

**Second Quarter And Half-Year Unaudited Financial Statements and Dividend Announcement
for the Period Ended 30 June 2016****TABLE OF CONTENTS**

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Second Quarter And Half-Year Unaudited Financial Statements and Dividend Announcement for the Period Ended 30 June 2016

1(a)(i) Consolidated Statement of Profit or Loss for the Second Quarter And Half-Year Ended 30 June

| | Note | 2nd Quarter | | | 1st Half | | |
|---|--------------|-----------------|-----------------|---------|-----------------|-----------------|---------|
| | 1(a) (ii) | 2016 S\$'000 | 2015 S\$'000 | +/(-) % | 2016 S\$'000 | 2015 S\$'000 | +/(-) % |
| Interest income | | 5,886 | 6,241 | (5.7) | 11,655 | 12,711 | (8.3) |
| Interest expense | | (1,643) | (1,752) | (6.2) | (3,309) | (3,487) | (5.1) |
| Net interest income | (a) | 4,243 | 4,489 | (5.5) | 8,346 | 9,224 | (9.5) |
| Gross written premiums | | 3,797 | 1,385 | 174.2 | 6,691 | 3,684 | 81.6 |
| Change in gross provision for unexpired risks | | (961) | 752 | NM | (1,217) | 1,261 | NM |
| Gross earned premium revenue | | 2,836 | 2,137 | 32.7 | 5,474 | 4,945 | 10.7 |
| Written premiums ceded to reinsurers | | (851) | (587) | 45.0 | (1,571) | (1,809) | (13.2) |
| Reinsurers' share of change in provision for unexpired risks | | (591) | (619) | (4.5) | (1,108) | (1,096) | 1.1 |
| Reinsurance premium expense | | (1,442) | (1,206) | 19.6 | (2,679) | (2,905) | (7.8) |
| Net earned premium revenue | (b) | 1,394 | 931 | 49.7 | 2,795 | 2,040 | 37.0 |
| Fee and commission income | (c) | 2,237 | 1,740 | 28.6 | 3,897 | 3,753 | 3.8 |
| Investment income | (d) | 1,043 | 905 | 15.2 | 1,320 | 1,894 | (30.3) |
| Other income | (e) | 146 | 70 | 108.6 | 271 | 157 | 72.6 |
| Non-interest income | | 3,426 | 2,715 | 26.2 | 5,488 | 5,804 | (5.4) |
| Income before operating expenses | | 9,063 | 8,135 | 11.4 | 16,629 | 17,068 | (2.6) |
| Business development expenses | | (127) | (224) | (43.3) | (235) | (370) | (36.5) |
| Commission expenses | | (790) | (171) | NM | (1,348) | (360) | NM |
| Staff costs | | (2,908) | (2,981) | (2.4) | (5,896) | (6,486) | (9.1) |
| General and administrative expenses | | (1,975) | (2,084) | (5.2) | (3,816) | (3,697) | 3.2 |
| Operating expenses | (f) | (5,800) | (5,460) | 6.2 | (11,295) | (10,913) | 3.5 |
| Change in provision for insurance claims | | 2,869 | (1,561) | NM | 9,351 | (765) | NM |
| Reinsurers' share of change in provision for insurance claims | | (2,394) | 1,015 | NM | (7,618) | 363 | NM |
| Gross claims paid | | (1,714) | (71) | NM | (6,437) | (88) | NM |
| Reinsurers' share of claims paid | | 1,191 | 1 | NM | 4,367 | (18) | NM |
| Net claims incurred | (g) | (48) | (616) | (92.2) | (337) | (508) | (33.7) |
| Operating profit before allowances | | 3,215 | 2,059 | 56.1 | 4,997 | 5,647 | (11.5) |
| Allowances for loan losses and impairment of investments | (h) | (1,932) | (2,187) | (11.7) | (3,436) | (4,881) | (29.6) |
| Profit/(loss) before tax | | 1,283 | (128) | NM | 1,561 | 766 | 103.8 |
| Tax expense | | (424) | (41) | NM | (845) | (306) | 176.1 |
| Profit/(loss) for the period | | 859 | (169) | NM | 716 | 460 | 55.7 |
| Profit/(loss) attributable to: | | | | | | | |
| Owners of the Company | | 503 | (474) | NM | 6 | (159) | NM |
| Non-controlling interests | | 356 | 305 | 16.7 | 710 | 619 | 14.7 |
| Profit/(loss) for the period | | 859 | (169) | NM | 716 | 460 | 55.7 |

Consolidated Statement of Comprehensive Income for the Second Quarter And Half-Year Ended 30 June

| | Note | 2nd Quarter | | | 1st Half | | |
|--|--------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
| | | 2016 S\$'000 | 2015 S\$'000 | + / (-) % | 2016 S\$'000 | 2015 S\$'000 | + / (-) % |
| Profit/(loss) for the period | 1(a) (ii) | 859 | (169) | NM | 716 | 460 | 55.7 |
| 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) | (475) | 510 | NM | (202) | 675 | NM |
| Net change in fair value of available-for-sale financial assets reclassified to profit or loss | (j) | - | (506) | (100.0) | - | (747) | (100.0) |
| Foreign currency translation differences of foreign operations | (k) | 146 | (2,866) | NM | (784) | (787) | (0.4) |
| Tax on other comprehensive income | | 81 | (1) | NM | 34 | 12 | 183.3 |
| Other comprehensive income for the period, net of tax | | (248) | (2,863) | (91.3) | (952) | (847) | 12.4 |
| Total comprehensive income for the period | | 611 | (3,032) | NM | (236) | (387) | (39.0) |
| Total comprehensive income attributable to: | | | | | | | |
| Owners of the Company | | 238 | (2,673) | NM | (713) | (933) | (23.6) |
| Non-controlling interests | | 373 | (359) | NM | 477 | 546 | (12.6) |
| Total comprehensive income for the period | | 611 | (3,032) | NM | (236) | (387) | (39.0) |

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

1(a)(ii) **Explanatory Notes to Consolidated Statement of Profit or Loss**

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

| | 2nd Quarter | | | 1st Half | | |
|--|-----------------|-----------------|--------------|-----------------|-----------------|--------------|
| | 2016 S\$'000 | 2015 S\$'000 | + / (-) % | 2016 S\$'000 | 2015 S\$'000 | + / (-) % |
| Investment income | | | | | | |
| - dividend, fee and interest income | 980 | 692 | 41.6 | 1,348 | 1,051 | 28.3 |
| - gain on disposal of equity securities | 263 | 33 | NM | 412 | 88 | NM |
| - gain on partial redemption of convertible loan | - | 506 | (100.0) | - | 747 | (100.0) |
| - net change in fair value of financial assets at fair value through profit or loss | (184) | (267) | (31.1) | (342) | 3 | NM |
| - amortisation of held-to-maturity debts securities | (13) | (18) | (27.8) | (25) | (42) | (40.5) |
| - exchange (loss)/gain | (3) | (41) | (92.7) | (73) | 47 | NM |
| | 1,043 | 905 | 15.2 | 1,320 | 1,894 | (30.3) |
| Gain on disposal of property, plant and equipment | 67 | 16 | NM | 90 | 16 | NM |
| Amortisation of intangible assets | (108) | (103) | 4.9 | (213) | (189) | 12.7 |
| Depreciation of property, plant and equipment | (266) | (259) | 2.7 | (536) | (529) | 1.3 |
| Foreign currency differences | | | | | | |
| - exchange loss, net | (209) | (153) | 36.6 | (115) | (124) | (7.3) |
| - realised (loss)/gain on foreign exchange contracts | (47) | - | NM | 308 | - | NM |
| - fair value gain/(loss) on foreign exchange forward contracts | 214 | 1 | NM | (456) | 1 | NM |
| | (42) | (152) | (72.4) | (263) | (123) | 113.8 |
| (Provision for)/reversal of unexpired risks, net of reinsurers' share | | | | | | |
| - change in gross provision for unexpired risks | (961) | 752 | NM | (1,217) | 1,261 | NM |
| - reinsurers' share of change in provision for unexpired risks | (591) | (619) | (4.5) | (1,108) | (1,096) | 1.1 |
| | (1,552) | 133 | NM | (2,325) | 165 | NM |
| Claims incurred, net of reinsurers' share | | | | | | |
| - net change in provision for insurance claims | 475 | (546) | NM | 1,733 | (402) | NM |
| - net claims paid | (523) | (70) | NM | (2,070) | (106) | NM |
| | (48) | (616) | (92.2) | (337) | (508) | (33.7) |
| Allowances for loan losses and impairment of investments | | | | | | |
| - loans and receivables | (1,432) | (2,187) | (34.5) | (2,936) | (4,881) | (39.8) |
| - debt securities | (500) | - | NM | (500) | - | NM |
| | (1,932) | (2,187) | (11.7) | (3,436) | (4,881) | (29.6) |
| Tax expense | | | | | | |
| - current tax expense | (249) | (241) | 3.3 | (559) | (586) | (4.6) |
| - deferred tax (expense)/credit | (175) | 200 | NM | (286) | 345 | NM |
| - underprovision of prior years' tax | - | - | - | - | (65) | (100.0) |
| | (424) | (41) | NM | (845) | (306) | 176.1 |

1(a)(ii) Explanatory Notes to Consolidated Statement of Profit or Loss (cont'd)

Comments on Major Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income Variances

- (a) The decline in net interest income for both 2nd Quarter 2016 ("2Q 2016") and 1st Half 2016 ("1H 2016") was mainly due to lower loan interest on lower average loan assets portfolio.
- (b) The higher net earned premium revenue for both 2Q 2016 and 1H 2016 was mainly due to higher business volume.
- (c) The higher fee and commission income for both 2Q 2016 and 1H 2016 was mainly due to higher reinsurance commission received.
- (d) The higher investment income for 2Q 2016 was mainly from higher dividend income and gain on disposal of equity securities. For 1H 2016, the lower investment income was largely due to absence of realised gain on partial redemption of convertible loan. For 2015, such realised gain was reclassified from other comprehensive income.
- (e) The higher other income for both 2Q 2016 and 1H 2016 was mainly due to gain on disposal of fixed assets and revenue received from intellectual property related to a copyright during the 1st quarter of 2016.
- (f) The higher operating expenses for both 2Q 2016 and 1H 2016 was mainly due to higher commission expenses.
- (g) The lower net claims incurred for both 2Q 2016 and 1H 2016 was mainly due to lower net claims paid on bond calls.
- (h)
 - (i) 2Q 2016 saw a lower individual impairment required. Together with the write-back of collective provision for factoring on lower default loss ratio for the 1st quarter of 2016, 1H 2016 saw a reduction in the overall loans and receivables losses.
 - (ii) Additional provision for impairment of debt securities of \$500,000 was recorded in 2Q 2016.

1(a)(ii) Explanatory Notes to Consolidated Statement of Profit or Loss (cont'd)

Comments on Major Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income Variances (cont'd)

- (i) The decrease in the net change in fair value of available-for-sale financial assets for both 2Q 2016 and 1H 2016 was mainly due to mark-to-market loss on one of the property-related projects.
- (j) For both 2Q 2015 and 1H 2015, there was a reclassification from other comprehensive income - net change in fair value of available-for-sale financial assets to realised gain as explained in (d) above.
- (k) The foreign currency translation differences arose from the translation of financial statements of foreign operations whose functional currencies were different from that of the Group's presentation currency. The translation gain for 2Q 2016 was mainly due to the strengthening of Thai Baht for translation against the Singapore Dollar as at 31 March 2016.

1(a)(iii) Earnings/(Loss) Per Ordinary Share

| | Group | | | |
|--|-------------|--------|-------------|--------|
| | 2nd Quarter | | 1st Half | |
| | 2016 | 2015 | 2016 | 2015 |
| Earnings/(loss) per ordinary share | | | | |
| - on weighted-average number of ordinary shares in issue (cents) | 0.33 | (0.32) | 0.00 | (0.11) |
| - on fully diluted basis (cents) | 0.33 | (0.32) | 0.00 | (0.11) |

Earnings/(loss) per ordinary share on existing issued share capital is computed based on the weighted-average number of shares in issue during the financial period of 150,387,866 (30 June 2015: 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.

1(b)(i) Statements of Financial Position

| | | Group | Company | | |
|--|------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Note | 30/06/2016 S\$'000 | 31/12/2015 S\$'000 | 30/06/2016 S\$'000 | 31/12/2015 S\$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | | 17,134 | 17,612 | 14,203 | 14,491 |
| Intangible assets | | 692 | 776 | 101 | 119 |
| Investment property | (a) | 2,802 | 1,258 | - | - |
| Subsidiaries | (b) | - | - | 78,687 | 73,587 |
| Loans to subsidiaries | (c) | - | - | - | 6,615 |
| Other investments | (d) | 47,654 | 51,898 | 8,116 | 8,054 |
| Loans, advances, hire purchase and leasing receivables | (e) | 35,193 | 38,191 | 28,929 | 32,807 |
| Deferred tax assets | | 5,575 | 5,860 | 540 | 708 |
| | | 109,050 | 115,595 | 130,576 | 136,381 |
| Current assets | | | | | |
| Reinsurers' share of insurance contract provisions | | 12,005 | 20,731 | - | - |
| Insurance receivables | | 3,501 | 2,106 | - | - |
| Trade and other receivables | (f) | 190,530 | 200,364 | 101,003 | 104,357 |
| Other investments | (g) | 21,036 | 20,698 | 365 | 390 |
| Derivative financial assets | (h) | 10 | 333 | 10 | 10 |
| Cash and cash equivalents | (i) | 48,107 | 33,651 | 21,504 | 11,344 |
| | | 275,189 | 277,883 | 122,882 | 116,101 |
| Total assets | | 384,239 | 393,478 | 253,458 | 252,482 |
| Equity | | | | | |
| Share capital | | 88,032 | 88,032 | 88,032 | 88,032 |
| Other reserves | | (5,537) | (4,818) | 962 | 894 |
| Accumulated profits | | 18,808 | 18,802 | 22,503 | 21,347 |
| Equity attributable to owners of the Company | | 101,303 | 102,016 | 111,497 | 110,273 |
| Non-controlling interests | | 11,265 | 11,468 | - | - |
| Total equity | | 112,568 | 113,484 | 111,497 | 110,273 |
| Non-current liabilities | | | | | |
| Interest-bearing borrowings | (j) | 19,656 | 23,200 | 15,205 | 19,145 |
| Employee benefits | | 1,220 | 1,142 | - | - |
| Deferred tax liabilities | | 148 | 187 | - | - |
| | | 21,024 | 24,529 | 15,205 | 19,145 |
| Current liabilities | | | | | |
| Trade and other payables | | 7,747 | 7,110 | 3,190 | 3,001 |
| Insurance payables | | 1,605 | 1,825 | - | - |
| Interest-bearing borrowings | (j) | 213,507 | 210,735 | 123,566 | 120,063 |
| Insurance contract provisions for - gross unexpired risks | | 12,878 | 11,661 | - | - |
| - gross insurance claims | | 14,133 | 23,484 | - | - |
| Derivative financial liability | (h) | 143 | 21 | - | - |
| Current tax payable | | 634 | 629 | - | - |
| | | 250,647 | 255,465 | 126,756 | 123,064 |
| Total liabilities | | 271,671 | 279,994 | 141,961 | 142,209 |
| Total equity and liabilities | | 384,239 | 393,478 | 253,458 | 252,482 |

Comments on Major Statements of Financial Position Variances

- (a) The increase in investment property was due to the new office unit purchased by our Thailand subsidiary for future expansion.
- (b) The increase in investment in subsidiaries by \$5.1 million was due to the Company recapitalising the loan to its Indonesian subsidiary in June 2016.
- (c) The decrease in loans to subsidiaries under non-current assets was due to the reclassification of loans maturing within the next twelve months to current assets - trade and other receivables.
- (d) The decrease in other investments under non-current assets at Group level was mainly due to the reclassification of held-to-maturity debt securities maturing within the next twelve months to current assets.
- (e) The decrease in loans, advances, hire purchase and leasing receivables under non-current assets of the Group and the Company was mainly due to reclassification of receivables maturing within the next twelve months to current assets - trade and other receivables.
- (f) The decrease in trade and other receivables under current assets of the Group and the Company was mainly due to higher repayment of existing loan portfolio and lower new loans drawdown; and the reclassification of loans to subsidiaries as explained under (c) above.
- (g) The increase in other investments under current assets of the Group was mainly due to reclassification of held-to-maturity debt securities maturing within the next twelve months to current assets.
- (h) The derivative financial assets (as at 31 December 2015) and derivative financial liability (as at 30 June 2016) at Group level related mainly to the swap deal for intra-group loan to Malaysian subsidiary denominated in Singapore dollar.
- (i) The increase in the Group's cash balances was mainly due to surplus funds from loan repayments and disposal of held-for-trading equity securities.
- (j) The decrease in interest-bearing borrowings under non-current liabilities of the Group and the Company was mainly due to the reclassification of interest-bearing borrowings maturing within the next twelve months to current liabilities. This resulted in a negative working capital at Company level of \$3.9 million.

1(b)(ii) Group's Borrowings

| | Unsecured | |
|--|-------------------------------------|-------------------------------------|
| | As at 30/06/2016 S\$'000 | As at 31/12/2015 S\$'000 |
| Amount repayable in one year or less, or on demand | 213,507 | 210,735 |
| Amount repayable after one year | 19,656 | 23,200 |
| | 233,163 | 233,935 |

Details of any collateral

Nil.

1(b)(iii) Net Asset Value

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 30/06/2016 | 31/12/2015 | 30/06/2016 | 31/12/2015 |
| Net asset value per ordinary share based on issued share capital at end of the financial period (cents) | 67.4 | 67.8 | 74.1 | 73.3 |

1(c) Consolidated Statement of Cash Flows for the Second Quarter And Half-Year Ended 30 June

| | | 2nd Quarter | | 1st Half | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | Note | 2016 S\$'000 | 2015 S\$'000 | 2016 S\$'000 | 2015 S\$'000 |
| Cash flows from operating activities | | | | | |
| Profit/(loss) for the period | | 859 | (169) | 716 | 460 |
| Adjustments for: | | | | | |
| Amortisation of intangible assets and held-to-maturity debt securities | | 121 | 121 | 238 | 231 |
| Net foreign exchange (gain)/loss | | (7) | (23) | 52 | (112) |
| Derivative financial instrument | | (213) | - | 457 | - |
| Depreciation of property, plant and equipment | | 266 | 259 | 536 | 529 |
| Gain on disposal of equity securities | | (263) | (33) | (412) | (88) |
| Gain on partial redemption of convertible loans | | - | (506) | - | (747) |
| Gain on disposal of property, plant and equipment | | (67) | (16) | (90) | (16) |
| Net change in fair value of financial assets at fair value through profit or loss | | 184 | 267 | 342 | (3) |
| Allowance for impairment of investments | | 500 | - | 500 | - |
| Provision for/(reversal of), net of reinsurers' share | | | | | |
| - unexpired risks | | 1,552 | (133) | 2,325 | (165) |
| - insurance claims | | (475) | 546 | (1,733) | 402 |
| Interest income | | (5,886) | (6,241) | (11,655) | (12,711) |
| Interest income from investments and fixed deposits | | (348) | (298) | (668) | (597) |
| Dividend income from investments | | (632) | (394) | (680) | (454) |
| Interest expense | | 1,643 | 1,752 | 3,309 | 3,487 |
| Tax expense | | 424 | 41 | 845 | 306 |
| Operating cash flows before changes in working capital | | (2,342) | (4,827) | (5,918) | (9,478) |
| Changes in working capital: | | | | | |
| Factoring receivables | | (7,368) | (1,648) | (5,998) | (4,104) |
| Factoring amounts due to clients | | (83) | 123 | 573 | (228) |
| Loans, advances, hire purchase and leasing receivables | | 6,519 | (11,032) | 16,997 | (9,041) |
| Insurance and other receivables | | (1,495) | (2,202) | (1,789) | (1,845) |
| Assets held for sale | | - | (3) | - | (12) |
| Trade, other and insurance payables | | (293) | (326) | 88 | (1,697) |
| Cash (used in)/generated from operations | | (5,062) | (19,915) | 3,953 | (26,405) |
| Interest received | | 6,117 | 6,447 | 12,274 | 13,333 |
| Interest paid | | (1,717) | (1,766) | (3,513) | (3,452) |
| Taxes paid, net | | (538) | (733) | (538) | (694) |
| Net cash (used in)/from operating activities | (a) | (1,200) | (15,967) | 12,176 | (17,218) |

1(c) **Consolidated Statement of Cash Flows for the Second Quarter And Half-Year Ended 30 June (cont'd)**

| | | 2nd Quarter | | 1st Half | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | Note | 2016 S\$'000 | 2015 S\$'000 | 2016 S\$'000 | 2015 S\$'000 |
| Cash flows from investing activities | | | | | |
| Proceeds from sale of property, plant and equipment | | 69 | 15 | 92 | 15 |
| Purchase of property, plant and equipment ^^ | | (36) | 1,322 | (65) | (1,453) |
| Purchase of investment property | | (1,604) | (1,328) | (1,604) | (1,328) |
| Purchase of intangible assets | | (104) | (52) | (132) | (379) |
| Purchase of investments | | - | (10,168) | (4,048) | (16,498) |
| Proceeds from disposal of investments | | 4,670 | 8,122 | 7,224 | 14,959 |
| Dividend received from investments | | 632 | 394 | 680 | 454 |
| Net cash from/(used in) investing activities | (b) | 3,627 | (1,695) | 2,147 | (4,230) |
| Cash flows from financial activities | | | | | |
| Dividends paid | | | | | |
| - by the Company | | - | (2,256) | - | (2,256) |
| - by a subsidiary company to non-controlling interests | | (680) | (753) | (680) | (753) |
| Proceeds from interest-bearing borrowings | | 3,524 | 16,695 | 981 | 24,155 |
| Net cash from financing activities | (c) | 2,844 | 13,686 | 301 | 21,146 |
| Net increase/(decrease) in cash and cash equivalents | (d) | 5,271 | (3,976) | 14,624 | (302) |
| Cash and cash equivalents at beginning of period | | 42,848 | 28,043 | 33,651 | 24,013 |
| Effect of exchange rate fluctuations on cash held | | (12) | (445) | (168) | (89) |
| Cash and cash equivalents at end of period | | 48,107 | 23,622 | 48,107 | 23,622 |
| Analysis of cash and cash equivalents | | | | | |
| Fixed deposits | | 35,527 | 11,159 | 35,527 | 11,159 |
| Cash at banks and on hand | | 12,580 | 12,463 | 12,580 | 12,463 |
| Cash and cash equivalents at end of period | | 48,107 | 23,622 | 48,107 | 23,622 |

^^ There was a reclassification of \$1,322 of an office unit purchased by our Thailand subsidiary to investment property during the second quarter of 2015.

Explanatory Notes to Consolidated Statement of Cash Flows

(a) Net cash (used in)/from operating activities

The lower net cash used in operating activities in 2Q 2016 and the net cash generated from operating activities in 1H 2016 were mainly due to higher repayment of loans as compared to the same periods last year.

(b) Net cash from/(used in) investing activities

The net cash from investing activities in 2Q 2016 and 1H 2016 was mainly due to absence of purchase of investments during the 2nd quarter and the lower purchase of investments during the first half year, offset by the lower proceeds from disposal of investments as compared to the same periods last year.

Details of the proceeds from disposal of investments of \$4.7 million in 2Q 2016 were as follows:-

| | IFS Group (excluding ECICS Limited) S\$'000 | ECICS Limited S\$'000 |
|----------------------------|--|--------------------------|
| - Quoted equity securities | - | 4,670 |

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

(c) Net cash from financing activities

The lower net cash from financing activities in 2Q 2016 and 1H 2016 was mainly due to lower proceeds from interest-bearing borrowings to fund drawdown of factoring receivables and new loans, and the absence of dividend payments as compared to the same periods last year.

(d) Net increase/(decrease) in cash and cash equivalents

Overall, the net increase in cash and cash equivalents for 2Q 2016 and 1H 2016 was mainly due to higher repayment of loans, lower purchase of investments and absence of dividend payments, partly offset by higher drawdown of factoring receivables, lower proceeds from disposal of investments and lower proceeds from interest-bearing borrowings as compared to the same periods last year.

1(d)(i) Statements of Changes in Equity

| Group | Attributable to owners of the Company | | | | | | | Total equity S\$'000 |
|---|---------------------------------------|----------------------------|-------------------------------|--------------------------------|--------------------------------|------------------|--------------------------------------|-------------------------|
| | Share capital S\$'000 | Capital reserve S\$'000 | Fair value reserve S\$'000 | Translation reserve S\$'000 | Accumulated profits S\$'000 | Total S\$'000 | Non-controlling interests S\$'000 | |
| 2015 | | | | | | | | |
| At 1 January 2015 | 88,032 | (39) | 3,702 | (7,262) | 36,148 | 120,581 | 11,221 | 131,802 |
| Total comprehensive income for 1st quarter | | | | | | | | |
| Profit for 1st quarter | - | - | - | - | 315 | 315 | 314 | 629 |
| Other comprehensive income | - | - | (63) | 1,488 | - | 1,425 | 591 | 2,016 |
| Total comprehensive income for 1st quarter | - | - | (63) | 1,488 | 315 | 1,740 | 905 | 2,645 |
| At 31 March 2015 | 88,032 | (39) | 3,639 | (5,774) | 36,463 | 122,321 | 12,126 | 134,447 |
| Total comprehensive income for 2nd quarter | | | | | | | | |
| (Loss)/profit for 2nd quarter | - | - | - | - | (474) | (474) | 305 | (169) |
| Other comprehensive income | - | - | 3 | (2,202) | - | (2,199) | (664) | (2,863) |
| Total comprehensive income for 2nd quarter | - | - | 3 | (2,202) | (474) | (2,673) | (359) | (3,032) |
| Dividends paid to owners of the Company | - | - | - | - | (2,256) | (2,256) | - | (2,256) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | (753) | (753) |
| At 30 June 2015 | 88,032 | (39) | 3,642 | (7,976) | 33,733 | 117,392 | 11,014 | 128,406 |
| 2016 | | | | | | | | |
| At 1 January 2016 | 88,032 | 38 | 3,494 | (8,350) | 18,802 | 102,016 | 11,468 | 113,484 |
| Total comprehensive income for 1st quarter | | | | | | | | |
| (Loss)/profit for 1st quarter | - | - | - | - | (497) | (497) | 354 | (143) |
| Other comprehensive income | - | - | 226 | (680) | - | (454) | (250) | (704) |
| Total comprehensive income for 1st quarter | - | - | 226 | (680) | (497) | (951) | 104 | (847) |
| At 31 March 2016 | 88,032 | 38 | 3,720 | (9,030) | 18,305 | 101,065 | 11,572 | 112,637 |
| Total comprehensive income for 2nd quarter | | | | | | | | |
| Profit for 2nd quarter | - | - | - | - | 503 | 503 | 356 | 859 |
| Other comprehensive income | - | - | (394) | 129 | - | (265) | 17 | (248) |
| Total comprehensive income for 2nd quarter | - | - | (394) | 129 | 503 | 238 | 373 | 611 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | (680) | (680) |
| At 30 June 2016 | 88,032 | 38 | 3,326 | (8,901) | 18,808 | 101,303 | 11,265 | 112,568 |

1(d)(i) Statements of Changes in Equity (cont'd)

| <u>Company</u> | Share capital \$'000 | Fair value reserve S\$'000 | Accumulated profits S\$'000 | Total equity S\$'000 |
|---|-------------------------|----------------------------------|-----------------------------------|----------------------------|
| 2015 | | | | |
| At 1 January 2015 | 88,032 | 863 | 27,585 | 116,480 |
| Total comprehensive income for 1st quarter | | | | |
| Loss for 1st quarter | - | - | (1,221) | (1,221) |
| Other comprehensive income | - | 25 | - | 25 |
| Total comprehensive income for 1st quarter | - | 25 | (1,221) | (1,196) |
| At 31 March 2015 | 88,032 | 888 | 26,364 | 115,284 |
| Total comprehensive income for 2nd quarter | | | | |
| Profit for 2nd quarter | - | - | 1,059 | 1,059 |
| Other comprehensive income | - | 104 | - | 104 |
| Total comprehensive income for 2nd quarter | - | 104 | 1,059 | 1,163 |
| Dividend paid | - | - | (2,256) | (2,256) |
| At 30 June 2015 | 88,032 | 992 | 25,167 | 114,191 |
| 2016 | | | | |
| At 1 January 2016 | 88,032 | 894 | 21,347 | 110,273 |
| Total comprehensive income for 1st quarter | | | | |
| Profit for 1st quarter | - | - | 103 | 103 |
| Other comprehensive income | - | 34 | - | 34 |
| Total comprehensive income for 1st quarter | - | 34 | 103 | 137 |
| At 31 March 2016 | 88,032 | 928 | 21,450 | 110,410 |
| Total comprehensive income for 2nd quarter | | | | |
| Profit for 2nd quarter | - | - | 1,053 | 1,053 |
| Other comprehensive income | - | 34 | - | 34 |
| Total comprehensive income for 2nd quarter | - | 34 | 1,053 | 1,087 |
| At 30 June 2016 | 88,032 | 962 | 22,503 | 111,497 |

1(d)(ii) Changes in Company's Share Capital

Since 31 December 2015, there was no change in the issued share capital of the Company. The share capital of the Company as at 30 June 2016 was 150,387,866 ordinary shares.

There were no outstanding convertibles as at 30 June 2016 (30 June 2015: Nil).

1(d)(iii) Total Number of Issued Shares Excluding Treasury Shares

The total number of issued shares as at 30 June 2016 was 150,387,866 (31 December 2015: 150,387,866 issued shares). The Company does not hold any treasury shares as at 30 June 2016 (30 June 2015: Nil).

1(d)(iv) Sales, Transfers, Disposal, Cancellation and/or use of Treasury Shares

Not applicable.

2 Audit

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

3 Auditors' Report

Not applicable.

4 Accounting Policies

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared with those of the audited annual financial statements for the year ended 31 December 2015.

5 Changes in Accounting Policies

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRSs).

For the current financial period, the Group adopted the new/revised FRSs that are effective for annual periods beginning on or after 1 January 2016. The following are the new or amended FRSs that are relevant to the Group:

- Improvements to FRSs (November 2014)
- Amendments to FRS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements*
- Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 111 *Joint Arrangements : Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 28 *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The adoption of the above amended FRS does not have any significant impact on the financial statements for the financial period under review.

6 Review of Group Performance

2nd Quarter 2016 (“2Q 2016”) versus 2nd Quarter 2015 (“2Q 2015”)

The Group's operating income was 11% higher at \$9 million due to higher net earned premium revenue and non-interest income. With lower net claims incurred and allowance for loan losses, coupled with the impairment of debt securities, the Group reported a net profit of \$859,000, a turnaround from a net loss of \$169,000 for 2Q 2015.

1st Half 2016 (“1H 2016”) versus 1st Half 2015 (“1H 2015”)

The Group's operating income for 1H 2016 was lowered from \$17.1 million in 1H 2015 to \$16.6 million due to lower net interest income and non-interest income, offset by higher net earned premium revenue. Despite the impairment of debt securities, the Group's net profit after tax was higher at \$716,000 compared to \$460,000 in 1H 2015 due to lower net claims incurred and allowance for loan losses, offset by a slight increase in operating expenses and tax expense. Net profit attributable to shareholders after non-controlling interests was \$6,000, reversing from a net loss of \$159,000 in 1H 2015.

The Group's gross loan assets including factoring receivables outstanding were \$324.1 million as at 30 June 2016. This was a decrease of 3% and 9% against the bases of \$333.0 million as at 31 December 2015 and \$355.2 million as at 30 June 2015 respectively mainly due to lower loan portfolio.

7 Variance from Prospect Statement

The current announced results are in line with the prospect statement as disclosed in the Group's 1st Quarter 2016 results announcement dated 6 May 2016.

8 Prospects

We are seeing a general economic slowdown and considerable financial market volatility across the world economy. Latest world economic forecast has indicated that the overall outlook for the Asia Pacific region is clouded by various risk factors including slowdown in China's growth prospects, volatility in the world financial market and further falls in commodity prices. Singapore's Ministry of Trade and Industry statistics also forecasted between 1% to 3% growth for 2016. In all the countries where we are present, a number of industries like the Offshore Marine industry, Oil and Gas industry and the Construction industry are facing substantial challenges during this period of time.

With the latest result of Brexit referendum and British deciding to keep their interest unchanged, together with the mixed signals of change in interest rate by the US Federal Reserve Bank, we are unlikely to see a rapid increase in interest rates in 2016.

In the current weak economic climate, IFS Group will continue to be vigilant and proactive in managing and monitoring the increasing credit risks of the Group's portfolio. Notwithstanding all these economic uncertainties and market volatility, the Group will stick to what we do best and continue to focus on

providing competitive factoring and lending packages to the SMEs, and to meet their funding needs. We will also continue our effort to further grow the General Insurance to augment our Credit Insurance businesses.

We will continue to place strong emphasis on maintaining a robust balance sheet with sufficient liquidity, cautiously underwrite credit risk standards on our factoring and lending businesses.

In order to ensure our operating expenses are well contained to remain competitive, we will continue to embark on our productivity initiatives including using technology to digitise some of our processes and procedures, and to stay relevant to our customers.

9 Dividend

(a) Current financial period reported on

Nil.

(b) Corresponding period of the immediately preceding financial year

Nil.

(c) Dividend payment date

Not applicable.

(d) Book closure date

Not applicable.

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

No dividend is declared for the period ended 30 June 2016 (30 June 2015: Nil).

11 Interested Person Transactions Mandate

There is no general mandate obtained from shareholders on Interested Person Transactions.

| <u>Name of Interested Person</u> Credit Facility Granted Phillip Credit Pte Ltd | Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | |
|--|---|--------------------------------|
| | 6 months 30.06.2016 | 6 months 30.06.2015 |
| | S\$'000 | S\$'000 |
| | 595 | - |
| | 595 | - |

12 Confirmation – Undertakings from all 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
5 August 2016



IFS Capital Limited

(Registration no: 198700827C)

Confirmation By The Board Pursuant to Rule 705(4) of the Listing Manual

On behalf of the Board of Directors of IFS Capital Limited ("the Company"), we, the undersigned, 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 half-year ended 30 June 2016 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

Danny Heng
Group Chief Financial Officer

Singapore
5 August 2016