
FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

First quarter financial statements on consolidated results for the period ended 31 March 2019. These figures have not been audited.

1(a)(i) Unaudited Consolidated Statement of Profit or Loss for the Quarter ended 31 March 2019

	1st Qtr 2019	1st Qtr 2018	+ / (-)
	\$'000	\$'000	%
Revenue			
Interest income and hiring charges	20,467	18,263	12.1
Interest expense	(9,373)	(6,274)	49.4
Net interest income and hiring charges	11,094	11,989	(7.5)
Fees and commissions	258	204	26.5
Dividends	1	10	(90.0)
Rental income from investment properties	824	809	1.9
Other income	202	210	(3.8)
Income before operating expenses	12,379	13,222	(6.4)
Staff costs	(3,956)	(3,662)	8.0
Depreciation of property, plant and equipment	(234)	(246)	(4.9)
Depreciation of investment properties	(94)	(94)	0.0
Other operating expenses	(2,180)	(1,918)	13.7
Total Operating Expenses	(6,464)	(5,920)	9.2
Profit from operations before allowances	5,915	7,302	(19.0)
Write-back of credit losses on loans and other assets	27	113	(76.1)
Profit before income tax	5,942	7,415	(19.9)
Income tax expense	(978)	(1,231)	(20.6)
Profit for the period attributable to equity holders of the Company	4,964	6,184	(19.7)

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

	1st Qtr 2019	1st Qtr 2018
Annualised earnings per share (cents)		
- Basic	12.60	15.69
- Diluted	12.60	15.69

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 2018: 157,625,764) shares.

There are no potential dilutive ordinary shares for the periods ended 31 March 2019 and 2018.

1(b) Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter ended 31 March 2019

	1st Qtr 2019	1st Qtr 2018	+ / (-)
	\$'000	\$'000	%
Profit for the period	4,964	6,184	(19.7)
<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	56	164	(65.9)
Income tax relating to items that will not be reclassified subsequently to profit or loss	(11)	(28)	(60.7)
	55	136	(59.6)
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of Debt Investments at FVOCI	(838)	(3,241)	(74.1)
Income tax relating to items that may be reclassified subsequently to profit or loss	142	551	(74.2)
	(696)	(2,690)	(74.1)
Other comprehensive income for the period - net of tax	(641)	(2,554)	(74.9)
Total comprehensive income for the period	4,323	3,630	19.1

NM: Not meaningful

FVOCI: Fair Value Through Other Comprehensive Income

2(a) Statements of Financial Position as at 31 March 2019

	Group		Company	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Cash on deposit, at banks and in hand	355,473	317,119	355,426	317,040
Statutory deposit with the Monetary Authority of Singapore ("MAS")	61,345	62,580	61,345	62,580
Investments	294,441	300,550	294,026	300,213
Loans and advances	2,049,024	2,081,004	2,049,024	2,081,004
Other receivables, deposits and prepayments	9,195	8,408	9,195	8,408
Subsidiary	-	-	25	25
Property, plant and equipment	21,545	21,436	21,545	21,436
Investment properties	22,846	22,942	22,846	22,942
Total assets	2,813,869	2,814,039	2,813,432	2,813,648
LIABILITIES AND EQUITY				
Deposits and balances of customers	2,392,901	2,402,886	2,393,664	2,403,642
Other liabilities	33,227	28,670	32,751	28,170
Enterprise Singapore loans (unsecured)	9,782	9,706	9,782	9,706
Provision for employee benefits	268	268	268	268
Current tax payable	8,649	7,657	8,649	7,657
Deferred tax liabilities	1,714	1,847	1,654	1,800
Total liabilities	2,446,541	2,451,034	2,446,768	2,451,243
Equity attributable to equity holders of the Company				
Share capital	180,008	180,008	180,008	180,008
Reserves	187,320	182,997	186,656	182,397
Total equity	367,328	363,005	366,664	362,405
Total liabilities and equity	2,813,869	2,814,039	2,813,432	2,813,648
Off-balance sheet items				
Undrawn loan commitments	586,721	520,994	586,721	520,994
Guarantees issued	2,298	2,293	2,298	2,293
Total off-balance sheet items	589,019	523,287	589,019	523,287
2(b) Net asset value per ordinary share (\$)	2.33	2.30	2.33	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 ended 31 March 2019

	1st Qtr 2019	1st Qtr 2018
	\$'000	\$'000
Operating activities		
Profit before income tax	5,942	7,415
Adjustments for:		
Impact of accrual of interest income	1,292	1,309
Impact of accrual of interest expense	3,610	(487)
Depreciation of property, plant and equipment	234	246
Depreciation of investment properties	94	94
(Write-back of) credit losses on loans and other assets	(27)	(113)
Dividends	(1)	(10)
Operating cash flows before movements in working capital	<u>11,144</u>	<u>8,454</u>
Changes in working capital		
Other assets	(2,129)	(263)
Loans and advances	32,006	21,973
Statutory deposits with the MAS	1,235	(855)
Deposits and balances of customers	(9,985)	42,531
Other liabilities	948	511
Enterprise Singapore loans	76	2,351
Cash generated from operating activities	<u>33,295</u>	<u>74,702</u>
Income taxes refund	12	-
Net cash generated from operating activities	<u>33,307</u>	<u>74,702</u>
Investing activities		
Purchase of property, plant and equipment and investment properties	(336)	(259)
Dividends received	1	10
Purchase of investments	(69,621)	(129,911)
Proceeds from disposal and maturity of investments	<u>75,010</u>	<u>125,000</u>
Net cash generated from / (used in) investing activities	<u>5,054</u>	<u>(5,160)</u>
Financing activities		
Cash payments of lease liabilities	(7)	-
Net cash (used in) financing activities	<u>(7)</u>	<u>-</u>
Net increase in cash and cash equivalents	38,354	69,542
Cash and cash equivalents at beginning of the year	<u>317,119</u>	<u>250,568</u>
Cash and cash equivalents at end of the period	<u>355,473</u>	<u>320,110</u>

Note

The high cash movements for investments related mainly 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 for the Quarter ended 31 March 2019

	Share capital	Statutory reserve	Regulatory Loss		Accumulated profits	Total
			Allowance Reserve	Fair value reserve		
	\$'000	\$'000		\$'000	\$'000	\$'000
Group						
2019						
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 Loss Allowance Reserve	-	-	41	-	(41)	-
Balance at 31 March 2019	180,008	110,964	8,432	7,824	60,100	367,328
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 Loss Allowance Reserve	-	-	(326)	-	326	-
Balance at 31 March 2018	180,008	104,960	6,435	7,177	56,319	354,899
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 Loss Allowance Reserve	-	-	41	-	(41)	-
Balance at 31 March 2019	180,008	110,964	8,432	7,530	59,730	366,664
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 Loss Allowance Reserve	-	-	(326)	-	326	-
Balance at 31 March 2018	180,008	104,960	6,435	6,950	55,961	354,314

5. Accounting Policies

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 reported a net profit after tax of \$5.0 million for the first quarter of 2019, a decline of 19.7% as compared to last year. The weaker performance was largely attributable to lower net interest income as well as higher operating expenses.

Net interest income and hiring charges decreased by 7.5% to \$11.1 million compared to \$12.0 million in the previous corresponding period. This was mainly due to the \$3.1 million increase in interest expenses driven by both higher deposit rates coupled with higher average deposit base.

Total operating expenses increased by 9.1% mainly due to higher staff costs with the increase in staff headcount and other operating expenses incurred to support business activities and on-going building capabilities projects.

Write-back for loan allowances for the current quarter was \$0.03 million, lower than the \$0.1 million during the first quarter of 2018. The Group continues to maintain adequate loss allowances in respect of its loan portfolio and other assets.

The decrease in fair value of FVOCI financial assets of \$0.6 million under Other Comprehensive Income was due primarily to 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 slightly by 1.5% or \$32.0 million during the quarter, from \$2.08 billion as at 31 December 2018 to \$2.05 billion as at 31 March 2019. In tandem with the lower loan balance, customers’ deposits and balances also declined by 0.4% to \$2.39 billion as at 31 March 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 April 2019, the Singapore economy grew by 1.3% on a year-on-year basis in the first quarter of 2019, moderating from the 1.9% growth in the fourth quarter of last year. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 2.0%, faster than the 1.4% growth in the previous quarter.

The manufacturing sector contracted by 1.9% on a year-on-year basis in the first quarter, a reversal from the 5.1% growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector shrank by 12%, extending the 2.7% decline in the preceding quarter.

The construction sector grew by 1.4% on a year-on-year basis in the first quarter. This represented a turnaround from the 1.0% decline in the previous quarter, and also marked the first quarter of positive growth following 10 consecutive quarters of decline. The recovery of the sector was supported by an improvement in private sector construction activities. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector posted growth of 7.8%, extending the 5.1% expansion in the preceding quarter.

The services producing industries expanded by 2.1% on a year-on-year basis in the first quarter, slightly higher than the 1.8% growth in the fourth quarter. Growth was primarily supported by the information & communications and business services sectors. On a quarter-on-quarter seasonally-adjusted annualised basis, the services producing industries expanded by 4.8%, faster than the 2.8% achieved in the preceding quarter.

In view of the cautious and uncertain economic outlook for the rest of 2019, the Group will continue to be vigilant in risk monitoring as well as prudent in our credit granting criteria as we seek new business opportunities.

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 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.

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 31/03/2019		As at 31/03/2018	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Enterprise Singapore Loans	-	9,782	-	6,974

14. Other Information

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

By order of the Board

Lee Sze Leong
Managing Director
25 April 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 financial results and the Company's statement of financial position and statement of changes in equity for the three months ended 31 March 2019 to be false or misleading.

On behalf of the Board of Directors

Lee Sze Leong
Managing Director
25 April 2019