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**SECOND QUARTER AND HALF-YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT**


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Second quarter and half year financial statements on consolidated results for the period ended 30 June 2020. 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 2020**

	2nd Qtr 2020	2nd Qtr 2019	+/-	1st Half 2020	1st Half 2019	+/( -)
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Revenue</b>						
Interest income and hiring charges	21,059	21,294	(1.1)	43,092	41,761	3.2
Interest expense	(9,994)	(9,752)	2.5	(21,048)	(19,125)	10.1
<b>Net interest income and hiring charges</b>	<b>11,065</b>	<b>11,542</b>	<b>(4.1)</b>	<b>22,044</b>	<b>22,636</b>	<b>(2.6)</b>
Fees and commissions	423	266	59.0	846	524	61.5
Dividends	123	100	23.0	123	101	21.8
Rental income from investment properties	554	802	(30.9)	1,379	1,626	(15.2)
Other income	1,675	48	NM	1,845	250	NM
<b>Income before operating expenses</b>	<b>13,840</b>	<b>12,758</b>	<b>8.5</b>	<b>26,237</b>	<b>25,137</b>	<b>4.4</b>
Staff costs	(4,083)	(4,007)	1.9	(8,221)	(7,963)	3.2
Depreciation of property, plant and equipment	(458)	(231)	98.3	(894)	(458)	95.2
Depreciation of investment properties	(94)	(95)	(1.1)	(189)	(189)	-
Depreciation of right of use assets	(7)	(7)	0.0	(14)	(14)	-
Other operating expenses	(1,994)	(2,068)	(3.6)	(4,198)	(4,248)	(1.2)
<b>Total Operating Expenses</b>	<b>(6,636)</b>	<b>(6,408)</b>	<b>3.6</b>	<b>(13,516)</b>	<b>(12,872)</b>	<b>5.0</b>
<b>Profit from operations before allowances</b>	<b>7,204</b>	<b>6,350</b>	<b>13.4</b>	<b>12,721</b>	<b>12,265</b>	<b>3.7</b>
(Allowances for) credit losses on loans and other assets	(2,800)	(292)	NM	(3,348)	(265)	NM
<b>Profit before income tax</b>	<b>4,404</b>	<b>6,058</b>	<b>(27.3)</b>	<b>9,373</b>	<b>12,000</b>	<b>(21.9)</b>
Income tax expense	(472)	(1,005)	(53.0)	(1,329)	(1,983)	(33.0)
<b>Profit for the period attributable to equity holders of the Company</b>	<b>3,932</b>	<b>5,053</b>	<b>(22.2)</b>	<b>8,044</b>	<b>10,017</b>	<b>(19.7)</b>

NM: Not Meaningful

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

	2nd Qtr 2020	2nd Qtr 2019	1st Half 2020	1st Half 2,019
Annualised earnings per share (cents)				
- Basic	9.98	12.82	10.21	12.71
- Diluted	9.98	12.82	10.21	12.71

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 2019: 157,625,764) shares.

There are no potential dilutive ordinary shares for the periods ended 30 June 2020 and 2019.

**1(b) Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter and Half-year Ended 30 June 2020**

	2nd Qtr 2020	2nd Qtr 2019	+ / (-) %	1st Half 2020	1st Half 2019	+ / (-) %
	\$'000	\$'000		\$'000	\$'000	
<b>Profit for the period</b>	<b>3,932</b>	5,053	(22.2)	<b>8,044</b>	10,017	(19.7)
<u>Other comprehensive income</u>						
<b>Items that will not be reclassified subsequently to profit or loss</b>						
Gain on disposal of equity investments at FVOCI	17	-	NM	17	10	70.0
Net change in fair value of Equity Investments at FVOCI	152	175	(13.1)	(928)	231	NM
Income tax relating to items that will not be reclassified subsequently to profit or loss	(28)	(30)	(6.7)	155	(41)	NM
	<b>141</b>	145	(2.8)	<b>(756)</b>	200	NM
<b>Items that may be reclassified subsequently to profit or loss</b>						
Net change in fair value of Debt Investments at FVOCI	2,777	1,064	NM	6,879	226	NM
Net change in fair value of Debt Investments at FVOCI reclassified to profit or loss on disposal	(276)	-	NM	(276)	-	NM
Income tax relating to items that may be reclassified subsequently to profit or loss	(425)	(180)	NM	(1,122)	(38)	NM
	<b>2,076</b>	884	NM	<b>5,481</b>	188	NM
<b>Other comprehensive income for the year - net of tax</b>	<b>2,217</b>	1,029	NM	<b>4,725</b>	388	NM
<b>Total comprehensive income for the year</b>	<b>6,149</b>	6,082	1.1	<b>12,769</b>	10,405	22.7

NM: Not meaningful

FVOCI: Fair Value through Other Comprehensive Income

**2(a) Statements of Financial Position as at 30 June 2020**

	Group		Company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>				
Cash on deposit, at banks and in hand	294,527	282,862	294,462	282,798
Statutory deposit with the Monetary Authority of Singapore ("MAS")	65,635	69,623	65,635	69,623
Singapore Government Securities and MAS bills	289,879	316,316	289,879	316,316
Equity Securities	3,801	4,621	3,538	4,231
Loans and advances	2,154,958	2,186,617	2,154,958	2,186,617
Other receivables, deposits and prepayments	7,364	7,815	7,364	7,815
Subsidiary	-	-	25	25
Property, plant and equipment	25,675	25,378	25,675	25,378
Investment properties	22,375	22,564	22,375	22,564
<b>Total assets</b>	<b>2,864,214</b>	<b>2,915,796</b>	<b>2,863,911</b>	<b>2,915,367</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits and balances of customers	2,414,604	2,497,637	2,415,375	2,498,401
Other liabilities	30,020	30,421	29,540	29,941
Borrowings from MAS	26,385	-	26,385	-
Enterprise Singapore loans (unsecured)	8,407	10,007	8,407	10,007
Provision for employee benefits	598	598	598	598
Current tax payable	4,180	1,393	4,180	1,393
Deferred tax liabilities	3,727	2,759	3,692	2,703
<b>Total liabilities</b>	<b>2,487,921</b>	<b>2,542,815</b>	<b>2,488,177</b>	<b>2,543,043</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	180,008	180,008	180,008	180,008
Reserves	196,285	192,973	195,726	192,316
<b>Total equity</b>	<b>376,293</b>	<b>372,981</b>	<b>375,734</b>	<b>372,324</b>
<b>Total liabilities and equity</b>	<b>2,864,214</b>	<b>2,915,796</b>	<b>2,863,911</b>	<b>2,915,367</b>
<b>Off-balance sheet items</b>				
Undrawn loan commitments	651,519	432,494	651,519	432,494
Guarantees issued	1,699	2,009	1,699	2,009
<b>Total off-balance sheet items</b>	<b>653,218</b>	<b>434,503</b>	<b>653,218</b>	<b>434,503</b>

**2(b) Net asset value per ordinary share (\$)** **2.39** 2.37 **2.38** 2.36

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 2019: 157,625,764) shares.

### 3 Consolidated Statement of Cash Flows for the Quarter and Half-year Ended 30 June 2020

	2nd Qtr 2020	2nd Qtr 2019	1st Half 2020	1st Half 2019
	\$'000	\$'000	\$'000	\$'000
<b>Operating activities</b>				
Profit before income tax	4,404	6,058	9,373	12,000
Adjustments for:				
Impact of accrual of interest income	(794)	(1,607)	678	(315)
Impact of accrual of interest expense	650	3,475	(68)	7,085
Interest expense on lease liabilities	1	1	2	1
Depreciation of property, plant and equipment	458	232	895	459
Depreciation of investment properties	94	94	188	188
Depreciation of right of use assets	7	7	14	14
Allowances for credit losses on loans and other assets	2,800	292	3,352	265
Gain on disposal of investments	(293)	-	(293)	-
Dividends	(123)	(99)	(124)	(100)
Operating cash flows before movements in working capital	7,204	8,453	14,017	19,597
<b>Changes in operating assets and liabilities</b>				
Deposits and balances of customers	(93,380)	(26,417)	(83,033)	(36,402)
Other liabilities	(1,405)	(2,799)	(299)	(1,851)
Borrowings from MAS	26,385	-	26,385	-
Enterprise Singapore loans	(1,642)	(405)	(1,601)	(329)
Statutory deposits with the MAS	1,544	(1,770)	3,988	(535)
Singapore Government Securities and MAS bills	11,115	128	32,714	5,507
Loans and advances	(9,964)	(92,098)	28,308	(60,092)
Other assets	451	(424)	340	(2,553)
Cash (used in) / generated from operating activities	(59,692)	(115,332)	20,819	(76,658)
Income taxes refund	-	(2,876)	1,459	(2,864)
Net cash (used in) / generated from operating activities	(59,692)	(118,208)	22,278	(79,522)
<b>Investing activities</b>				
Purchase of property, plant and equipment and investment properties	(677)	(147)	(1,192)	(483)
Purchase of equity securities	-	(1)	(286)	(1)
Dividends received	123	39	124	40
Proceeds from disposal of equity securities	212	-	212	10
Net cash used in investing activities	(342)	(109)	(1,142)	(434)
<b>Financing activities</b>				
Cash payments of lease liabilities	(7)	(7)	(14)	(14)
Dividend paid	(9,457)	(11,034)	(9,457)	(11,034)
Net cash used in financing activities	(9,464)	(11,041)	(9,471)	(11,048)
Net (decrease) / increase in cash and cash equivalents	(69,498)	(129,358)	11,665	(91,004)
Cash and cash equivalents at beginning of the period	364,025	355,473	282,862	317,119
<b>Cash and cash equivalents at end of the period</b>	<b>294,527</b>	<b>226,115</b>	<b>294,527</b>	<b>226,115</b>

#### 4 Statements of Changes in Equity for the Quarter and Half-year Ended 30 June 2020

Group	Share capital \$'000	Statutory reserve \$'000	Regulatory		Accumulated profits \$'000	Total \$'000
			Loss Allowance Reserve 9,940	Fair value reserve 9,446		
<b>2020</b>						
Balance at 1 January 2020	180,008	115,965	9,940	9,446	57,622	372,981
Total comprehensive income for the period						
Profit for the period	-	-	-	-	4,112	4,112
Other comprehensive income for the period - net	-	-	-	2,508	-	2,508
Total	-	-	-	2,508	4,112	6,620
Transfer to Loss Allowance Reserve	-	-	-	-	-	-
Balance at 31 March 2020	180,008	115,965	9,940	11,954	61,734	379,601
Total comprehensive income for the period						
Profit for the period	-	-	-	-	3,932	3,932
Other comprehensive income for the period - net	-	-	-	2,200	17	2,217
Total	-	-	-	2,200	3,949	6,149
Transfer to Regulatory Loss Allowance Reserve	-	-	-	-	-	-
<b>Transactions with owners, recognised directly in equity</b>						
Final one-tier tax exempt dividend paid for financial year 2019 of 6 cents per share	-	-	-	-	(9,457)	(9,457)
Balance at 30 June 2020	180,008	115,965	9,940	14,154	56,226	376,293
<b>2019</b>						
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
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)	-
<b>Transactions with owners, recognised directly in equity</b>						
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

#### 4 Statements of Changes in Equity for the Quarter and Half-year Ended 30 June 2020

	Share capital	Statutory reserve	Regulatory		Accumulated profits	Total
			Loss Allowance Reserve	Fair value reserve		
	\$'000	\$'000		\$'000	\$'000	\$'000
<b>Company</b>						
<b>2020</b>						
Balance at 1 January 2020	180,008	115,965	9,940	9,172	57,239	372,324
Total comprehensive income for the period						
Profit for the period	-	-	-	-	4,111	4,111
Other comprehensive income for the period - net	-	-	-	2,615	-	2,615
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,615</b>	<b>4,111</b>	<b>6,726</b>
Transfer to Loss Allowance Reserve	-	-	-	-	-	-
Balance at 31 March 2020	180,008	115,965	9,940	11,787	61,350	379,050
Total comprehensive income for the period						
Profit for the period	-	-	-	-	3,926	3,926
Other comprehensive income for the period - net	-	-	-	2,198	17	2,215
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,198</b>	<b>3,943</b>	<b>6,141</b>
Transfer to Regulatory Loss Allowance Reserve	-	-	-	-	-	-
<b>Transactions with owners, recognised directly in equity</b>						
Final one-tier tax exempt dividend paid for financial year 2019 of 6 cents per share	-	-	-	-	(9,457)	(9,457)
<b>Balance at 30 June 2020</b>	<b>180,008</b>	<b>115,965</b>	<b>9,940</b>	<b>13,985</b>	<b>55,836</b>	<b>375,734</b>
<b>2019</b>						
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)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(713)</b>	<b>4,972</b>	<b>4,259</b>
Transfer to 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
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,018</b>	<b>5,045</b>	<b>6,063</b>
Transfer to Regulatory Loss Allowance Reserve	-	-	774	-	(774)	-
<b>Transactions with owners, recognised directly in equity</b>						
Final one-tier tax exempt dividend paid for financial year 2018 of 7 cents per share	-	-	-	-	(11,034)	(11,034)
<b>Balance at 30 June 2019</b>	<b>180,008</b>	<b>110,964</b>	<b>9,206</b>	<b>8,548</b>	<b>52,967</b>	<b>361,693</b>

## 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 2019 except for the adoption of the new and revised "SFRS(I)s, and Interpretations of SFRS(I) ("SFRS(I) INTs") that are effective for the annual period beginning on 1 January 2020. The adoption of these SFRS(I)s and SFRS(I) INTs does not have any material effect on the financial statements of the Group and the Company

## 6. Review of Performance

The Group recorded a lower net profit after tax of \$3.9 million for the second quarter of 2020, a decline of 22.2% as compared to the same period last year. The weaker performance was primarily attributable to the additional general allowances provided in view of the severe impact of the Covid-19 pandemic on the macroeconomic situation and outlook.

For the first six months of 2020, the Group provided additional \$3.3 million allowance for credit losses versus \$0.3 million in the first half of 2019. This resulted in \$2.0 million or 19.7% decline in net profit after tax from \$10.0 million to \$8.0 million over the same period.

Operating profit before allowances and tax for first half 2020 was \$12.7 million, an improvement of 3.7% over last year, largely assisted by the grant from the Government Job Support Scheme, which was included and disclosed as other income in the Statement of Profit or Loss. Net interest income and hiring charges decreased by \$0.6 million or 2.6% to \$22.0 million compared to \$22.6 million in the previous corresponding period. This was mainly due to the \$1.9 million increase in interest expenses, which more than offset the additional \$1.3 million in the interest income due to higher loan balance during the period.

Total operating expenses increased by 5.0% driven by higher additional depreciation charges because of our digital transformation investments as well as staff costs.

The additional allowances of \$3.3 million made during the first half of 2020 were predominantly general allowances for non-impaired assets. The Group continues to maintain adequate and prudent loss allowances in respect of its loan portfolio and other assets.

The increase in the Other Comprehensive Income amounting to \$4.7 million was due to the appreciation in the fair value of the Singapore Government Securities ("SGS") during the first half of 2020. The Group purchases SGS as part of its liquid assets for the purposes of maintaining the minimum liquid assets required under the Finance Companies Act.

Loans and advances declined slightly by 1.5% or \$31.7 million during the period, from \$2.19 billion as at 31 December 2019 to \$2.15 billion as at 30 June 2020. This was largely because of the Circuit Breaker measures, which included the suspension of non-essential services during the period of April and May 2020. However, the Group has been actively supporting our customers with their working capital and cash flows during this difficult period via the Enterprise Singapore ("ESG") Temporary Bridging Loans and Enhanced working capital loans. If not for the new ESG loans, the decline in the loan balances would have been greater. Customers' deposits and balances decreased by 3.3% to \$2.41 billion as at 30 June 2020 compared to 31 December 2019.

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 14 July 2020, the Singapore economy contracted by 12.6% on a year-on-year basis in the second quarter of 2020, due to the Circuit Breaker measures, as well as weak external demand amidst a global economic downturn precipitated by the COVID-19 pandemic. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy shrank by 41.2% in the second quarter. MTI has also revised downwards the GDP growth forecast for 2020 to “-7.0% to -4.0%”.

Going forward, the outlook is still fraught with great uncertainties, especially over the trajectory of the COVID-19 pandemic.

During this period of the COVID-19 outbreak, the Group has been actively helping our individual customers to ease their financial strains and our corporate borrowers with their cash flows constraints. This has been achieved through the various MAS’ credit relief measures, which include the temporary deferment of loan repayment instalment until the end of 2020, as well as the ESG Enhanced Working Capital Loan and Temporary Bridging Loan schemes. These schemes are funded at low interest cost by the MAS.

The safeguarding of the health and well-being of our customers and staff at our branch premises has also been our key focus during this period. All necessary precautionary measures, including safe distancing, temperature screening and contact tracing via the Safe Entry app have been implemented. We have also seen greater usage of our digital app for banking transactions and continue to encourage more customers to adopt the digital channel in order to minimise the need to visit the branch. Currently, about half of our staff at the head office are working from home.

Notwithstanding the current period of great public health and economic crisis, the Group is confident that with our strong capital and liquidity positions, the Group will be able to weather the crisis. The Group will continue to be vigilant, prudent and disciplined in our risk and cost management to serve all our stakeholders.

## **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 (30 June 2019: 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 30/06/2020		As at 31/12/2019	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Monetary Authority of Singapore	26,385	-	-	-
Enterprise Singapore Loans	-	8,407	-	10,007

#### 14. Other Information

Amount of profits on any sale of investments, property, plant and equipment:

- \$16,738 gain from sale of equity investments for 1<sup>st</sup> Half 2020 (1<sup>st</sup> Half 2019: \$10,000)
- \$275,623 gain from sale of Singapore Government Securities for 1<sup>st</sup> Half 2020 (1<sup>st</sup> Half 2019: Nil)

By order of the Board

Lee Sze Leong  
Managing Director  
27 July 2020

#### **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 quarter and the half year ended 30 June 2020 to be false or misleading.

On behalf of the Board of Directors

Lee Sze Leong  
Managing Director  
27 July 2020