
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 2019. 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 2019

	2nd Qtr 2019	2nd Qtr 2018	+ / (-) %	1st Half 2019	1st Half 2018	+ / (-) %
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue						
Interest income and hiring charges	21,294	18,122	17.5	41,761	36,385	14.8
Interest expense	(9,752)	(6,665)	46.3	(19,125)	(12,939)	47.8
Net interest income and hiring charges	11,542	11,457	0.7	22,636	23,446	(3.5)
Fees and commissions	266	292	(8.9)	524	496	5.6
Dividends	100	85	17.6	101	95	6.3
Rental income from investment properties	802	822	(2.4)	1,626	1,631	(0.3)
Other income	48	118	(59.3)	250	328	(23.8)
Income before operating expenses	12,758	12,774	(0.1)	25,137	25,996	(3.3)
Staff costs	(4,007)	(3,657)	9.6	(7,963)	(7,319)	8.8
Depreciation of property, plant and equipment	(238)	(251)	(5.2)	(472)	(497)	(5.0)
Depreciation of investment properties	(95)	(95)	0.0	(189)	(189)	-
Other operating expenses	(2,068)	(1,792)	15.4	(4,248)	(3,710)	14.5
Total Operating Expenses	(6,408)	(5,795)	10.6	(12,872)	(11,715)	9.9
Profit from operations before allowances	6,350	6,979	(9.0)	12,265	14,281	(14.1)
(Allowances for) / Write-back of credit losses on loans and other assets	(292)	280	NM	(265)	393	NM
Profit before income tax	6,058	7,259	(16.5)	12,000	14,674	(18.2)
Income tax expense	(1,005)	(1,234)	(18.6)	(1,983)	(2,465)	(19.6)
Profit for the period attributable to equity holders of the Company	5,053	6,025	(16.1)	10,017	12,209	(18.0)

NM: Not Meaningful

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

	2nd Qtr 2019	2nd Qtr 2018	1st Half 2019	1st Half 2018
Annualised earnings per share (cents)				
- Basic	12.82	15.29	12.71	15.49
- Diluted	12.82	15.29	12.71	15.49

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 2018: 157,625,764) shares.

There are no potential dilutive ordinary shares for the periods ended 30 June 2019 and 2018.



1(b) Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter and Half-year Ended 30 June 2019

	2nd Qtr 2019	2nd Qtr 2018	+ / (-)	1st Half 2019	1st Half 2018	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the period	5,053	6,025	(16.1)	10,017	12,209	(18.0)
<u>Other comprehensive income</u>						
Items that will not be reclassified subsequently to profit or loss						
Gain on disposal of equity investments at FVOCI	-	-	-	10	-	NM
Net change in fair value of Equity Investments at FVOCI	175	(332)	NM	231	(168)	NM
Income tax relating to items that will not be reclassified subsequently to profit or loss	(30)	57	NM	(41)	29	NM
	145	(275)	NM	200	(139)	NM
Items that may be reclassified subsequently to profit or loss						
Net change in fair value of Debt Investments at FVOCI	1,064	(2,031)	NM	226	(5,272)	NM
Income tax relating to items that may be reclassified subsequently to profit or loss	(180)	345	NM	(38)	896	NM
	884	(1,686)	NM	188	(4,376)	NM
Other comprehensive income for the period - net of tax	1,029	(1,961)	NM	388	(4,515)	NM
Total comprehensive income for the period	6,082	4,064	49.7	10,405	7,694	35.2

NM: Not meaningful

FVOCI: Fair Value through Other Comprehensive Income

2(a) Statements of Financial Position as at 30 June 2019

	Group		Company	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Cash on deposit, at banks and in hand	226,115	317,119	226,043	317,040
Statutory deposit with the Monetary Authority of Singapore ("MAS")	63,116	62,580	63,116	62,580
Investments	295,654	300,550	295,227	300,213
Loans and advances	2,140,831	2,081,004	2,140,831	2,081,004
Other receivables, deposits and prepayments	11,184	8,408	11,184	8,408
Subsidiary	-	-	25	25
Property, plant and equipment	21,461	21,436	21,461	21,436
Investment properties	22,752	22,942	22,752	22,942
Total assets	2,781,113	2,814,039	2,780,639	2,813,648
LIABILITIES AND EQUITY				
Deposits and balances of customers	2,366,484	2,402,886	2,367,247	2,403,642
Other liabilities	33,905	28,670	33,413	28,170
Enterprise Singapore loans (unsecured)	9,377	9,706	9,377	9,706
Provision for employee benefits	268	268	268	268
Current tax payable	6,778	7,657	6,778	7,657
Deferred tax liabilities	1,925	1,847	1,863	1,800
Total liabilities	2,418,737	2,451,034	2,418,946	2,451,243
Equity attributable to equity holders of the Company				
Share capital	180,008	180,008	180,008	180,008
Reserves	182,368	182,997	181,685	182,397
Total equity	362,376	363,005	361,693	362,405
Total liabilities and equity	2,781,113	2,814,039	2,780,639	2,813,648
Off-balance sheet items				
Undrawn loan commitments	590,326	520,994	590,326	520,994
Guarantees issued	2,291	2,293	2,291	2,293
Total off-balance sheet items	592,617	523,287	592,617	523,287
2(b) Net asset value per ordinary share (\$)	2.30	2.30	2.29	2.30

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 2018: 157,625,764) shares.

3 Consolidated Statement of Cash Flows for the Quarter and Half-year Ended 30 June 2019

	2nd Qtr 2019	2nd Qtr 2018	1st Half 2019	1st Half 2018
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Profit before income tax	6,058	7,259	12,000	14,674
Adjustments for:				
Impact of accrual of interest income	(1,607)	(1,375)	(315)	(66)
Impact of accrual of interest expense	3,475	(1,255)	7,085	(1,742)
Depreciation of property, plant and equipment	238	251	472	497
Depreciation of investment properties	95	95	189	189
Allowances for / (Write-back of) credit losses on loans and other assets	292	(280)	265	(393)
Dividends	(99)	(85)	(100)	(95)
Operating cash flows before movements in working capital	8,452	4,610	19,596	13,064
Changes in working capital				
Other assets	(424)	(220)	(2,553)	(483)
Loans and advances	(92,098)	(53,383)	(60,092)	(31,410)
Statutory deposits with the MAS	(1,770)	(1,394)	(535)	(2,249)
Deposits and balances of customers	(26,417)	28,562	(36,402)	71,093
Other liabilities	(2,798)	(2,742)	(1,850)	(2,231)
Enterprise Singapore loans	(405)	93	(329)	2,444
Cash (used in) generated from operating activities	(115,460)	(24,474)	(82,165)	50,228
Income taxes paid	(2,876)	(1,803)	(2,864)	(1,803)
Net cash used in operating activities	(118,336)	(26,277)	(85,029)	48,425
Investing activities				
Purchase of property, plant and equipment and investment properties	(147)	(123)	(483)	(382)
Dividends received	39	66	40	76
Purchase of investments	(42,881)	(70,091)	(112,502)	(200,002)
Proceeds from disposal and maturity of investments	43,008	55,000	118,018	180,000
Net cash generated from / (used in) investing activities	19	(15,148)	5,073	(20,308)
Financing activities				
Cash payments of lease liabilities	(7)	-	(14)	-
Dividend paid	(11,034)	(11,034)	(11,034)	(11,034)
Net cash used in financing activities	(11,041)	(11,034)	(11,048)	(11,034)
Net decrease in cash and cash equivalents	(129,358)	(52,459)	(91,004)	17,083
Cash and cash equivalents at beginning of the period	355,473	320,110	317,119	250,568
Cash and cash equivalents at end of the period	226,115	267,651	226,115	267,651

Note

The high cash movements for investments related to the replacements of short-term MAS Bills, which form part of the liquid assets to be maintained for regulatory purposes.

4 Statements of Changes in Equity

Group	Share capital	Statutory reserve	Regulatory Loss Allowance Reserve	Fair value reserve	Accumulated profits	Total
	\$'000	\$'000		\$'000	\$'000	\$'000
2019						
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 2019	180,008	110,964	8,391	8,473	55,169	363,005
Total comprehensive income for the period						
Profit for the period	-	-	-	-	4,964	4,964
Other comprehensive income for the period - net	-	-	-	(649)	8	(641)
Total	-	-	-	(649)	4,972	4,323
Transfer to Regulatory Loss Allowance Reserve	-	-	41	-	(41)	-
Balance at 31 March 2019	180,008	110,964	8,432	7,824	60,100	367,328
Total comprehensive income for the period						
Profit for the period	-	-	-	-	5,053	5,053
Other comprehensive income for the period - net	-	-	-	1,029	-	1,029
Total	-	-	-	1,029	5,053	6,082
Transfer to Regulatory Loss Allowance Reserve	-	-	774	-	(774)	-
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2018 of 7 cents per share	-	-	-	-	(11,034)	(11,034)
Balance at 30 June 2019	180,008	110,964	9,206	8,853	53,345	362,376
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	-	-	6,761	-	(6,761)	-
Balance at 1 January 2018	180,008	104,960	6,761	9,731	49,809	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 from Regulatory Loss Allowance Reserve	-	-	(326)	-	326	-
Balance at 31 March 2018	180,008	104,960	6,435	7,177	56,319	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	-	-	1,260	-	(1,260)	-
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	7,695	5,216	50,050	347,929

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
Company						
2019						
Balance at 1 January 2019	180,008	110,964	8,391	8,243	54,799	362,405
Total comprehensive income for the period						
Profit for the period	-	-	-	-	4,964	4,964
Other comprehensive income for the period - net	-	-	-	(713)	8	(705)
Total	-	-	-	(713)	4,972	4,259
Transfer to Regulatory Loss Allowance Reserve	-	-	41	-	(41)	-
Balance at 31 March 2019	180,008	110,964	8,432	7,530	59,730	366,664
Total comprehensive income for the period						
Profit for the period	-	-	-	-	5,045	5,045
Other comprehensive income for the period - net	-	-	-	1,018	-	1,018
Total	-	-	-	1,018	5,045	6,063
Transfer to Regulatory Loss Allowance Reserve	-	-	774	-	(774)	-
Transactions with owners, recognised directly in equity						
Final one-tier tax exempt dividend paid for financial year 2018 of 7 cents per share	-	-	-	-	(11,034)	(11,034)
Balance at 30 June 2019	180,008	110,964	9,206	8,548	52,967	361,693
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	-	-	6,761	-	(6,761)	-
Balance at 1 January 2018	180,008	104,960	6,761	9,510	49,451	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 from Regulatory Loss Allowance Reserve	-	-	(326)	-	326	-
Balance at 31 March 2018	180,008	104,960	6,435	6,950	55,961	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	-	-	1,260	-	(1,260)	-
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	7,695	4,962	49,683	347,308

5 Accounting Policies and Comparative Figures

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

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 2018 except for the changes arising from the first time adoption of SFRS(I)16 Leases, which is effective for annual periods beginning on or after 1 January 2019.

The adoption of SFRS (I)16 Leases does not have any material impact on the financial statements of the Group and the Company for the current financial period under review.

6 Review of Performance

The Group registered a net profit after tax of \$5.0 million for the second quarter of 2019, a decline of 16.1% versus the same period last year. The weaker performance was mainly due to higher operating expenses and additional allowances for credit losses.

For the first six months of 2019, the Group’s net profit after tax was \$10.0 million, lower by \$2.2 million or 18.0% compared to a year ago. Net interest income and hiring charges decreased by 3.5% to \$22.6 million compared to \$23.4 million in the previous corresponding period. This was primarily attributable to the \$6.2 million increase in interest expenses, driven by both higher deposit rates as well as higher average deposit base over the same period last year.

Total operating expenses edged up by 9.9% mainly due to higher staff costs with the increase in staff headcount and other operating expenses incurred to support business activities and on-going capabilities building projects.

Additional allowances for credit losses of \$0.3 million was made during the first six months of 2019 compared to write back of \$0.4 million during the first half of 2018. The Group continues to maintain adequate loss allowances in respect of its loan portfolio and other assets.

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. The transfers are reflected in the Statement of Changes in the Equity.

Other Comprehensive Income for the half year ended 30 June 2019 was \$0.4 million, attributed largely to the increase 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 \$59.8 million or 2.9% during the period, from \$2,081.0 million as at 31 December 2018 to \$2,140.8 million as at 30 June 2019. Deposits and balances of customers declined marginally by 1.5% to \$2,366.5 million as at 30 June 2019 compared to 31 December 2018.

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 12 July 2019, the Singapore economy grew by 0.1% on a year-on-year basis in the second quarter of 2019, and on a quarter-on-quarter seasonally-adjusted annualised basis, the economy shrank by 3.4%. This is the slowest year-on-year growth since the second quarter of 2009.

The manufacturing sector contracted by 3.8% on a year-on-year basis in the second quarter, extending the 0.4% decline in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 6.0%, moderating from the 6.4% contraction in the preceding quarter. This was largely a result of the protracted slowdown in the global trade and continued uncertainty over the China-US trade friction as well as the cyclical downturn in the electronics sector.

The construction sector grew by 2.2% on a year-on-year basis in the second quarter, extending the 2.7% expansion in the previous quarter. Growth of the sector was supported by an increase in public sector construction activities. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector contracted by 7.6%, reversing the 13.3% growth in the preceding quarter.

The services producing industries expanded by 1.2% on a year-on-year basis in the second quarter, unchanged from the previous quarter. Growth was supported primarily by the finance & insurance, “other services industries” and information & communications sectors. On a quarter-on-quarter seasonally adjusted annualised basis, the services producing industries shrank by 1.5%, following the 4.4% growth recorded in the preceding quarter.

In view of the weaker than expected economic outlook for the rest of 2019, as evidenced by the above quarter-on-quarter contractions across all sectors, the Group will continue to be disciplined in seeking business growth and proactive in the management of risk exposures. At the same time we will continue to invest and build capabilities to enable transformation and provide sustainable growth in the future.

8 Dividends

No dividend has been recommended for the current financial period as we do have the policy of interim dividend payment.

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 2018: 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 2018: 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 30/06/2019		As at 31/12/2018	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Enterprise Singapore Loans	-	9,377	-	9,706

14 Other Information

Amount of profits on any sale of investments, property, plant and equipment – \$10,000 gain from sale of equity investments during 1st Half 2019 (1st Half 2018: Nil)

By order of the Board

Lee Sze Leong
Managing Director
1 August 2019

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 2019 to be false or misleading.

On behalf of the Board of Directors

Lee Sze Leong
Managing Director
1 August 2019