



ADVANCER GLOBAL LIMITED

(Company Registration No. 201602681W)
(Incorporated in the Republic of Singapore)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF-YEAR ENDED 30 JUNE 2019

This announcement has been prepared by Advancer Global Limited (the “**Company**”) and its contents have been reviewed by the Company’s Sponsor, SAC Capital Private Limited (the “**Sponsor**”).

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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PART I: INFORMATION REQUIRED FOR QUARTERLY (1Q, 2Q & 3Q), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

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

	Group		Increase/ (Decrease) %
	HY2019	HY2018	
	S\$'000	S\$'000	
Revenue	34,353	32,770	4.8
Cost of sales	(25,695)	(23,828)	7.8
Gross profit	<u>8,658</u>	<u>8,942</u>	(3.2)
Other operating income	624	862	(27.6)
Administrative expenses	(8,535)	(8,238)	3.6
Finance expenses	(69)	(45)	53.3
Share of (losses)/profits from equity-accounted for associate	<u>(78)</u>	<u>290</u>	N/M ⁽¹⁾
Profit before income tax	600	1,811	(66.9)
Income tax expense	<u>(88)</u>	<u>(104)</u>	(15.4)
Profit for the financial period, representing total comprehensive income for the financial period	<u><u>512</u></u>	<u><u>1,707</u></u>	(70.0)
Profit for the financial period attributable to:			
Owners of the Company	490	1,602	(69.4)
Non-controlling interests	<u>22</u>	<u>105</u>	(79.1)
Profit for the financial period	<u><u>512</u></u>	<u><u>1,707</u></u>	(70.0)

1(a)(ii) Notes to the income statement or statement of comprehensive income

Profit for the financial period is arrived at after (charging)/crediting the following:

	Group		Increase/ (Decrease) %
	HY2019	HY2018	
	S\$'000	S\$'000	
<i>Included in other operating income:</i>			
Gain on disposal of property, plant and equipment	8	18	(55.6)
Government credit schemes and government grants	355	765	(53.6)
Interest income from advances to subcontractors	8	7	14.3
Interest income from fixed deposits	170	-	N/M ⁽¹⁾
<i>Included in cost of sales:</i>			
Operating lease expense	-	(144)	N/M ⁽¹⁾
Expenses relating short-term leases	(71)	-	N/M ⁽¹⁾
Recruitment expenses	(2,609)	(2,312)	12.9
Subcontractors' fees	(5,480)	(5,389)	1.69

1(a)(ii) Notes to the income statement or statement of comprehensive income (Continued)

	Group		Increase/ (Decrease) %
	HY2019	HY2018	
	S\$'000	S\$'000	
<i>Included in administrative expenses:</i>			
Amortisation of intangible assets	(333)	(300)	11.0
Bad debts written-off	-	(340)	N/M ⁽¹⁾
Depreciation of property, plant and equipment	(357)	(281)	27.1
Depreciation of right-of-use assets	(439)	-	N/M ⁽¹⁾
Directors' fees	(78)	(57)	36.8
Loss allowance for receivables (trade)	(31)	-	N/M ⁽¹⁾
Loss on fair value re-measurement of contingent consideration payable	-	63	N/M ⁽¹⁾
Loss on disposal of property, plant and equipment	(2)	-	N/M ⁽¹⁾
Operating lease expense	-	(783)	N/M ⁽¹⁾
Expenses relating to short-term leases	(380)	-	N/M ⁽¹⁾
Property, plant and equipment written-off	(2)	*(2)	N/M ⁽¹⁾
Share issue expenses	-	(12) ⁽³⁾	N/M ⁽¹⁾
Share options expense ⁽⁴⁾	(18)	(26)	(30.8)
<i>Others:</i>			
Interest expenses on borrowings	(8)	(28)	(71.4)
Interest expenses on finance leases	(24)	(17)	41.2
Interest expenses on lease liabilities	(38)	-	N/M ⁽¹⁾
Adjustment for over provision of tax in prior financial years	45	-	N/M ⁽¹⁾

Note:

(1) N/M – Not meaningful

(2) Denotes amount lesser than S\$1,000

(3) Share issue expense relate to the issue and allotment of 1,691,002 new shares, on 29 June 2018, at an issue price of S\$0.2898 per new share to the shareholders of the Company who were entitled to the final dividend for the financial year ended 31 December 2017 and have elected to participate in the Advancer Global Limited Scrip Dividend Scheme (refer to the Company's announcement on 9 February 2018) ("**FY2017 Scrip Dividend**")

(4) Share option expense related to share options granted on 20 April 2017 pursuant to Company's Employee Share Option Scheme ("**ESOS**")

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

	Group		Company	
	As at		As at	
	30-Jun-2019	31-Dec-2018	30-Jun-2019	31-Dec-2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Goodwill on consolidation	5,590	5,489	-	-
Intangible assets	860	1,012	-	-
Investments in subsidiaries	-	-	11,472	11,454
Investment in an associate	-	78	-	-
Right-of-use assets ⁽¹⁾	2,426	-	-	-
Property, plant and equipment	2,942	2,645	-	-
Deferred tax assets	17	19	-	-
Total non-current assets	11,835	9,243	11,472	11,454
Current assets				
Inventories	1,078	547	-	-
Trade and other receivables	17,693	17,463	10,538	9,941
Cash and bank balances	24,559	26,006	18,484	19,624
Total current assets	43,330	44,016	29,022	29,565
Total assets	55,165	53,259	40,494	41,019
EQUITY AND LIABILITIES				
Equity				
Share capital	40,607	40,607	40,607	40,607
Treasury shares	(223)	(223)	(223)	(223)
Retained earnings	6,350	6,237	(36)	453
Other reserves	(2,852)	(2,870)	104	86
Equity attributable to owners of the Company	43,882	43,751	40,452	40,923
Non-controlling interests	403	359	-	-
Total equity	44,285	44,110	40,452	40,923
Non-current liabilities				
Deferred tax liabilities	174	218	-	-
Finance lease payables	417	401	-	-
Lease liabilities ⁽¹⁾	1,318	-	-	-
Bank borrowings	615	625	-	-
Total non-current liabilities	2,524	1,244	-	-
Current liabilities				
Finance lease payables	149	134	-	-
Trade and other payables	6,088	6,869	42	96
Contract liabilities from contracts with customers	682	577	-	-
Lease liabilities	1,139	-	-	-
Bank borrowings	20	24	-	-
Income tax payable	278	301	-	-
Total current liabilities	8,356	7,905	42	96
Total liabilities	10,880	9,149	42	96
Total equity and liabilities	55,165	53,259	40,494	41,019

Note:

- (1) The Group applied SFRS(I) 16 *Leases* on 1 January 2019 using modified retrospective approach to recognise the cumulative effect of initially applying SFRS(I) 16 on 1 January 2019. Accordingly, the comparative financial statements were not restated. Further details on the adoption of SFRS(I) 16 *Leases* can be found in paragraph 5.

- 1(b)(ii) **In relation to the aggregate amount of the group's borrowings and debts securities, specify the following at the end of the financial period reported on with comparative figures at the end of the immediately preceding financial year**

	30-Jun-2019		31-Dec-2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	169	-	158	-
Amount repayable after one year	1,032	-	1,026	-
Total borrowings	<u>1,201</u>	<u>-</u>	<u>1,184</u>	<u>-</u>

Details of collaterals

The Group's borrowings are secured by:

- (i) Motor vehicles under finance leases;
- (ii) Personal guarantees by a Director of the Company and a director of a subsidiary for purchase of motor vehicles under finance leases. Each of the personal guarantors did not receive any benefits in kind, commission or interest payments from the Group for providing these personal guarantees;
- (iii) A factory unit at 18 Boon Lay Way, #03-138 Tradehub 21, Singapore 609966 (the "**Tradehub 21 Property**");
- (iv) Corporate guarantees provided by Advancer Global Limited and Advancer Global Security Pte. Ltd.; and
- (v) Accounts receivables of subsidiaries

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**

	Group	
	HY2019 S\$'000	HY2018 S\$'000
Operating activities		
Profit before income tax	600	1,811
Adjustments for:		
Amortisation of intangible assets	333	300
Bad debts written-off	-	340
Depreciation of property, plant and equipment	357	281
Depreciation of right-of-use assets	439	-
Gain on disposal of property, plant and equipment, net	(6)	(18)
Interest expense	70	45
Interest income	(178)	(7)
Loss allowance for receivables (trade)	31	-
Loss on fair value re-measurement of contingent consideration payable	-	63
Property, plant and equipment written-off	2	*(1)
Share issue expenses	-	12 ⁽²⁾
Share options expenses pursuant to the ESOS	18	26
Share of loss/(profit) from equity-accounted for associate	78	(290)
Operating cash flows before movements in working capital	<u>1,744</u>	<u>2,563</u>
Changes in working capital:		
Inventories	(535)	(402)
Trade and other receivables	(485)	(297)
Trade and other payables	(701)	(1,143)
Contract liabilities from contracts with customers	105	55
Cash generated from operations	<u>128</u>	<u>776</u>
Interest received	178	7
Income taxes paid	(163)	(224)
Net cash generated from operating activities	<u>143</u>	<u>559</u>
Investing activities		
Deposits on acquisition, net	100 ⁽³⁾⁽⁴⁾	(200) ⁽⁴⁾
Final payment of contingent consideration for previously acquired subsidiaries	-	(3,100) ⁽⁵⁾
Cash and cash equivalents of a subsidiary acquired	21 ⁽⁶⁾	-
Proceeds from disposal of property, plant and equipment	10	18
Purchase of property, plant and equipment	(548)	(300)
Purchase of intangible assets	(122)	-
Repayment from an associate company	-	302
Share issuance expenses	-	(12) ⁽²⁾
Net cash used in investing activities	<u>(539)</u>	<u>(3,292)</u>
Financing activities		
Cash payments for the principal portion of lease liabilities	(417)	-
Cash payments for the interest portion of lease liabilities	(38)	-
Dividends paid to owners of the Company	(377)	(141)
Dividends paid to non-controlling interests of subsidiaries	(17)	(144)
Interest paid	(31)	(44)
Proceeds from bank borrowings	-	502
Repayment of bank borrowings	(14)	(615)
Repayment of finance lease payables	(73)	(69)
Repayment to directors	(84)	(307)
Net cash used in financing activities	<u>(1,051)</u>	<u>(818)</u>
Net decrease in cash and cash equivalents	<u>(1,447)</u>	<u>(3,551)</u>
Cash and cash equivalents at beginning of financial period	<u>26,001</u>	<u>8,028</u>
Cash and cash equivalents at end of financial period⁽⁷⁾	<u>24,554</u>	<u>4,477</u>

Note:

- (1) Denotes amount lesser than S\$1,000.
- (2) Share issue expenses related to the issue and allotment of 1,691,002 new shares in relation to the FY2017 Scrip Dividend.
- (3) It comprises the aggregation of:
 - (i) a deposit of S\$100,000 in relation to a non-binding agreement entered into with third parties (who are independent and unrelated third parties to the Directors and controlling shareholders) for the acquisition of a group of companies ("**Target Companies**"). The deposit is refundable if (a) the failure to sign the sales and purchase agreement is attributable to the vendors, (b) the failure of the Company to obtain shareholders' approval for the acquisition (if necessary) or (c) the due diligence on the Target Companies is unsatisfactory in respect of the title of the shares or the assets of the Target Companies; and
 - (ii) refunded deposit of S\$200,000 in HY2019, pertaining to a non-binding agreement that was entered into by the Group which did not proceed. Please refer to Note 4 below for more details.
- (4) On 9 May 2018, the Group entered into a non-binding letter of intent with third parties (who are independent and unrelated third parties to the Directors and controlling shareholders) for the acquisition of 70% equity interest in an entity. A refundable deposit of S\$200,000 was provided by the Group in respect of the letter of intent.
- (5) It relates to the remaining consideration paid in cash for the acquisition of Premier Eco-Care Pte. Ltd., Prestige Enviro-Care Pte. Ltd. and Green Management Pte. Ltd. (collectively, the "**Premier Group**").
- (6) It relates to the acquisition of 76% of the issued and paid-up share capital of Country Cousins Pte. Ltd. ("**Country Cousins**") as announced by the Company on 26 November 2018. Country Cousins' principal activities are those of providing landscape planting, care and maintenance services. The acquisition was completed on 2 January 2019. The cash consideration of S\$171,000 was paid to the vendor in FY2018 as deposit on acquisition.
- (7) For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the financial periods:

	Group	
	HY2019	HY2018
	S\$'000	S\$'000
Cash and bank balances	24,559	4,482
Fixed deposit pledged	(5)	(5)
Cash and cash equivalents	<u>24,554</u>	<u>4,477</u>

1(d)(i) A statement (for the issuer and group) 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

Group

	Attributable to owners of the Company						Non-controlling interests S\$'000	Total equity S\$'000	
	Share capital S\$'000	Treasury shares S\$'000	Retained earnings S\$'000	Share options reserve S\$'000	Capital reserve S\$'000	Merger reserve S\$'000			Total S\$'000
Balance at 1 January 2019	40,607	(223)	6,237	86	(353)	(2,603)	43,751	359	44,110
Profit for the financial period, representing total comprehensive income for the financial period	-	-	490	-	-	-	490	22	512
Acquisition of a subsidiary	-	-	-	-	-	-	-	22	22
Share options expenses pursuant to the ESOS	-	-	-	18	-	-	18	-	18
Dividends declared	-	-	(377)	-	-	-	(377)	-	(377)
Balance at 30 June 2019	40,607	(223)	6,350	104	(353)	(2,603)	43,882	403	44,285
Balance at 1 January 2018	18,378	-	6,163	36	(353)	(2,603)	21,621	444	22,065
Profit for the financial period, representing total comprehensive income for the financial period	-	-	1,602	-	-	-	1,602	105	1,707
Issuance of ordinary shares pursuant to FY2017 Scrip Dividend	490	-	(490)	-	-	-	-	-	-
Share options expenses pursuant to the ESOS	-	-	-	26	-	-	26	-	26
Dividends declared	-	-	(141)	-	-	-	(141)	-	(141)
Balance at 30 June 2018	18,868	-	7,134	62	(353)	(2,603)	23,108	549	23,657

1(d)(i) A statement (for the issuer and group) 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	Treasury shares S\$'000	Retained earnings S\$'000	Share options reserve S\$'000	Total S\$'000
Balance at 1 January 2019	40,607	(223)	453	86	40,923
Loss for the financial period, representing total comprehensive loss for the financial period	-	-	(112)	-	(112)
Share options expenses pursuant to the ESOS	-	-	-	18	18
Dividends declared	-	-	(377)	-	(377)
Balance as at 30 June 2019	40,607	(223)	(36)	104	40,452
Balance at 1 January 2018	18,378	-	635	36	19,049
Profit for the financial period, representing total comprehensive income for the financial period	-	-	478	-	478
Issuance of ordinary shares pursuant to FY2017 Scrip Dividend	490	-	(490)	-	-
Share options expenses pursuant to the ESOS	-	-	-	26	26
Dividends declared	-	-	(141)	-	(141)
Balance as at 30 June 2018	18,868	-	482	62	19,412

- 1(d)(ii) Details of any changes in the Company's share capital arising from right 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, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.**

There is no change in the Company's share capital since 1 January 2019 up to 30 June 2019. As at 30 June 2019 and 31 December 2018, the Company's share capital are as follows:

	Number of shares	Issued and paid-up share capital (\$)
Ordinary shares	252,363,591	40,607,100 ⁽¹⁾
Treasury shares	(1,014,900)	(223,278)
As at 30 June 2019 and 31 December 2018	251,348,691	40,383,822 ⁽¹⁾

As at 30 June 2019, the number of treasury shares held by the Company, amounting to 1,014,900 represented 0.40% of the total number of issued ordinary shares (excluding treasury shares). There were no treasury shares as at 30 June 2018.

On 20 April 2017, 1,156,500 share options were granted pursuant to the Advancer Global Employee Share Option Scheme. Following the resignation of employees who were granted such share options, 1,038,500 share options remained outstanding as at 30 June 2019 (30 June 2018: 1,102,500).

As at 30 June 2019 and 30 June 2018, the Company had 6,250,000 warrants outstanding from the placement and warrants issue that was completed on 17 May 2017.

The number of shares that may be issued on conversion from all outstanding convertibles is 7,288,500 ordinary shares against 251,348,691 issued shares (excluding treasury shares) as at 30 June 2019. The number of shares that may be issued on conversion from all outstanding convertibles is 7,352,500 ordinary shares against 187,363,591 issued shares (excluding treasury shares) as at 30 June 2018.

The Company had no subsidiary holdings as at 30 June 2019 and 30 June 2018.

Note:

(1) The issued and paid-up share capital recorded are net of the issue costs incurred.

- 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.**

The total number of issued ordinary shares, excluding treasury shares as at 30 June 2019 and 31 December 2018 was 251,348,691. Please refer to 1 (d)(ii) above.

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

No treasury shares were sold, transferred, disposed, cancelled and/or used during HY2019.

- 1(d)(v) A statement showing all sales, transfers, cancellation and / or use of subsidiary holdings as at the end of the current period reported on.**

Not applicable. The Company did not have any subsidiary holdings at the beginning and as at the end of the current financial year reported on.

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

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

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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 Group has applied the same accounting policies and methods of computation in the Group's financial statements for half year ended 30 June 2019 ("HY2019") compared to its most recently audited financial statements for the financial year ended 31 December 2018, except for the adoption of SFRS(I) 16 *Leases* effective 1 January 2019.

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.

The Group has adopted SFRS(I) 16 *Leases* on 1 January 2019. The adoption of SFRS(I) 16 *Leases* did not give rise to any significant changes to Group's financial statements except for the increase in right-of-use assets and an increase in lease liabilities. The Group applied the modified retrospective approach to recognise the cumulative effect of the initially applying SFRS(I) 16 on 1 January 2019. Accordingly, the comparative financial statements were not be restated.

Right-of-use assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

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:

	Group	
	30 June 2019	30 June 2018
Profit attributable to owners of the Company (S\$'000)	490	1,602
Weighted average number of ordinary shares	251,348,691	185,681,932
Earnings per share (basic and diluted)(cents)	0.19	0.86

There were no potentially dilutive instruments as at 30 June 2019 and 30 June 2018, hence the basic and dilutive earnings per share are the same respectively.

Whilst there were 6,250,000 warrants outstanding as at 30 June 2019 and 30 June 2018, the warrants are, given their exercise price of S\$0.45, not considered to be dilutive for the financial period ended 30 June 2019 and 30 June 2018.

Whilst there were 1,038,500 share options outstanding as at 30 June 2019 (30 June 2018: 1,102,500), the share options were granted at an exercise price of S\$0.40 per share and are not considered to be dilutive for the financial period ended 30 June 2019 and 30 June 2018.

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 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Net asset value per share (cents)	17.46	17.41	16.09	16.28
Net asset value (S\$'000)	43,882	43,751	40,452	40,923
Number of ordinary shares issued (excluding treasury shares)	251,348,691	251,348,691	251,348,691	251,348,691

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 RESULTS

	Employment Services	Building Management	Security Services	Total
HY2019				
External sales (S\$'000)	6,427	18,683	9,243	34,353
Cost of sales (S\$'000)	(3,629)	(14,297)	(7,769)	(25,695)
Gross profit (S\$'000)	2,798	4,386	1,474	8,658
Gross profit margin (%)	43.5	23.5	15.9	25.2
HY2018				
External sales (S\$'000)	5,992	17,602	9,176	32,770
Cost of sales (S\$'000)	(3,175)	(13,160)	(7,493)	(23,828)
Gross profit (S\$'000)	2,817	4,442	1,683	8,942
Gross profit margin (%)	47.0	25.2	18.3	27.3

Revenue

The Group's revenue increased by S\$1.6 million or 4.8% from S\$32.8 million in HY2018 to S\$34.4 million in HY2019 due to the increase in revenue across all of the Group's business segments. The reasons for the increase of revenue are as follows:

- **Employment Services**
For HY2019, there is an increase in the number of foreign domestic workers ("FDWs") that the Group had placed out to households in Singapore as compared to HY2018 due to effective sales promotion wherein certain discount were given to customers.
- **Building Management**
(a) Additional revenue contribution from its 76%-owned subsidiary, Country Cousins, that was acquired in HY2019.
(b) An increase in service income received from new and adhoc stewarding service contracts and integrated facilities management contracts.
- **Security Services**
An increase in new security projects won in HY2019 as compared to HY2018.

As at 30 June 2019, the Group has service contracts from its Building Management and Security Services Businesses (with varying contract periods) amounting to approximately S\$3.7 million monthly (31 December 2018: S\$3.7 million monthly).

Cost of sales

The Group's cost of sales increased by S\$1.9 million or 7.8%, from S\$23.8 million in HY2018 to S\$25.7 million in HY2019 which was in line with the increase in revenue. The increase was mainly due to:

- Employment Service Business - Increase in (a) recruitment costs paid (or payable) to overseas recruiters; and (b) insurance and training expenses incurred in relation to FDWs;
- Building Management Business – Increase in (a) direct labour costs arising from the acquisition of Country Cousins and increase in headcount in the other subsidiaries, (b) subcontractors' fee for Group's stewarding projects, and (c) Smart Toilet Systems sold;
- Security Services Business - Increase in number of security officers employed and number of security systems sold; and
- Accrual of bonus for employees throughout the Group's business segments in HY2019. There was no accrual of bonus for employees in HY2018.

Gross profit

As a result of the foregoing, gross profit decreased by S\$0.2 million or 3.2%, from S\$8.9 million in HY2018 to S\$8.7 million in HY2019, which was mainly due to the decrease in gross profit from all of the Group's business segments.

The Group's gross profit margin decreased by 2.1 percentage points from 27.3% in HY2018 to 25.2% in HY2019, mainly due to the following:

- Employment Services Business- Increased discount of service fees to customers and higher average recruitment costs paid (payable) to overseas recruiters of some source countries;
- Building Management Business- Increased direct labour costs of property management services;
- Security Services Business- Increase in average salaries of security guards; and
- Accrual of bonus for employees throughout the Group's business segments in HY2019. There was no accrual of bonus for employees in HY2018.

Other operating income

Other operating income decreased by S\$0.3 million or 27.6% from S\$0.9 million in HY2018 to S\$0.6 million in HY2019, mainly due to the decrease in the amount from government credit schemes such as the Wage Credit Scheme as a result of over-accrual in FY2018 and revisions made to the schemes. The decrease was offset by the increase in interest income from fixed deposits placed with the banks.

Administrative expenses

Administrative expenses increased by S\$0.3 million or 3.6% from S\$8.2 million in HY2018 to S\$8.5 million in HY2019, mainly due to the following:

- (a) Increased number of administrative staff and accrual of bonus for administrative staff and key management personnel throughout the Group's business segments in HY2019. There was no accrual of bonus for administrative staff in HY2018;
- (b) Increased loss allowance for trade receivables arising from the Group's pest controls businesses; and
- (c) Increased (i) depreciation expenses of the Group's property, plant and equipment arising from the increase in capital expenditures in HY2019, (ii) amortisation expenses of intangible assets arising from acquisition of Country Cousins in HY2019, (iii) expenses relating to short-term leases and depreciation of right-of-use assets following the adoption of SFRS(I) 16, and (iv) directors' fee.

Conversely, the increase in administrative expenses was offset by the absence of (a) bad debt written-off arising from the Group's cleaning business in HY2018 which arose from the bankruptcy of a hotel owner, (b) loss on fair value re-measurement of contingent consideration payable in relation to the acquisition of the Premier Group and Envirocare, (c) share issue expenses pursuant to FY2017 Scrip Dividend in HY2018 and (d) operating lease expense following the adoption of SFRS(I) 16.

Finance expenses

Finance expenses increased by S\$24,000 or 53.3% from S\$45,000 in HY2018 to S\$69,000 in HY2019, mainly due to the increase in interest expenses on lease liabilities and finance lease. The increase was offset by the decrease in interest expenses on bank borrowings, which was in line with the decrease in bank borrowings.

Share of losses from equity-accounted for associate

The Group recorded share of loss of S\$78,000 from investment in G3 Environmental Private Limited (“G3”) for HY2019.

Profit for the financial period

The effective tax rate of 14.7% in HY2019 was higher than 5.7% in HY2018 mainly due (i) the share of loss from equity-accounted for associate which were not deductible for taxation, (ii) revision of partial tax exemption by Singapore tax authority and absence of corporate income tax rebate in HY2019. Accordingly, the Group’s profit after tax decreased by S\$1.2 million or 70.0% from S\$1.7 million in HY2018 to S\$0.5 million in HY2019, was mainly due to the explanations set out above.

REVIEW OF GROUP’S FINANCIAL POSITION

Current assets

The Group’s current assets decreased by S\$0.7 million or 1.6% from S\$44.0 million as at 31 December 2018 to S\$43.3 million as at 30 June 2019, mainly due to a decrease of (a) other receivables of S\$0.5 million, and (b) cash and cash equivalents of S\$1.4 million (more details of the cash movement is explained in the review of the Group’s Statement of Cash Flows). This was offset by the increase in (a) trade receivables of S\$0.7 million, and (b) inventories of S\$0.5 million comprising mainly purchases of security system and Smart Toilet Systems.

Trade and other receivables

The increase in trade and other receivables by approximately S\$0.2 million or 1.32% was a result of the increase in (a) prepayment in relation to the remuneration paid to a subsidiary director (who is an independent and unrelated third party to the Directors and controlling shareholders of the Company) for his continuing of employment with the Group, (b) deferred recruitment costs for the Employment Services Business of which revenue will be invoiced during the next financial periods, and (c) prepayment in relation to advertisement and operation.

The increase in trade and other receivables was offset by decreases in other receivables mainly due to the following:

- (a) recovery of a refundable deposit amounting to S\$200,000 in relation to a non-binding agreement entered into with third parties (who are independent and unrelated third parties to the Directors and controlling shareholders) for acquisition of an entity,
- (b) capitalisation of a deposit amounting to S\$171,000 in relation to the acquisition of 76% of the issued and paid-up share capital of Country Cousins that was completed on 2 January 2019, and
- (c) decrease in receivables from government credit schemes.

Non-current assets

The Group’s non-current assets increased by S\$2.6 million or 28.0% from S\$9.2 million as at 31 December 2018 to S\$11.8 million as at 30 June 2019, mainly due to the increase in (a) goodwill as a result of the acquisition of Country Cousins, (b) right-of-use assets, and (c) capital expenditures. The increase was offset by (a) the amortisation of the Group’s intangible assets, and (b) decrease in investment in associated companies (comprising G3 Environmental Private Limited and the Chiang Kiong Group) as the Group’s share of losses in the associated companies in HY2019 was in excess of the Group’s interest in the associate.

Current liabilities

The Group’s current liabilities increased by S\$0.5 million or 5.7% from S\$7.9 million as at 31 December 2018 to S\$8.4 million as at 30 June 2019, mainly due to increase of finance lease payables, contract liabilities, lease liabilities, and other payables related to (i) provision of unutilised leave, (ii) credit notes to customers and (iii) deferred income related to government grant received and is recognised as income over the periods to match with their related costs. The increase was offset by (a) repayment of bank borrowings, (b) the decrease in (i) trade payables, (ii) other payables related to employees remuneration, (iii) income tax payables and GST payables, (iv) accrued operating expenses and (v) dividend payables to non-controlling interest in HY2019.

Non-current liabilities

The Group's non-current liabilities increased by S\$1.3 million or 102.9% from S\$1.2 million as at 31 December 2018 to S\$2.5 million as at 30 June 2019, mainly due to the increase of finance lease payables and lease liabilities. The increase was offset by the decrease of deferred tax liabilities and bank borrowings in HY2019.

Net asset value

Net asset value of the Group increased by S\$0.2 million or 0.40% from S\$44.1 million as at 31 December 2018 to S\$44.3 million as at 30 June 2019 due to the reasons set out above.

REVIEW OF GROUP'S CASH FLOWS

Net cash generated from operating activities

The Group's net cash generated from operating activities amounted to S\$0.1 million for HY2019, which resulted from operating cash flows before movements in working capital of S\$1.7 million and the increase in (a) inventories of S\$0.5 million, (b) trade and other receivables of S\$0.5 million, (c) contract liabilities from contracts with customers of S\$0.1 million, and decrease in trade and other payables of S\$0.7 million as well as payment of income tax of S\$0.2 million.

Net cash used in investing activities

Net cash used in investing activities amounted to S\$0.5 million for HY2019, which was mainly due to (a) purchase of property, plant and equipment of S\$0.5 million, (b) development of a mobile application and related web portal for cleaning business (i.e. intangible asset) of S\$0.1 million, and (c) payment of a deposit of S\$0.1 million in relation to a non-binding agreement entered into with third parties for acquisition of a group of companies.

The investing cash outflow was offset by (a) recovery of a refundable deposits of S\$0.2 million from third parties with whom a non-binding agreement entered into for acquisition of a group of companies, (b) proceeds from disposal of property, plant and equipment of S\$10,000, and (c) cash and cash equivalent of S\$21,000 acquired in relation to the acquisition of Country Cousins.

Net cash generated from financing activities

Net cash used in financing activities amounted to S\$1.1 million for HY2019, mainly due to payment for lease liabilities of S\$0.5 million, payment of dividends of S\$0.4 million, interest payment of S\$31,000 in relation to bank borrowings and finance lease payables, repayment of bank borrowings of S\$14,000 and finance lease payables of S\$73,000, and repayment to directors of S\$84,000.

Therefore, the overall cash and cash equivalents decreased by S\$1.4 million from S\$26.0 million as at 31 December 2018 to S\$24.6 million as at 30 June 2019.

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

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

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 months.

The Group expects the challenging business environment to continue. Notwithstanding that, we remain confident in our business model barring any unforeseen circumstances. As customers are facing rising manpower costs in light of an ageing working population, they are seeking customised solutions for their needs. This gives Advancer Global the opportunity to cross-sell products and services among the business units and to roll out its technology-based solutions.

Advancer Global continues to expand its businesses by targeting higher value business segments with our technological innovations and IT solutions, such as the Smart Toilet Facilities and Smart Security Systems and Solutions.

The Smart Toilet System adopts a series of sensors with the use of mobile applications and cloud-based solutions to monitor toilet usage and demands. The system, supported by data analytics,

effectively improves manpower productivity, cleaning efficiency and enhances user experience of the toilets.

A Smart Security System integrates technology such as intelligent surveillance cameras, live monitoring via the centralised command centre, automated access controls via mobile application, biometric systems and backend AI based platforms to help customers improve security management standards and efficiency.

With respect to the recent inception of a joint venture together with Fullcast Holdings Co. Ltd., the Group expects the joint venture to leverage on the Group's core strengths in the traditional manpower business.

11. If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared or recommended.

There is no interim dividend declared or recommended.

(b) (i) Amount per share

Not applicable.

(b) (ii) Previous corresponding period

An interim one-tier tax exempt dividend of 0.25 Singapore cents per share for HY2018.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state whether the tax rate and the country where the dividend is derived. (if the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reasons for the decision.

No dividend declared as the Company would like to reserve cash for the Group's operational and growth purposes.

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 has not obtained a general mandate from shareholders for interested person transactions.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers as set out in Appendix 7H under Rule 720(1).

15. Updates on use of Net Subscription Proceeds

The Board refers to the Company's annual report for financial year ended 31 December 2018 in relation to the status of use of net subscription proceeds (the "Net Subscription Proceeds") arising from the Company's issue and allotment of 65,000,000 subscription shares on 31 August 2018 is set out as follows:

	<u>Amount allocated</u> S\$ million	<u>Amount utilised</u> S\$ million	<u>Balance</u> S\$ million
Expansion of business operations	16.30	(0.37)	15.93
General corporate and working capital purposes of the Group, mainly to support administrative and operational expenses (Note (a))	5.44	(2.96)	2.48
	<u>21.74</u>	<u>(3.33)</u>	<u>18.41</u>

Note:

(a) Breakdown of the general and corporate working capital requirement:

	<u>S\$'000</u>
Professional and listing related expenses	294
Administrative expenses – staff costs	135
Administrative expenses - others	8
Purchase of inventory for a subsidiary	170
Repayment of loan incurred by a subsidiary	300
Advances to subsidiaries for operational expenses	2,050
	<u>2,957</u>

16. Confirmation by the Board Pursuant to Rule 705(5).

The Board of Directors hereby confirms, to the best of its knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for half year ended 30 June 2019 to be false or misleading in any material aspect.

By order of the Board

Chin Mui Hiong
Executive Chairman
14 August 2019

Chin Mei Yang
Chief Executive Officer and Executive Director
14 August 2019