

**Second Quarter and Half Year Unaudited Financial Statements and Dividend Announcement for the Period Ended 30 June 2017****TABLE OF CONTENTS**

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Second Quarter and Half Year Unaudited Financial Statements and Dividend Announcement for the Period Ended 30 June 2017

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Income Statement

	3 months ended 30 June			6 months ended 30 June		
	2Q FY2017	2Q FY2016	+/(-) %	1H FY2017	1H FY2016	+/(-) %
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest income	6,233	5,886	5.9	12,144	11,655	4.2
Interest expense	(1,429)	(1,643)	(13.0)	(2,759)	(3,309)	(16.6)
Net interest income	4,804	4,243	13.2	9,385	8,346	12.4
Gross written premiums	2,785	3,797	(26.7)	6,520	6,691	(2.6)
Change in gross provision for unexpired risks	1,509	(961)	NM	2,320	(1,217)	NM
Gross earned premium revenue	4,294	2,836	51.4	8,840	5,474	61.5
Written premiums ceded to reinsurers	(773)	(851)	(9.2)	(1,751)	(1,571)	11.5
Reinsurers' share of change in provision for unexpired risks	(293)	(591)	(50.4)	(674)	(1,108)	(39.2)
Reinsurance premium expense	(1,066)	(1,442)	(26.1)	(2,425)	(2,679)	(9.5)
Net earned premium revenue (i)	3,228	1,394	131.6	6,415	2,795	129.5
Fee and commission income	1,425	2,237	(36.3)	3,089	3,897	(20.7)
Investment income	807	1,043	(22.6)	1,706	1,320	29.2
Other income	99	146	(32.2)	199	271	(26.6)
Sub-total (ii)	2,331	3,426	(32.0)	4,994	5,488	(9.0)
Non-interest income (i) + (ii)	5,559	4,820	15.3	11,409	8,283	37.7
Income before operating expenses	10,363	9,063	14.3	20,794	16,629	25.0
Business development expenses	(117)	(127)	(7.9)	(228)	(235)	(3.0)
Commission expenses	(529)	(790)	(33.0)	(1,237)	(1,348)	(8.2)
Staff costs	(3,189)	(2,908)	9.7	(6,440)	(5,896)	9.2
General and administrative expenses	(1,908)	(1,975)	(3.4)	(3,488)	(3,816)	(8.6)
Operating expenses	(5,743)	(5,800)	(1.0)	(11,393)	(11,295)	0.9
Change in provision for insurance claims	(1,204)	2,869	NM	(2,319)	9,351	NM
Reinsurers' share of change in provision for insurance claims	(132)	(2,394)	(94.5)	(312)	(7,618)	(95.9)
Gross claims paid	(1,275)	(1,714)	(25.6)	(2,954)	(6,437)	(54.1)
Reinsurers' share of claims paid	88	1,191	(92.6)	323	4,367	(92.6)
Net claims incurred	(2,523)	(48)	NM	(5,262)	(337)	NM
Operating profit before allowances	2,097	3,215	(34.8)	4,139	4,997	(17.2)
Allowances for loan losses and impairment of other assets	(1,095)	(1,932)	(43.3)	(2,303)	(3,436)	(33.0)
Profit before tax	1,002	1,283	(21.9)	1,836	1,561	17.6
Tax expense	(493)	(424)	16.3	(902)	(845)	6.7
Profit for the period	509	859	(40.7)	934	716	30.4
Profit attributable to:						
Owners of the Company	95	503	(81.1)	121	6	NM
Non-controlling interests	414	356	16.3	813	710	14.5
Profit for the period	509	859	(40.7)	934	716	30.4

NM – not meaningful/more than +/- 200%

- 1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Comprehensive Income

Note	3 months ended 30 June			6 months ended 30 June		
	2Q FY2017	2Q FY2016	+ / (-)	1H FY2017	1H FY2016	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit for the period	509	859	(40.7)	934	716	30.4
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss						
Net change in fair value of						
available-for-sale financial assets (i)	107	(475)	NM	190	(202)	NM
Foreign currency translation differences of foreign operations	39	146	(73.3)	166	(784)	NM
Tax on other comprehensive income (ii)	(16)	81	NM	(17)	34	NM
	130	(248)	NM	339	(952)	NM
Other comprehensive income for the period, net of tax	130	(248)	NM	339	(952)	NM
Total comprehensive income for the period	639	611	4.6	1,273	(236)	NM
Attributable to:						
Owners of the Company	227	238	(4.6)	367	(713)	NM
Non-controlling interests	412	373	10.5	906	477	89.9
	639	611	4.6	1,273	(236)	NM

NM – not meaningful/more than +/- 200%

Notes:

- (i) Net change in fair value of available-for-sale financial assets was mainly due to mark-to-market gain on property-related projects.
- (ii) Foreign currency translation differences of foreign operations arose mainly from the translation of financial statements of foreign operations whose functional currencies are Thai Baht, Malaysian Ringgit and Indonesian Rupiah.

1(a)(ii) The following items have been included in arriving at Group net profit/(loss) for the period

	3 months ended 30 June			6 months ended 30 June		
	2Q FY2017 S\$'000	2Q FY2016 S\$'000	+ / (-) %	1H FY2017 S\$'000	1H FY2016 S\$'000	+ / (-) %
Investment income						
- dividend, fee and interest income	769	980	(21.5)	1,118	1,348	(17.1)
- gain on disposal of equity securities	290	263	10.3	459	412	11.4
- net change in fair value of financial assets at fair value through profit or loss	(118)	(184)	(35.9)	438	(342)	NM
- amortisation of held-to-maturity debt securities	(15)	(13)	15.4	(31)	(25)	24.0
- exchange loss	(119)	(3)	NM	(278)	(73)	NM
	<u>807</u>	<u>1,043</u>	<u>(22.6)</u>	<u>1,706</u>	<u>1,320</u>	<u>29.2</u>
Gain on disposal of property, plant and equipment	-	67	NM	-	90	NM
Amortisation of intangible assets	(111)	(108)	2.8	(228)	(213)	7.0
Depreciation of property, plant and equipment	(289)	(266)	8.6	(584)	(536)	9.0
Foreign currency differences						
- exchange loss	(44)	(209)	(78.9)	(64)	(115)	(44.3)
- realised (loss)/gain on foreign exchange contracts	-	(47)	NM	-	308	NM
- fair value gain on foreign exchange forward contracts	-	214	NM	-	(456)	NM
	<u>(44)</u>	<u>(42)</u>	<u>4.8</u>	<u>(64)</u>	<u>(263)</u>	<u>(75.7)</u>
Reversal of/(provision for) unexpired risks, net of reinsurers' share						
- change in gross provision for unexpired risks	1,509	(961)	NM	2,320	(1,217)	NM
- reinsurers' share of change in provision for unexpired risks	(293)	(591)	(50.4)	(674)	(1,108)	(39.2)
	<u>1,216</u>	<u>(1,552)</u>	<u>NM</u>	<u>1,646</u>	<u>(2,325)</u>	<u>NM</u>
Claims incurred, net of reinsurers' share						
- net of change in provision for insurance claims	(1,336)	475	NM	(2,631)	1,733	NM
- net claims paid	(1,187)	(523)	127.0	(2,631)	(2,070)	27.1
	<u>(2,523)</u>	<u>(48)</u>	<u>NM</u>	<u>(5,262)</u>	<u>(337)</u>	<u>NM</u>
Reversal of/(allowance for) loan losses and impairment of investments						
- collective provision - loans and receivables	136	231	(41.1)	231	1,251	(81.5)
- specific provision - loans and receivables	(606)	(443)	36.8	(1,330)	(1,399)	(4.9)
- specific provision - interest accrual on non-performing accounts	(577)	(1,190)	(51.5)	(1,131)	(2,680)	(57.8)
- insurance and other receivables	(48)	(31)	54.8	(73)	(89)	(18.0)
- debts written off	-	1	NM	-	(19)	NM
- investments	-	(500)	NM	-	(500)	NM
	<u>(1,095)</u>	<u>(1,932)</u>	<u>(43.3)</u>	<u>(2,303)</u>	<u>(3,436)</u>	<u>(33.0)</u>
Tax expenses						
- current tax expense	(480)	(249)	92.8	(871)	(559)	55.8
- deferred tax expense	(13)	(175)	(92.6)	(31)	(286)	(89.2)
	<u>(493)</u>	<u>(424)</u>	<u>16.3</u>	<u>(902)</u>	<u>(845)</u>	<u>6.7</u>

1(b)(i) A statement of financial position (for the group and issuer), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/6/2017	31/12/2016	30/6/2017	31/12/2016
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	15,285	15,697	13,607	13,898
Intangible assets	462	588	91	100
Investment properties	3,833	3,914	-	-
Subsidiaries	-	-	86,897	85,747
Other investments	55,574	49,194	8,118	8,134
Loans, advances, hire purchase and leasing receivables	38,621	43,004	35,701	35,957
Deferred tax assets	5,416	5,434	544	660
	119,191	117,831	144,958	144,496
Current assets				
Reinsurers' share of insurance contract provisions	6,061	7,047	-	-
Insurance receivables	1,059	1,933	-	-
Loans, advances, hire purchase and leasing receivables	70,652	61,685	51,726	49,451
Trade and other receivables	160,893	153,681	54,904	54,470
Other investments	21,630	29,542	617	553
Cash and cash equivalents	38,688	33,724	11,928	12,029
	298,983	287,612	119,175	116,503
Total assets	418,174	405,443	264,133	260,999
Equity				
Share capital	137,302	137,302	137,302	137,302
Other reserves	(2,405)	(2,651)	992	978
Accumulated profits	16,477	16,356	23,102	21,140
Equity attributable to owners of the Company	151,374	151,007	161,396	159,420
Non-controlling interests	13,013	12,618	-	-
Total equity	164,387	163,625	161,396	159,420
Non-current liabilities				
Interest-bearing borrowings	13,249	13,033	9,027	10,938
Employee benefits	1,210	1,118	-	-
Deferred tax liabilities	364	339	-	-
	14,823	14,490	9,027	10,938
Current liabilities				
Trade and other payables	11,973	11,540	7,436	6,778
Insurance payables	1,995	2,273	-	-
Interest-bearing borrowings	198,528	187,390	86,258	83,863
Insurance contract provisions for				
- gross unexpired risks	13,436	15,756	-	-
- gross unexpired claims	12,143	9,824	-	-
Current tax payable	889	545	16	-
	238,964	227,328	93,710	90,641
Total liabilities	253,787	241,818	102,737	101,579
Total equity and liabilities	418,174	405,443	264,133	260,999

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities.

	Unsecured	
	As at 30-Jun-17	As at 31-Dec-16
	S\$'000	S\$'000
Amount repayable in one year or less, or on demand	198,528	187,390
Amount repayable after one year	13,249	13,033
	211,777	200,423

Details of any collateral

Nil

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 months ended 30 June		6 months ended 30 June	
	2Q FY2017	2Q FY2016	1H FY2017	1H FY2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit for the period	509	859	934	716
Adjustments for:				
Amortisation of intangible assets and held-to-maturity debt securities	126	121	259	238
Net foreign exchange loss/(gain)	111	(7)	277	52
Derivative financial instrument	-	(213)	-	457
Depreciation of property, plant and equipment	289	266	584	536
Gain on disposal of equity securities	(290)	(263)	(459)	(412)
Gain on disposal of property, plant and equipment	-	(67)	-	(90)
Net change in fair value of financial assets at fair value through profit or loss	118	184	(438)	342
Allowance for impairment of investments	-	500	-	500
(Reversal of)/provision for, net of reinsurers' share				
- unexpired risks	(1,216)	1,552	(1,646)	2,325
- insurance claims	1,336	(475)	2,631	(1,733)
Interest income	(6,233)	(5,886)	(12,144)	(11,655)
Interest income from investments and fixed deposits	(314)	(348)	(611)	(668)
Dividend income from investments	(455)	(632)	(507)	(680)
Interest expense	1,429	1,643	2,759	3,309
Fixed assets written off	1	-	2	-
Tax expense	493	424	902	845
Operating cash flows before changes in working capital	(4,096)	(2,342)	(7,457)	(5,918)
Changes in working capital				
Factoring receivables	(3,347)	(7,368)	(6,395)	(5,998)
Factoring amounts due to clients	104	(83)	(209)	573
Loans, advances, hire purchase and lease receivables	(2,042)	6,519	(4,599)	16,997
Insurance and other receivables	465	(1,495)	669	(1,789)
Trade, other and insurance payables	1,676	(293)	436	88
Cash (used in)/generated from operations	(7,240)	(5,062)	(17,555)	3,953
Interest received	6,499	6,117	12,809	12,274
Interest paid	(1,402)	(1,717)	(2,729)	(3,513)
Taxes paid, net	(521)	(538)	(521)	(538)
Net cash (used in)/generated from operating activities	(2,664)	(1,200)	(7,996)	12,176

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (Continued)

	3 months ended 30 June		6 months ended 30 June	
	2Q FY2017	2Q FY2016	1H FY2017	1H FY2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	1	69	1	92
Purchase of property, plant and equipment	(8)	(36)	(58)	(65)
Purchase of investment property	-	(1,604)	-	(1,604)
Purchase of intangible assets	(58)	(104)	(100)	(132)
Purchase of investments	(12,581)	-	(30,856)	(4,048)
Proceeds from disposal of investments	10,268	4,670	33,167	7,224
Dividend received from investments	455	632	507	680
Net cash (used in)/generated from investing activities	(1,923)	3,627	2,661	2,147
Cash flows from financing activities				
Dividends paid				
- by a subsidiary company to non-controlling interests	(511)	(680)	(511)	(680)
Proceeds from interest-bearing borrowings	4,960	3,524	10,745	981
Net cash generated from financing activities	4,449	2,844	10,234	301
Net (decrease)/increase in cash and cash equivalents	(138)	5,271	4,899	14,624
Cash and cash equivalents at beginning of period	38,827	42,848	33,724	33,651
Effect of exchange rate fluctuations on cash held	(1)	(12)	65	(168)
Cash and cash equivalents at end of period	38,688	48,107	38,688	48,107
Analysis of cash and cash equivalents				
Fixed deposits	18,510	35,527	18,510	35,527
Cash at banks and on hand	20,178	12,580	20,178	12,580
Cash and cash equivalents at end of period	38,688	48,107	38,688	48,107

1(d)(i) A statement (for the group and issuer) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserve	Fair value reserve	Translation reserve	Accumulated profits	Total		
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2016								
At 1 January 2016	88,032	38	3,494	(8,350)	18,802	102,016	11,468	113,484
Total comprehensive income for the period								
(Loss)/profit for the period	-	-	-	-	6	6	710	716
Other comprehensive income	-	-	(168)	(551)	-	(719)	(233)	(952)
Total comprehensive income for the period	-	-	(168)	(551)	6	(713)	477	(236)
Transactions with owners, recognised directly in Contributions by and distributions to owners								
Dividends paid by a subsidiary company to non-controlling interests	-	-	-	-	-	-	(680)	(680)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	(680)	(680)
Total transactions with owners	-	-	-	-	-	-	(680)	(680)
At 30 June 2016	88,032	38	3,326	(8,901)	18,808	101,303	11,265	112,568
2017								
At 1 January 2017	137,302	38	4,663	(7,352)	16,356	151,007	12,618	163,625
Total comprehensive income for the period								
Profit for the period	-	-	-	-	121	121	813	934
Other comprehensive income	-	-	173	73	-	246	93	339
Total comprehensive income for the period	-	-	173	73	121	367	906	1,273
Transactions with owners, recognised directly in Contributions by and distributions to owners								
Dividends paid by a subsidiary company to non-controlling interests	-	-	-	-	-	-	(511)	(511)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	(511)	(511)
Total transactions with owners	-	-	-	-	-	-	(511)	(511)
At 30 June 2017	137,302	38	4,836	(7,279)	16,477	151,374	13,013	164,387

1(d)(i) A statement (for the group and issuer) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.
(Continued)

Company	Share capital S\$'000	Fair value reserve S\$'000	Accumulated profits S\$'000	Total equity S\$'000
2016				
At 1 January 2016	88,032	894	21,347	110,273
Total comprehensive income for the period				
Profit for the period	-	-	1,156	1,156
Other comprehensive income	-	68	-	68
Total comprehensive income for the period	-	68	1,156	1,224
At 30 June 2016	88,032	962	22,503	111,497
2017				
At 1 January 2017	137,302	978	21,140	159,420
Total comprehensive income for the period				
Loss for the period	-	-	1,962	1,962
Other comprehensive income	-	14	-	14
Total comprehensive income for the period	-	14	1,962	1,976
At 30 June 2017	137,302	992	23,102	161,396

- 1(d)(ii) Details of any 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 any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	Number of Ordinary Shares (excluding Treasury Shares)	
	As at 30 Jun 2017	As at 31 Dec 2016
Balance at beginning of the period	375,969,665	150,387,866
Rights issue of shares	-	225,581,799
Balance at end of the period	375,969,665	375,969,665

During the 4th quarter of 2016, the Company undertake a renounceable non-underwritten rights issue ("**Rights Issue**") of up to 225,581,799 new ordinary shares in the share capital of the Company ("**Rights Shares**") at an issue price of S\$0.22 for each Rights Share on the basis of three (3) Rights Shares for every two (2) existing ordinary shares in the share capital of the Company ("**Shares**").

The Rights Shares has been issued and allotted on 14 October 2016 and listed for quotation on the Mainboard of the SGX-ST on 17 October 2016. The Rights Shares rank pari passu in all respects with the Shares.

There were no outstanding convertibles as at 30 June 2017 and 31 December 2016.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 30 June 2017 and 31 December 2016, the issued and paid up share capital excluding treasury shares of the Company comprised of 375,969,665 (30 June 2016: 150,387,866) ordinary shares.

The Company does not hold any treasury shares as at 30 June 2017, 31 December 2016 and 30 June 2016.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

During the current financial period reported on, there were no purchases, sales, transfers, disposal, cancellation and/or use of treasury shares.

- 2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Group's auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The accounting policies adopted and methods of computation in the preparation of the financial statements are consistent with those of the audited financial statements as at 31 December 2016 except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning as of 1 January 2017. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

- 6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:—

(a) Based on the weighted average number of ordinary shares on issue; and
(b) On a fully diluted basis (detailing any adjustments made to the earnings).

Earnings Per Ordinary Share	3 months ended 30 June		6 months ended 30 June	
	2Q FY2017	2Q FY2016	1H FY2017	1H FY2016
- on weighted-average number of ordinary shares in issue	0.03 cents	0.33 cents	0.03 cents	0.00 cents
- on fully diluted basis	0.03 cents	0.33 cents	0.03 cents	0.00 cents
Net profit attributable to shareholders:	\$95,000	\$503,000	\$121,000	\$6,000
Number of shares in issue				
- on weighted-average number of ordinary shares in issue	375,969,665	150,387,866	375,969,665	150,387,866
- on fully diluted basis	375,969,665	150,387,866	375,969,665	150,387,866

The basic and fully diluted earnings / (loss) per ordinary share are the same as the Group did not have any potential dilutive ordinary share outstanding for the above reporting financial periods.

- 7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:—

(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
Net Asset Value (NAV) per ordinary share	40.3 cents	40.2 cents	42.9 cents	42.4 cents
NAV computed based on no. of ordinary shares issued	375,969,665	375,969,665	375,969,665	375,969,665

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:—
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Group Performance

Net interest income

Details for net interest income generated from activities are as follows:

	30 June			30 June		
	2Q FY2017	2Q FY2016	+/(-) %	1H FY2017	1H FY2016	+/(-) %
	S\$'000	S\$'000		S\$'000	S\$'000	
Factoring	3,306	2,785	18.7	6,394	5,440	17.5
Loans, advances, hire purchase and leasing	2,082	1,814	14.8	4,119	3,745	10.0
Facility fee	82	73	12.3	183	90	103.3
Interest income excluding NPLs	5,470	4,672	17.1	10,696	9,275	15.3
Non-performing loans (NPLs)	763	1,214	(37.1)	1,448	2,380	(39.2)
Interest income	6,233	5,886	5.9	12,144	11,655	4.2
Interest expense	(1,429)	(1,643)	(13.0)	(2,759)	(3,309)	(16.6)
Net interest income	4,804	4,243	13.2	9,385	8,346	12.4

Interest income excluding NPLs for the second quarter 2017 ("2Q FY2017") and six months ended 30 June 2017 ("1H FY2017") increased by 17.1% and 15.3% compared to the corresponding periods in 2016 ("2Q FY2016" and "1H FY2016"). This was mainly due to an increased in Factoring volume which increased by \$23.8 million and \$72.7 million when compared to 2Q FY2016 and 1H FY2016 respectively.

Interest expense fell during 2Q FY2017 and 1H FY2017 compared to corresponding periods due mainly to a lower average borrowing. A large part of the rights issue proceeds were used to repay the Group's interest bearing loans.

Consequently, net interest income margin improved from 6.1% in 2Q FY2016 to 6.6% in 2Q FY2017, and 6.0% in 1H FY2016 to 6.5% in 1H FY2017.

Non-interest income

Non-interest income increased by 15.3% to \$5.6 million during 2Q FY2017 (2Q FY2016: \$4.8 million) and 37.7% to \$11.4 million during 1H FY2017 (1H FY2016: \$8.3 million). This was mainly due to a higher net earned premium contributed mainly from our motor insurance business. Net earned premium from motor insurance increased by \$1.8 million and \$3.7 million respectively. This is in line with our strategy to gradually scale up this business.

Compared to 1H FY2016, investment income increased by 29.2% resultant from higher market value of the equity shares held.

Operating expenses

Through a more efficient use of our resources, our operating expenses remained flat in 2Q FY2017 and 1H FY2017 compared to the respective corresponding periods.

Net claims incurred

The net claims incurred of \$2.5 million and \$5.3 million in 2Q FY2017 and 1H FY2017 was mainly due to higher net claims paid (motor insurance) and provision for case reserves (motor insurance and workmen injury compensation); offset by the absence of reversal of specific provision (bonds and guarantees) during the period under review.

Allowances and Impairments

	3 months ended			6 months ended		
	2Q FY2017	2Q FY2016	+/(-) %	1H FY2017	1H FY2016	+/(-) %
	S\$'000	S\$'000		S\$'000	S\$'000	
Specific provision						
- on principals	606	443	36.8	1,330	1,399	(4.9)
- on interests	577	1,190	(51.5)	1,131	2,680	(57.8)
Collective provision	(137)	(231)	(40.7)	(232)	(1,251)	(81.5)
Others	49	530	(90.8)	74	608	(87.8)
Allowances and Impairments	1,095	1,932	(43.3)	2,303	3,436	(33.0)

There are no specific provisions required for accounts on-boarded from 2016. The amount of specific provision (on principals) of \$0.6 million and \$1.3 million made in 2Q FY2017 and 1H FY2017 relates to the balance of provisions required from legacy accounts.

Collective provision was provided on the remaining loans and receivables which were grouped according to their risk characteristics and collectively assessed taking into account the historical loss experience on such loans and receivables.

Profit before tax

Having achieved a higher revenue, controlled operating expenses and lower provision for impairment, the Group made a higher pre-tax profit of \$1.8 million for 1H FY2017.

Group's gross loan assets stood at \$338.9 million as at 30 June 2017. This is an increase of 3.9% against the base of \$326.2 million as at 31 December 2016. The Group is seeing steady growth as it continues to rebalance its portfolio and scale up on accounts and businesses that meet our stringent risk selection criteria.

Cash flows from operating activities

The Group recorded a net cash outflow of \$2.7 million and \$8.0 million for 2Q FY2017 and 1H FY2017 (2Q FY2016: \$1.2 million; 1H FY2016: net cash inflow of \$12.2 million) mainly due to the increase in lending activities.

For 1H FY2016 the net cash inflow was due to the repayment of loans from clients during that period.

Cash flows from investing activities

The net cash flow for 2Q FY2017 and 1H FY2017 was an outflow of \$1.9 million and inflow of \$2.7 million respectively (2Q FY2016: net cash inflow of \$3.6 million; 1H FY2016: net cash inflow of \$2.1 million). Net cash outflow was mainly due to cash used in purchase of investments exceeding proceeds received from redemption/disposal of investments and cash inflow was the reverse.

Details of the purchase of investments of \$12.6 million and proceeds from redemption/disposal of investments of \$10.3 million for 2Q FY2017 were as follows:

<u>Details</u>	<u>Purchase of investments</u>	<u>Proceeds from redemption/ disposal of investments</u>
	S\$'000	S\$'000
<u>ECICS Limited *</u>		
- Quoted equity securities	5,345	4,135
- Quoted debt securities	6,444	6,066
- Unquoted debt securities	792	-
<u>IFS Group (excluding ECICS Limited)</u>		
- Unquoted fund	-	67
Total	12,581	10,268

* MAS regulated insurance company, within the exception of Rules 704(17) and 704(18) of the Listing Manual.

Cash flows from financing activities

The net cash generated from financing activities resulted from additional interest-bearing borrowings to fund the increase in lending activities.

Cash and cash equivalents

As a result of the net cash inflow from financing activities, offset by the higher drawdown of new loans and factoring receivables, we recorded a marginal net decrease in cash and cash equivalent in 2Q FY2017.

With proceeds from disposal of investments exceeding purchase of investments and higher net cash generated from financing activities, we recorded a net increase in cash and cash equivalent in 1H FY2017.

Trade and other receivables

Trade and other receivables increased by \$7.2 million to \$160.9 million in 1H FY2017 due to higher factoring receivables from increased activities during the period.

Interest-bearing borrowings

Interest-bearing borrowings (non-current and current portions) increased by \$11.4 million (5.7%) to \$211.8 million due to the additional drawdowns to fund the increase in lending activities.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The current announced results are in line with the prospect statement as disclosed in the Group's first quarter results announcement for the period 31 March 2017 dated 9 May 2017.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 month

On the business front, the company is beginning to reap the benefits of its strategy of focusing on, and growing, the businesses which we do best, namely Factoring and Secured Lending. In these businesses, we continue to build scale through the acquisition of new accounts which meet our current stringent risk selection criteria. We will continue to grow in a prudent way and expect to see further improvements as more of these new accounts become fully on-boarded.

As for the insurance business, we have addressed challenges in the general insurance business, particularly in the motor insurance segment where claims have been large. We believe that the measures we have taken will eventually improve the profitability of this business segment.

11 Dividend

(a) Current Financial Period

Nil

(b) Corresponding Period of the Immediately Preceding Financial Year

Nil

(c) Date Payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared (recommended), a statement to that effect.

No interim dividend has been declared for the period ended 30 June 2017.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group did not obtain a general mandate from shareholders for Interested Person Transactions.

14 Confirmation that the issuer has procured undertakings from all its directors and executive officers.

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

By Order of the Board

Chionh Yi Chian
Company Secretary
14 August 2017



IFS Capital Limited

(Registration no: 198700827C)

Confirmation By The Board Pursuant to Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of IFS Capital Limited ("the Company"), we hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the second quarter and six months ended 30 June 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lim Hua Min

Chairman

Eugene Tan

Group Chief Executive Officer/Director

Ang Iris

Group Chief Financial Officer

Singapore

14 August 2017