



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 2020

This announcement has 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.

The contact person for the Sponsor is Mr. David Yeong (Telephone no.: 65-6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

TABLE OF CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME	2
STATEMENTS OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF CASH FLOWS	6
STATEMENTS OF CHANGES IN EQUITY	8
ACCOUNTING POLICIES	11
EARNINGS PER SHARE	11
NET ASSET VALUE PER SHARE	12
REVIEW OF PERFORMANCE	12
PROSPECTS	16
DIVIDEND	16
INTERESTED PERSON TRANSACTION	17
UNDERTAKING PURSUANT TO RULE 720(1)	17
USE OF PROCEEDS	17
CONFIRMATION PURSUANT TO RULE 705(5)	17

PART I: INFORMATION REQUIRED FOR 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) %
	HY2020	HY2019	
	S\$'000	S\$'000	
Revenue	27,603	34,353	(19.7)
Cost of sales	(20,845)	(25,695)	(18.9)
Gross profit	<u>6,758</u>	<u>8,658</u>	(22.0)
Other operating income	4,586	624	634.9
Administrative expenses	(8,644)	(8,535)	1.3
Finance expenses	(73)	(69)	5.8
Share of losses from equity-accounted for associates	<u>(44)</u>	<u>(78)</u>	(43.6)
Profit before income tax	2,583	600	330.5
Income tax expense	<u>(353)</u>	<u>(88)</u>	301.1
Profit for the financial period, representing total comprehensive income for the financial period	<u>2,230</u>	<u>512</u>	335.6
Profit for the financial period attributable to:			
Owners of the Company	2,017	490	311.6
Non-controlling interests	<u>213</u>	<u>22</u>	868.2
Profit for the financial period	<u>2,230</u>	<u>512</u>	335.6

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

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

	Group		Increase/ (Decrease) %
	HY2020	HY2019	
	S\$'000	S\$'000	
<i>Included in other operating income:</i>			
Gain on disposal of property, plant and equipment, net	-	6	N/M ⁽¹⁾
Government credit schemes and government grants	4,379	355	1,133.5
Interest income from advances to subcontractors	5	8	(37.5)
Interest income from fixed deposits	146	170	(14.1)
<i>Included in cost of sales:</i>			
Costs of inventories recognised as an expense	(390)	(251)	55.4
Depreciation of right-of-use assets	(139)	-	N/M ⁽¹⁾
Expenses relating to short-term leases	(182)	(71)	156.3
Reversal of provision for warranties ⁽²⁾	1	-	N/M ⁽¹⁾
Recruitment expenses	(1,413)	(2,609)	(45.8)
Staff costs (excluding key management personnel remuneration)	(13,616)	(15,901)	(14.4)
Subcontractors' fees	(4,062)	(5,480)	(25.9)

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

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

	Group		Increase/ (Decrease) %
	HY2020	HY2019	
	S\$'000	S\$'000	
<i>Included in administrative expenses:</i>			
Amortisation of intangible assets	(127)	(333)	(61.9)
Depreciation of property, plant and equipment	(244)	(357)	(31.7)
Depreciation of right-of-use assets	(709)	(439)	61.5
Directors' fees	(93)	(78)	19.2
Fair value loss arising from quoted equity instruments held at fair value through profit or loss ("FVTPL") ⁽³⁾	(3)	-	N/M ⁽¹⁾
Key management personnel remuneration	(1,955)	(1,473)	32.7
Loss allowance for receivables (trade)	(156)	(31)	403.2
Expenses relating to short-term leases	(136)	(380)	(64.2)
Expenses relating to low-value assets	(3)	-	N/M ⁽¹⁾
Property, plant and equipment written-off	-	(2)	N/M ⁽¹⁾
Share options expense ⁽⁴⁾	(6)	(18)	(66.7)
Staff costs (excluding key management personnel remuneration)	(3,838)	(3,702)	3.7
<i>Others:</i>			
Interest expenses on borrowings	(7)	(8)	(12.5)
Interest expenses on leases	(66)	(62)	6.5
Adjustment for over provision of tax in prior financial years	*(5)	45	N/M ⁽¹⁾

Note:

(1) N/M – Not meaningful

(2) The Group provides five-year warranties for its pest control services. The provision for warranties represents management's best estimates of total cost to be incurred by the Group for performing its obligations under the warranties, which draws reference to historical trends within the warranty periods granted.

(3) The Group invested in quoted equity instruments listed on the SGX-ST during HY2020. The quoted equity instruments classified at FVTPL have no fixed maturity date or coupon rate and are denominated in Singapore dollar. The fair values of these instruments are based on closing quoted market prices on the last market day of the financial period.

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

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

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- 2020 S\$'000	31-Dec- 2019 S\$'000	30-Jun- 2020 S\$'000	31-Dec- 2019 S\$'000
ASSETS				
Non-current assets				
Goodwill on consolidation	5,585	5,585	-	-
Intangible assets	476	603	-	-
Investments in subsidiaries	-	-	11,484	11,478
Investments in associates	450	494	-	-
Other investments ⁽¹⁾	-	-	-	-
Property, plant and equipment	2,233	2,379	-	-
Right-of-use assets	2,649	2,968	-	-
Deferred tax assets	30	20	-	-
Total non-current assets	11,423	12,049	11,484	11,478
Current assets				
Inventories	1,401	947	-	-
Other investments ⁽²⁾	246	-	246	-
Trade and other receivables	18,166	17,632	12,391	11,316
Cash and bank balances	28,676	25,651	18,495	18,080
Total current assets	48,489	44,230	31,132	29,396
Total assets	59,912	56,279	42,616	40,874
EQUITY AND LIABILITIES				
Equity				
Share capital	40,607	40,607	40,607	40,607
Treasury shares	(223)	(223)	(223)	(223)
Retained earnings	8,348	6,331	1,506	230
Other reserves	(2,844)	(2,850)	112	106
Equity attributable to owners of the Company	45,888	43,865	42,002	40,720
Non-controlling interests	513	300	-	-
Total equity	46,401	44,165	42,002	40,720
Non-current liabilities				
Deferred tax liabilities	141	165	-	-
Lease liabilities	1,388	1,732	-	-
Bank borrowings	577	592	-	-
Total non-current liabilities	2,106	2,489	-	-
Current liabilities				
Lease liabilities	1,518	1,457	-	-
Trade and other payables	8,559	7,261	585	129
Contract liabilities from contracts with customers	685	646	-	-
Bank borrowings	29	29	-	-
Income tax payable	614	232	29	25
Total current liabilities	11,405	9,625	614	154
Total liabilities	13,511	12,114	614	154
Total equity and liabilities	59,912	56,279	42,616	40,874

Note:

- (1) It relates to the Group's investment in unquoted equity instruments classified as FVTPL through its 76%-owned subsidiary, Newman & Goh Property Consultants Pte Ltd. in Beijing Singapore Technology & Facility Management Co., Ltd, a company incorporated in People's Republic of China. During the financial year ended 31 December 2018, the Group recognised a fair value loss of S\$99,000 which was equivalent to the amount of the investment.
- (2) It relates to the Group's investment in quoted equity instruments classified at FVTPL.

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-2020		31-Dec-2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	185	-	186	-
Amount repayable after one year	852	-	941	-
Total borrowings	<u>1,037</u>	<u>-</u>	<u>1,127</u>	<u>-</u>

(1) The lease liabilities at 30 Jun 2020 can be reconciled as follows:

	Group	
	30-Jun-2020 S\$'000	31-Dec-2019 S\$'000
<u>Lease liabilities-non-current</u>		
Lease liabilities arising from operating lease	1,113	1,383
Lease liabilities arising from finance lease	275	349
	<u>1,388</u>	<u>1,732</u>
<u>Lease liabilities-current</u>		
Lease liabilities arising from operating lease	1,362	1,300
Lease liabilities arising from finance lease	156	157
	<u>1,518</u>	<u>1,457</u>

(2) The Group's borrowings are secured by:

- (i) Motor vehicles under leases liabilities;
- (ii) Personal guarantees by a Director of the Company and a director of a subsidiary for purchase of motor vehicles under leases liabilities. 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. for property loan related to the Tradehub 21 Property; 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	
	HY2020	HY2019
	S\$'000	S\$'000
Operating activities		
Profit before income tax	2,583	600
Adjustments for:		
Amortisation of intangible assets	127	333
Depreciation of property, plant and equipment	244	357
Depreciation of right-of-use assets	848	439
Fair value loss arising from quoted equity instruments held at FVTPL	3	-
Gain on disposal of property, plant and equipment, net	-	(6)
Interest expense	73	70
Interest income	(151)	(178)
Loss allowance for receivables (trade)	156	31
Property, plant and equipment written-off	-	2
Reversal of provision for warranties	(1)	-
Share options expenses pursuant to the ESOS	6	18
Share of losses from equity-accounted for associates	44	78
Operating cash flows before movements in working capital	<u>3,932</u>	<u>1,744</u>
Changes in working capital:		
Inventories	(454)	(535)
Trade and other receivables	(390)	(485)
Trade and other payables	1,347	(701)
Contract liabilities from contracts with customers	39	105
Cash generated from operations	<u>4,474</u>	<u>128</u>
Interest received	151	178
Income taxes paid	(5)	(163)
Net cash generated from operating activities	<u>4,620</u>	<u>143</u>
Investing activities		
Deposits on proposed acquisition	(300) ⁽³⁾	100 ⁽¹⁾⁽²⁾
Net cash inflow on acquisition of a subsidiary	-	21 ⁽⁴⁾
Proceeds from disposal of property, plant and equipment	-	10
Purchase of property, plant and equipment	(98)	(548)
Purchase of intangible assets	-	(122)
Purchase of quoted equity instruments held at FVTPL	(249) ⁽⁵⁾	-
Net cash used in investing activities	<u>(647)</u>	<u>(539)</u>
Financing activities		
Dividends paid to owners of the Company	-	(377)
Dividends paid to non-controlling interests of subsidiaries	(48)	(17)
Interest paid	(20)	(31)
Repayment of bank borrowings	(15)	(14)
Repayment of lease liabilities	(865)	(528)
Repayment to directors	-	(84)
Net cash used in financing activities	<u>(948)</u>	<u>(1,051)</u>
Net increase/ (decrease) in cash and cash equivalents	3,025	(1,447)
Cash and cash equivalents at beginning of financial period	<u>25,646</u>	<u>26,001</u>
Cash and cash equivalents at end of financial period⁽⁶⁾	<u>28,671</u>	<u>24,554</u>

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

Note:

- (1) It comprises the aggregation of:
 - (i) a deposit of S\$100,000 forfeited in half year ended 30 June 2019 (“HY2019”) 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 or their respective associates) for the acquisition of a group of companies which the Group did not proceed with; 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 2 below for more details.
- (2) On 9 May 2018, the Group entered into a non-binding letter of intent with third parties (who are independent and unrelated to the Group, its Directors and controlling shareholders or their respective associates) 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.
- (3) On 14 January 2020, the Group entered into a non-binding term sheet with third parties (who are independent and unrelated to the Group, its Directors and controlling shareholders or their respective associates) for the proposed subscription of 82% of the total issued and paid-up share capital of SRE Global Pte. Ltd. (“SRE”). A refundable deposit of S\$300,000 was paid by the Group to enable further negotiation on terms and conditions. Please refer to the Company’s announcement dated 24 July 2020 for more details.
- (4) 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. The acquisition was completed on 2 January 2019.
- (5) It relates to the Group’s investment in quoted equity instruments classified at FVTPL.
- (6) 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	
	HY2020	HY2019
	S\$’000	S\$’000
Cash and bank balances	28,676	24,559
Fixed deposit pledged	(5)	(5)
Cash and cash equivalents	<u>28,671</u>	<u>24,554</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 2020	40,607	(223)	6,331	106	(353)	(2,603)	43,865	300	44,165
Profit for the financial period, representing total comprehensive income for the financial period	-	-	2,017	-	-	-	2,017	213	2,230
Share options expenses pursuant to the ESOS	-	-	-	6	-	-	6	-	6
Balance at 30 June 2020	40,607	(223)	8,348	112	(353)	(2,603)	45,888	513	46,401
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

- 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 2020	40,607	(223)	230	106	40,720
Profit for the financial period, representing total comprehensive income for the financial period	-	-	1,276	-	1,276
Share options expenses pursuant to the ESOS	-	-	-	6	6
Balance as at 30 June 2020	<u>40,607</u>	<u>(223)</u>	<u>1,506</u>	<u>112</u>	<u>42,002</u>
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	<u>40,607</u>	<u>(223)</u>	<u>(36)</u>	<u>104</u>	<u>40,452</u>

- 1(d)(ii) Details of any changes in the Company's share capital arising from right issue, bonus issue, subdivision, consolidation, 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 2020 up to 30 June 2020. As at 30 June 2020 and 31 December 2019, the Company's share capital are as follows:

	Number of shares	Issued and paid- up share capital (S\$)
Ordinary shares	252,363,591	40,607,100 ⁽¹⁾
Treasury shares	(1,014,900)	(223,278)
As at 30 June 2020 and 31 December 2019	<u>251,348,691</u>	<u>40,383,822⁽¹⁾</u>

Note:

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

As at 30 June 2020 and 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).

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, 948,000 share options remained outstanding as at 30 June 2020 (30 June 2019: 1,038,500).

As at 30 June 2020, 6,250,000 warrants outstanding from the Company's placement and warrants issue which was completed on 17 May 2017 have expired and were not exercised.

As at 30 June 2020, the only outstanding convertibles of the Company are the 948,000 share options which are convertible into 948,000 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 of all outstanding convertibles is 7,288,500 ordinary shares against 251,348,691 issued shares (excluding treasury shares).

The shareholders of the Company had, at the annual general meeting of the Company held on 17 June 2019, approved the renewal of the Share Buy-back Mandate. The Company did not carry out any share buybacks during half year ended 30 June 2020 ("HY2020").

The Company had no subsidiary holdings as at 30 June 2020 and 30 June 2019.

- 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 2020 and 31 December 2019 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 HY2020.

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 period 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.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: -

(a) Updates on the efforts taken to resolve each outstanding audit issue.

The latest financial statements are not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

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 HY2020 compared to its most recently audited financial statements for the financial year ended 31 December 2019 ("FY2019").

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.

There are no changes in the Group's accounting policies and methods of computation including any required by the accounting standards. The new and revised Singapore Financial Reporting Standards (International) ("**SFRS(I)**") including related Interpretations of SFRS (I) applicable to the Group which are effective for the financial year beginning 1 January 2020 are assessed to have no material impact on the financial statements of the Group and the Company in current or prior financial years/periods.

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 2020	30 June 2019
Profit attributable to owners of the Company (S\$'000)	2,017	490
Weighted average number of ordinary shares	251,348,691	251,348,691
Earnings per share (basic and diluted) (cents)	0.80	0.19

There were no potentially dilutive instruments as at 30 June 2020 and 30 June 2019, 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, the warrants are, given their exercise price of S\$0.45, not

considered to be dilutive for the financial period ended 30 June 2019. As at 30 June 2020, the warrants have expired and were not exercised.

Whilst there were 948,000 share options outstanding as at 30 June 2020 (30 June 2019: 1,038,500), 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 2020 and 30 June 2019.

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 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Net asset value (S\$'000)	45,888	43,865	42,002	40,720
Number of ordinary shares issued (excluding treasury shares)	251,348,691	251,348,691	251,348,691	251,348,691
Net asset value per share (cents)	18.26	17.45	16.71	16.20

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.

For management purpose, the Group is organised into business units based on their products and services, and has three (3) reportable segments as follows (i) Employment Services, (ii) Building Management, and (iii) Security Services.

REVIEW OF GROUP RESULTS

	Employment Services	Building Management	Security Services	Total
HY2020				
External sales (S\$'000)	3,781	15,267	8,555	27,603
Cost of sales (S\$'000)	(2,071)	(11,655)	(7,119)	(20,845)
Gross profit (S\$'000)	1,710	3,612	1,436	6,758
Gross profit margin (%)	45.2	23.7	16.8	24.5
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

Revenue

The Group's revenue decreased by S\$6.8 million or 19.7% from S\$34.4 million in HY2019 to S\$27.6 million in HY2020 due to the decrease in revenue across all of the Group's business segments. The reasons for the decrease of revenue are as follows:

- **Employment Services**

For HY2020, there was a decrease in the number of foreign domestic workers ("FDWs") that the Group had placed out to households in Singapore as compared to HY2019 due to worldwide travel controls which restricted FDWs entering into Singapore. All branches of the Group were

closed during the Circuit Breaker period. As at the date of this announcement, the Employment Service division has reduced its physical presence by consolidating all its resources and assets at the two (2) branches in Jurong and Tampines and ceased operations in four (4) branches in Hougang, Toa Payoh, Woodlands and Yishun.

- **Building Management**

A decrease in service income received from stewarding and cleaning, pest control and fumigation, landscaping, rendered to customers across residential, commercial properties, hotels and restaurants, mainly due to outbreak of coronavirus (“**COVID-19**”).

- **Security Services**

A decrease in service income from security projects at Changi airport, shipyard, schools and commercial properties, mainly due to outbreak of COVID-19.

As at 30 June 2020, the Group has service contracts from its Building Management and Security Services Businesses (with varying contract periods) amounting to approximately S\$3.5 million monthly (31 December 2019: S\$3.7 million monthly).

Cost of sales

The Group’s cost of sales decreased by S\$4.9 million or 18.9%, from S\$25.7 million in HY2019 to S\$20.8 million in HY2020, which was in line with the decrease in revenue. The decrease was mainly due to:

- Employment Service Business - decrease in (a) recruitment costs paid (or payable) to overseas recruiters, and (b) insurance and training expenses incurred in relation to FDWs. The decrease in cost of sales was offset by increase in FDWs’ accommodation expenses for the provision of housing to FDWs who are required to serve Stay-Home-Notice (“**SHN**”);
- Building Management Business – decrease in (a) direct labour costs including a waiver of foreign worker levies and two rounds of levy rebate for each S pass and work permit holder as part of the support schemes from Singapore government to ease labour costs of employers during Circuit Breaker (“**Levy Waiver and Rebate**”), and (b) subcontractors’ fee for Group’s stewarding and cleaning projects. The decrease was offset by increase in (a) short-term lease expenses incurred for accommodation of Malaysian employees who have no living arrangements in Singapore (“**Additional Lease Expenses**”), (b) depreciation of right-of-use assets in relation to the lease of hostel, (c) purchases of chemical material for Group’s cleaning projects, (d) purchases of face masks for employees in the Building Management Business sector and (e) direct labour costs of property management services for work done during the Circuit Breaker.
- Security Services Business – Levy Waiver and Rebate and decrease in number of security officers employed. The decrease was offset by increase in (a) Additional Lease Expenses, (b) subcontractors’ fee, (c) depreciation of right-of-use assets in relation to the lease of hostel, and (d) number of security system sold.

Gross profit

As a result of the foregoing, gross profit decreased by S\$1.9 million or 22.0%, from S\$8.7 million in HY2019 to S\$6.8 million in HY2020, which was mainly due to the decrease in gross profit from all of the Group’s business segments.

The Group’s gross profit margin remained relatively constant at 25.2% in HY2019 and 24.5% in HY2020.

Other operating income

Other operating income increased by S\$4.0 million or 634.9% from S\$0.6 million in HY2019 to S\$4.6 million in HY2020, mainly due to the increase in the amount from government grant and credit scheme such as (a) Wage Credit Scheme as a result of under-accrual in FY2019 and revisions made to the scheme in HY2020, (b) Jobs Support Scheme announced in HY2020, and (c) rental rebate from landlords as a result of remission of property tax from Singapore government in response to the COVID-19 pandemic.

Administrative expenses

Administrative expenses increased marginally by S\$0.1 million or 1.3% from S\$8.5 million in HY2019 to S\$8.6 million in HY2020, mainly due to the following: Increased loss allowance for trade receivables arising from the Group’s property management, pest controls, cleaning and security businesses which arose from increased default being more than 365 days past due;

- (a) Increased depreciation of right-of-use assets in line with the increase in right-of-use assets arising from a renewal of certain leases as compared to 30 June 2019;
- (b) Increased number of IT and sales staff to support Group's system and business development, and accrual of bonus for administrative staff and key management personnel in HY2020;
- (c) Increased directors' fee arising from appointment of a new director; and
- (d) Increased key management personnel remuneration including a special bonus paid to a subsidiary director (who is an independent and unrelated third party to the Directors and controlling shareholders of the Company) in HY2020 for operating of the Group's security service business.

Conversely, the increase in administrative expenses was offset by the decrease in (a) advertisement expenses, (b) amortisation of intangible assets due to certain intangible assets arising from the acquisition of subsidiaries in prior years having been fully amortised, (c) depreciation expenses of the Group's property, plant and equipment arising from the decrease in capital expenditures in HY2020, and (d) operating lease expense following the recognition of right-of-use assets.

Finance expenses

Finance expenses increased by S\$4,000 or 5.8% from S\$69,000 in HY2019 to S\$73,000 in HY2020, mainly due to the increase in interest expenses on lease liabilities. 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 associates

The Group recorded share of loss of S\$44,000 from investment in Fullcast International Co., Ltd. for HY2020.

Profit for the financial period

The effective tax rate of 13.7% in HY2020 was lower than 14.7% in HY2019 mainly due revision of corporate income tax rebate for the year 2020 by Singapore tax authority. Accordingly, the Group's profit after tax increased by S\$1.7 million or 335.5% from S\$0.5 million in HY2019 to S\$2.2 million in HY2020, mainly due to the explanation set out above.

REVIEW OF GROUP'S FINANCIAL POSITION

Current assets

The Group's current assets increased by S\$4.3 million or 9.6% from S\$44.2 million as at 31 December 2019 to S\$48.5 million as at 30 June 2020, mainly due to the increase of (a) inventories of S\$0.5 million comprising of mainly purchases of security system, Smart Toilet Systems and face masks, (b) other receivables of S\$2.3 million, (c) other investments of S\$0.2 million arising from the Group's investment in quoted equity securities listed on SGX-ST during the financial period and (d) cash and cash equivalents of S\$3.0 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 decrease of trade receivables of S\$1.8 million.

The increase in trade and other receivables by approximately S\$0.5 million or 3.0% was a result of an increase in the following:

- (a) accrued receivables amounting to S\$0.3 million in relation to revenue recognised for completion of installation contracts for security systems and provision of security, cleaning and landscaping services which have not been invoiced to the customers as at the end of the financial period;
- (b) receivables of S\$1.7 million in relation to the government grant and credit schemes such as Wage Credit Scheme, Special Employment Credit and Jobs Support Scheme;
- (c) prepayment and deposits in relation to advertisement, insurance and adoption of technological systems for certain of the Group's subsidiaries; and
- (d) a refundable deposit of S\$300,000 in relation to the proposed subscription of 82% of the total issued and paid-up share capital of SRE.
- (e) The increase in trade and other receivables was offset by the increase in loss allowances for trade receivables arising from expected credit losses from trade receivables from the Group's property management, pest control, cleaning and security businesses which are more than 365 days past due, and decreases in (i) trade receivables which was in line with the decrease in revenue, (ii) deferred recruitment costs for the Employment Services Business of which revenue will be invoiced during the next financial period, (iii) advances to the recruiters for the Employment Service Business, and (iv) advances to staff (who are independent and unrelated third parties to the Directors and controlling shareholders of the Company).

Non-current assets

The Group's non-current assets decreased by S\$0.6 million or 5.2% from S\$12.0 million as at 31 December 2019 to S\$11.4 million as at 30 June 2020, mainly due to (a) decrease in right-of-use assets and property, plant and equipment arising from depreciation charges and offset by capital expenditures during the period, (b) the amortisation of the Group's intangible assets, and (c) decrease in investments in associates arising from share of their losses in HY2020.

Goodwill is not amortised but is reviewed for impairment at least annually, or more frequently when there is an indication that the cash-generating unit may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period. The assessment for the impairment of goodwill for the financial year ending 31 December 2020 will rely on significant management judgement at appropriately identifying the cash-generating unit and to determine certain key assumptions including, *inter alia*, operating margins, terminal growth rates, discount rates and the underlying the cash flow projections. The actual future performance, outcome and results of the Group may differ materially from the projection as result of, *inter alia*, known and unknown risks, uncertainties, bases and assumptions including uncertainty arising from the pandemic and/or matters beyond the Group's control. As the COVID-19 situation is still evolving and the impact cannot be reliably estimated with certainty at this point of time, no goodwill impairment was provided for HY2020 and impairment of goodwill will be reviewed again at the end of financial year 2020.

Current liabilities

The Group's current liabilities increased by S\$1.8 million or 18.5% from S\$9.6 million as at 31 December 2019 to S\$11.4 million as at 30 June 2020, mainly due to increase in lease liabilities, contract liabilities, accrued operating expense, income tax payables and other payables related to (i) credit notes to customers for the Employment Services Business, (ii) amount due to directors and (iii) deferred income of S\$2.9 million in relation to government grant received and is refunded or recognised as income over the periods to match with their related costs. The increase was offset by the decrease in (i) trade payables, (ii) other payables related to employees' remuneration, (iii) GST payables, and (iv) dividend payable to non-controlling interest in HY2020.

Non-current liabilities

The Group's non-current liabilities decreased by S\$0.4 million or 15.4% from S\$2.5 million as at 31 December 2019 to S\$2.1 million as at 30 June 2020, mainly due to the decrease of lease liabilities, deferred tax liabilities and bank borrowings.

Net asset value

Net asset value of the Group increased by S\$2.2 million or 5.1% from S\$44.2 million as at 31 December 2019 to S\$46.4 million as at 30 June 2020 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\$4.6 million for HY2020, which resulted from operating cash flows before movements in working capital of S\$3.9 million and the increase in (a) inventories of S\$0.5 million, (b) trade and other receivables of S\$0.4 million, (c) contract liabilities from contracts with customers of S\$39,000, and (d) trade and other payables of S\$1.3 million as well as payment of income tax of S\$5,000.

Net cash used in investing activities

Net cash used in investing activities amounted to S\$0.6 million for HY2020, which was mainly due to (a) purchase of property, plant and equipment of S\$98,000, (b) investment in quoted shares of S\$0.2 million, and (c) payment of a deposit of S\$0.3 million in relation to the proposed subscription of 82% of the total issued and paid-up share capital in SRE.

Net cash used in financing activities

Net cash used in financing activities amounted to S\$0.9 million for HY2020, mainly due to payment for lease liabilities of S\$0.9 million, payment of dividend to non-controlling interests of subsidiaries of S\$48,000, interest payment of S\$20,000 in relation to bank borrowings and lease liabilities, and repayment of bank borrowings of S\$15,000.

Therefore, the overall cash and cash equivalents increased by S\$3.0 million from S\$25.7 million as at 31 December 2019 to S\$28.7 million as at 30 June 2020.

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 business environment is expected to be even more challenging in the coming months. As part of the Group's business transformation and digitalisation strategy, a new e-marketplace portal, incorporating services from the Building Management Services division to serve households' needs was rolled out in the second quarter of 2020 to provide potential new revenue streams for our subsidiaries, beyond serving institutional customers. The Group's plans of rolling out an e-commerce platform by the end of third quarter 2020 to provide contactless services to customers for the hiring of foreign domestic is currently on track.

To sustain its business operations, the Group will continue to be prudent about managing costs and streamline operations through automation, while strategising to increase our competitiveness in the marketplace through technology innovations.

Monitoring of inventory and trade receivables have become more important during the pandemic. The Group does not expect any significant inventory allowances or difficulties in collections in the next reporting period. As the COVID-19 pandemic is an unprecedented event and the situation is evolving, the impact cannot be reliably estimated with certainty at this point of time. Amidst the uncertainties and challenges, the Group's balance sheet is sound with low gearing and cash position to withstand the adversity.

11. **If a decision regarding dividend has been made:**

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

The directors are pleased to declared an interim one-tier tax exempt dividend of 0.59 Singapore cent per share for HY2020 ("**Interim Dividend**"). The Interim Dividend will be paid in cash.

- (b) (i) Amount per share**

An Interim Dividend of 0.59 Singapore cent per share.

- (b) (ii) Previous corresponding period**

Not applicable.

- (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).**

The Interim Dividend is tax exempted.

- (d) The date the dividend is payable**

30 September 2020

- (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.**

21 September 2020, 5.00 p.m.

Please refer to "Notice of Book Closure" announcement for further details.

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

Not applicable.

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 announcement dated 30 June 2020 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:

	Amount allocated	Amount utilised	Balance
	S\$ million	S\$ million	S\$ million
Expansion of business operations	16.30	(1.48)	14.82
General corporate and working capital purposes of the Group, mainly to support administrative and operational expenses (Note (a))	5.44	(3.72)	1.72
	<u>21.74</u>	<u>(5.20)</u>	<u>16.54</u>

Note:

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

	<u>S\$'000</u>
Professional and listing related expenses	607
Administrative expenses – staff costs	308
Administrative expenses - others	33
Purchase of inventory for a subsidiary	170
Repayment of loan incurred by a subsidiary	300
Advances to subsidiaries for operational expenses	<u>2,300</u>
	<u>3,718</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 2020 to be false or misleading in any material aspect.

By order of the Board

Lim Teck Chai, Danny
Independent Non-Executive Chairman
12 August 2020

Chin Mei Yang
Chief Executive Officer and Executive Director
12 August 2020