 to \$1,957.4 million as at 30 June 2018. In tandem with the growth in loan balances, customers' deposits also grew by 3.3% to \$2,212.8 million as at 30 June 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 July 2018, the Singapore economy grew by 3.8% on a year-on-year basis in the second quarter of 2018, moderating from the 4.3% growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded at a slower pace of 1.0% compared to the 1.5% growth in the preceding quarter.

Manufacturing sector's expansion remained the key driver of the GDP growth, but growth momentum has moderated to 8.6%, down from 9.7% in the previous quarter. The construction sector continued to contract but at an easing rate, declining 4.4% compared to 5.2% in the first quarter of 2018. The services producing industries expanded by 3.4% but lower than 4.0% in the previous quarter. Growth in the service sector was supported primarily by the finance & insurance and wholesale & retail trade sectors.

Looking ahead, slower growth is expected in the second half of 2018. The growth in the manufacturing sector is likely to be weaker as global electronics demand tapers and business cut capital expenditure and production in the face of US-China trade tensions. In addition, the latest cooling measures by the Government in July 2018 is likely to cap the earlier exuberance in the residential property market. Taking into consideration the potential headwinds of rising trade tensions, slower growth and higher interest rate outlook, the Group will continue to be prudent in our credit granting criteria and be proactive in our management of interest margin and operating expenses.

8 Dividends

No dividend has been recommended for the current 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. (30 June 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 (30 June 2017: Nil).

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 30/6/2018		As at 31/12/2017	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less, or on demand	-	2,554	-	1,660
Amount repayable after one year	-	4,513	-	2,963

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
10 August 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 interim financial results and the Company's statement of financial position and statements of changes in equity for the quarter and the half year ended 30 June 2018 to be false or misleading.

On behalf of the Board of Directors

Lee Sze Leong
Managing Director
10 August 2018