

RESPONSE TO SINGAPORE EXCHANGE REGULATION'S QUERY ON RESULTS ANNOUNCEMENT FOR FINANCIAL YEAR 2022

In response to the query raised by Singapore Exchange Regulation ("SGX RegCo") on the Company's results announcement released, 24 February 2023 for the Financial Year ended 31 December 2022, the Board of Directors of the Company wishes to clarify the following:

SGX RegCo's Query

It is noted that the Company has a net cash outflow from operating activities of S\$41.9 million and a net profit of S\$37.2 million for the financial year ended 31 December 2022. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position for the financial year ended 31 December 2022.

Company's Response

For ease of reference, we append below the relevant sections reported in the Consolidated Statement of Cash Flows for the year ended 31 December 2022:

	Group	
	Year	Year
	2022	2021
	\$'000	\$'000
Operating activities		
Profit before income tax	44,070	37,319
Adjustments for:		
Impact of accrual of interest income	(672)	2,305
Impact of accrual of interest expense	5,504	(5,922)
Interest expense on lease liabilities	2	3
Depreciation of property, plant and equipment	2,022	1,823
Depreciation of investment properties	378	378
Depreciation of right of use assets	24	28
Allowances for credit losses on loans and other assets	(708)	837
Gain on disposal of property, plant and equipment	-	(187)
Dividends	(234)	(171)
Operating cash flows before movements in working capital	50,386	36,413
Changes in working capital		
Deposits and balances of customers	308,001	14,757
Other liabilities	3,388	2,731
Borrowings from MAS	(135,322)	43,638
Borrowings from Enterprise Singapore	458	(3,552)
Statutory deposits with the MAS	(8,738)	(1,012)
Singapore Government Securities and MAS bills	9,313	(90,093)
Loans and advances	(264,121)	(64,569)
Other assets	801	309
Provision for employee benefits	(79)	(148)
Cash used in operating activities	(35,913)	(61,526)
Income taxes paid	(6,065)	(4,481)
Net cash used in operating activities	(41,978)	(66,007)

The Company's principal business is that of a licensed finance company, which involves primarily deposit taking and lending activities. Our loans and advances to customers are funded mainly by deposits from customers and other borrowings. As our loan book grows, we take in more customer deposits to support the business expansion in addition to working capital from retained earnings. We ensure the Company has adequate liquidity buffer and comply with regulatory requirements on liquidity at all times.

In 2022, our customer loans and advances grew strongly. In addition, we made repayments of our borrowings from the Monetary Authority of Singapore (*representing advances from MAS to partially finance the Enterprise Singapore temporary bridging loan and working capital loan programmes for small and medium enterprises*). These are the key drivers for the net cash outflow from operating activities. Loan expansion contributed to a net cash outflow of \$264.1 million and repayment of borrowings from MAS resulted in an additional outflow of \$135.3 million. There was an increase in customer deposits of \$308 million and a net profit after tax of \$37.2 million for the year 2022 to provide additional cash flow. Overall, the net cash outflow from our operating activities was \$41.9 million for the year.

Our loan-deposit ratio, which is a measure of our liquidity, was 92.5% as at 31 December 2022, indicating higher deposits than loans. The ratio was 93.3% as at the year end 2021 and 91.2% as at the year end 2020, and comparable with that of other finance companies in Singapore.

The Company has complied with all MAS liquidity requirements by maintaining adequate balances of Singapore Government Securities, MAS bills, placements and deposits with banks.

In addition, our capital adequacy ratio remained healthy at 15.6% as at 31 December 2022, 3.6% percentage points above the regulatory minimum.

Submitted by,

Ong Beng Hong,
Joint Company Secretary
Singapore, 8 March 2023