
FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

First quarter financial statements on consolidated results for the period ended 31 March 2020. These figures have not been audited.

1(a)(i) Unaudited Consolidated Statement of Profit or Loss for the Quarter ended 31 March 2020

	1st Qtr 2020	1st Qtr 2019	+/-
	\$'000	\$'000	%
Revenue			
Interest income and hiring charges	22,033	20,467	7.7
Interest expense	(11,054)	(9,373)	17.9
Net interest income and hiring charges	10,979	11,094	(1.0)
Fees and commissions	422	258	63.6
Dividends	1	1	0.0
Rental income from investment properties	824	824	0.0
Other income	170	202	(15.8)
Income before operating expenses	12,396	12,379	0.1
Staff costs	(4,137)	(3,956)	4.6
Depreciation of property, plant and equipment	(437)	(227)	92.5
Depreciation of investment properties	(94)	(94)	0.0
Depreciation of right of use assets	(7)	(7)	0.0
Other operating expenses	(2,204)	(2,180)	1.1
Total Operating Expenses	(6,879)	(6,464)	6.4
Profit from operations before allowances	5,517	5,915	(6.7)
(Allowances for) / Write-back of credit losses on loans and other assets	(548)	27	NM
Profit before income tax	4,969	5,942	(16.4)
Income tax expense	(857)	(978)	(12.4)
Profit for the period attributable to equity holders of the Company	4,112	4,964	(17.2)

NM: Not Meaningful

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

	1st Qtr 2020	1st Qtr 2019
Annualised earnings per share (cents)		
- Basic	10.43	12.60
- Diluted	10.43	12.60

The Group's basic earnings per share is calculated based on the weighted average number of ordinary shares in issue of 157,625,764 (31 March 2019: 157,625,764) shares.

There are no potential dilutive ordinary shares for the periods ended 31 March 2020 and 2019.

1(b) Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter ended 31 March 2020

	1st Qtr 2020	1st Qtr 2019	+ / (-)
	\$'000	\$'000	%
Profit for the period	4,112	4,964	(17.2)
<u>Other comprehensive income</u>			
Items that will not be reclassified subsequently to profit or loss			
Gain on disposal of equity investments at FVOCI	-	10	NM
Net change in fair value of Equity Investments at FVOCI	(1,080)	56	NM
Income tax relating to items that will not be reclassified subsequently to profit or loss	183	(11)	NM
	(897)	55	NM
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of Debt Investments at FVOCI	4,102	(838)	NM
Income tax relating to items that may be reclassified subsequently to profit or loss	(697)	142	NM
	3,405	(696)	NM
Other comprehensive income for the year - net of tax	2,508	(641)	NM
Total comprehensive income for the year	6,620	4,323	53.1

NM: Not meaningful

FVOCI: Fair Value through Other Comprehensive Income

2(a) Statements of Financial Position as at 31 March 2020

	Group		Company	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Cash on deposit, at banks and in hand	364,025	282,862	363,977	282,798
Statutory deposit with the Monetary Authority of Singapore ("MAS")	67,179	69,623	67,179	69,623
Singapore Government Securities and MAS bills	298,915	316,316	298,915	316,316
Equity Securities	3,827	4,621	3,565	4,231
Loans and advances	2,147,793	2,186,617	2,147,793	2,186,617
Other receivables, deposits and prepayments	6,324	7,815	6,324	7,815
Subsidiary	-	-	25	25
Property, plant and equipment	25,456	25,378	25,456	25,378
Investment properties	22,469	22,564	22,469	22,564
Total assets	2,935,988	2,915,796	2,935,703	2,915,367
LIABILITIES AND EQUITY				
Deposits and balances of customers	2,507,985	2,497,637	2,508,755	2,498,401
Other liabilities	30,775	30,421	30,305	29,941
Enterprise Singapore loans (unsecured)	10,048	10,007	10,048	10,007
Provision for employee benefits	598	598	598	598
Current tax payable	3,709	1,393	3,709	1,393
Deferred tax liabilities	3,272	2,759	3,238	2,703
Total liabilities	2,556,387	2,542,815	2,556,653	2,543,043
Equity attributable to equity holders of the Company				
Share capital	180,008	180,008	180,008	180,008
Reserves	199,593	192,973	199,042	192,316
Total equity	379,601	372,981	379,050	372,324
Total liabilities and equity	2,935,988	2,915,796	2,935,703	2,915,367
Off-balance sheet items				
Undrawn loan commitments	561,205	432,494	561,205	432,494
Guarantees issued	1,699	2,009	1,699	2,009
Total off-balance sheet items	562,904	434,503	562,904	434,503
2(b) Net asset value per ordinary share (\$)	2.41	2.37	2.40	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 ended 31 March 2020

	1st Qtr 2020	1st Qtr 2019
	\$'000	\$'000
Operating activities		
Profit before income tax	4,969	5,942
Adjustments for:		
Impact of accrual of interest income	1,472	1,292
Impact of accrual of interest expense	(718)	3,610
Interest expense on lease liabilities	1	-
Depreciation of property, plant and equipment	437	227
Depreciation of investment properties	94	94
Depreciation of right of use assets	7	7
Allowances for / (Write-back of) credit losses on loans and other assets	552	(27)
Dividends	(1)	(1)
Operating cash flows before movements in working capital	<u>6,813</u>	<u>11,144</u>
Changes in operating assets and liabilities		
Deposits and balances of customers	10,347	(9,985)
Other liabilities	1,106	948
Enterprise Singapore loans	41	76
Statutory deposits with the MAS	2,444	1,235
Singapore Government Securities and MAS bills	21,599	5,379
Loans and advances	38,272	32,006
Other assets	(111)	(2,129)
Cash generated from operating activities	<u>80,511</u>	<u>38,674</u>
Income taxes refund	1,459	12
Net cash generated from operating activities	<u>81,970</u>	<u>38,686</u>
Investing activities		
Purchase of property, plant and equipment and investment properties	(515)	(336)
Purchase of equity securities	(286)	-
Dividends received	1	1
Proceeds from disposal of equity securities	-	10
Net cash used in investing activities	<u>(800)</u>	<u>(325)</u>
Financing activities		
Cash payments of lease liabilities	(7)	(7)
Net cash used in financing activities	<u>(7)</u>	<u>(7)</u>
Net increase in cash and cash equivalents	81,163	38,354
Cash and cash equivalents at beginning of the year	282,862	317,119
Cash and cash equivalents at end of the period	<u><u>364,025</u></u>	<u><u>355,473</u></u>

4 Statements of Changes in Equity for the Quarter ended 31 March 2020

	Share capital	Statutory reserve	Regulatory Loss Allowance Reserve	Fair value reserve	Accumulated profits	Total
	\$'000	\$'000		\$'000	\$'000	\$'000
Group						
2020						
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
2019						
Balance at 1 January 2019	180,008	110,964	8,391	8,473	55,169	363,005
Total comprehensive income for the period						
Profit for the period	-	-	-	-	4,964	4,964
Other comprehensive income for the period - net	-	-	-	(649)	8	(641)
Total	-	-	-	(649)	4,972	4,323
Transfer to Loss Allowance Reserve	-	-	41	-	(41)	-
Balance at 31 March 2019	180,008	110,964	8,432	7,824	60,100	367,328
Company						
2020						
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
Total	-	-	-	2,615	4,111	6,726
Transfer to Loss Allowance Reserve	-	-	-	-	-	-
Balance at 31 March 2020	180,008	115,965	9,940	11,787	61,350	379,050
2019						
Balance at 1 January 2019	180,008	110,964	8,391	8,243	54,799	362,405
Total comprehensive income for the period						
Profit for the period	-	-	-	-	4,964	4,964
Other comprehensive income for the period - net	-	-	-	(713)	8	(705)
Total	-	-	-	(713)	4,972	4,259
Transfer to Loss Allowance Reserve	-	-	41	-	(41)	-
Balance at 31 March 2019	180,008	110,964	8,432	7,530	59,730	366,664

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 reported a net profit after tax of \$4.1 million for the first quarter of 2020, a decline of 17.2% as compared to the same period last year. The weaker performance was mainly due to higher general allowances, in view of the much weaker macroeconomic outlook, and increase in operating expenses.

Net interest income and hiring charges was marginally lower by 1.0% as the increase in the cost of deposits was largely cushioned by the higher loan balances vis-à-vis the two corresponding quarters.

Total operating expenses increased by 6.4% driven by higher staff costs and additional depreciation charges as a result of higher investments in technology infrastructure to support our digital transformation initiatives.

Additional net allowances for credit losses of \$0.5 million were made for current quarter compared to write back of \$0.03 million during the first quarter of 2019. The additional allowances were made primarily for the general allowances for non-impaired assets. This was contributed by the weaker macroeconomic outlook across economies in the current COVID-19 pandemic environment. The Group continues to maintain adequate loss allowances in respect of its loan portfolio and other assets.

The increase in the Other Comprehensive Income amounting to \$2.5 million is attributed primarily to the increase in the fair value of the Singapore Government Securities ("SGS") during the quarter. 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 came down slightly by 1.8% or \$38.8 million during the quarter, from \$2.19 billion as at 31 December 2019 to \$2.15 billion as at 31 March 2020 in line with the slowdown in business activities during the latter half of the quarter. Customers' deposits and balances grew slightly by 0.4% to \$2.51 billion as at 31 March 2020 mainly due to our deposit promotion during the Chinese New Year period.

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 26 March 2020, in the first quarter of 2020 with the onset of COVID-19 outbreak, Singapore economy shrank sharply by 10.6% on a quarter-on-quarter seasonally-adjusted annualised basis,. The GDP growth forecast for 2020 was also further downgraded to "-4.0% to -1.0%".

Since then, the COVID-19 pandemic situation in Singapore has worsened with the implementation of "circuit breaker" ("CB") and the extension of the CB to 1 June 2020. The MAS Macroeconomic Review published on 28 April 2020 reiterated the official 2020 negative growth forecast, but warned that there

are significant downside risks in the horizon and unemployment rate is expected to rise and wages could be cut. There is significant uncertainty over the duration and intensity of this recession.

During this period of the COVID-19 outbreak, MAS has been proactively working with financial institutions and financial industry associations in Singapore to provide support measures that will ease the financial strain on individuals and cash flow constraints faced by businesses during this difficult time.

The Group fully supports the MAS' credit relief measures as well as the low cost funding facilities by MAS for the Enterprise Singapore ("ESG") Enhanced Working Capital Loan and Temporary Bridging Loan schemes. Our credit marketing team has been working closely with our lending customers to tap on these ESG loan schemes as well as work out the temporary deferment of loan repayment instalment till the end of 2020.

For our deposit customers, the key focus would be their safety at our branch premises as well as encouraging them to make use of our digital platform so as to minimise the need to visit the branch.

Notwithstanding the current period of great turbulence, the Group is confident that with our strong capital and liquidity positions, the Group is well able to support our customers with their financing as well as saving needs. In the current uncertain operating environment, the Group would also be extra vigilant and disciplined in our risk and cost management in order to emerge stronger at the end of the crisis.

8. Dividend

No dividend has been recommended for the present financial period.

Dividend declared for the previous corresponding period – Nil.

9. Changes in the Company's share capital arising from rights issue, bonus issue, share buy backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for other purpose since the end of the previous period reported.

There has been no change in the Company's share capital arising from the above issues.

As at the end of the financial period, there were no outstanding convertibles (31 March 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 31/03/2020		As at 31/03/2019	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Enterprise Singapore Loans	-	10,048	-	9,782

14. Other Information

Amount of profits on any sale of investments, property, plant and equipment – Nil (1st Quarter 2019: \$10,000 gain from sale of equity investments)

By order of the Board

Lee Sze Leong
Managing Director
06 May 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 three months ended 31 March 2020 to be false or misleading.

On behalf of the Board of Directors

Lee Sze Leong
Managing Director
06 May 2020