



Design Studio Group Ltd.

**(Incorporated in Singapore)
(Registration Number: 199401553D)**

**Second Quarter and Half Year Financial Statements
And Dividend Announcement
For The Period Ended
30 June 2019**

Design Studio Group Ltd
(Registration Number: 199401553D)

Second Quarter and Half Year Financial Statements and Dividend Announcement

PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

Consolidated Income Statement

	Group					
	2nd Quarter ended			Half Year ended		
	30.06.2019	30.06.2018	+ /(-)	30.06.2019	30.06.2018	+ /(-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	36,119	48,602	(25.7)	51,526	89,589	(42.5)
Other items of income						
Other income	8	38	(78.9)	131	87	50.6
Interest Income	13	21	(38.1)	18	38	(52.6)
	<u>36,140</u>	<u>48,661</u>	<u>(25.7)</u>	<u>51,675</u>	<u>89,714</u>	<u>(42.4)</u>
Items of expenses						
Change in inventories of finished goods and work in progress	(266)	789	N.M.	(791)	1,602	N.M.
Raw materials and consumables used	(9,288)	(11,196)	(17.0)	(11,399)	(18,282)	(37.6)
Subcontractors costs	(18,486)	(25,704)	(28.1)	(23,655)	(47,135)	(49.8)
Employee benefits	(8,032)	(7,418)	8.3	(16,107)	(15,141)	6.4
Depreciation and amortisation expenses	(849)	(369)	>100	(1,609)	(1,256)	28.1
Finance costs	(100)	(66)	51.5	(138)	(93)	48.4
Impairment loss on financial assets and contract assets	(6,916)	(31)	>100	(6,916)	(65)	>100
Reversal of impairment loss on financial assets	88	258	(65.9)	88	268	(67.2)
Other expenses	(4,204)	(3,548)	18.5	(8,989)	(7,265)	23.7
	<u>(11,913)</u>	<u>1,376</u>	<u>N.M.</u>	<u>(17,841)</u>	<u>2,347</u>	<u>N.M.</u>
(Loss)/ Profit before tax						
Income tax expense	(394)	(399)	(1.3)	(659)	(1,048)	(37.1)
	<u>(12,307)</u>	<u>977</u>	<u>N.M.</u>	<u>(18,500)</u>	<u>1,299</u>	<u>N.M.</u>
(Loss)/ Profit after tax						
(Loss)/ Profit attributable to:						
Owners of the Company	(12,374)	965	N.M.	(18,582)	1,287	N.M.
Non-controlling interests	67	12	>100	82	12	>100
	<u>(12,307)</u>	<u>977</u>	<u>N.M.</u>	<u>(18,500)</u>	<u>1,299</u>	<u>N.M.</u>

Consolidated Statement of Comprehensive Income

(Loss)/ Profit after tax	(12,307)	977	N.M.	(18,500)	1,299	N.M.
Other comprehensive (loss)/ income						
<i>Items that may be reclassified subsequently profit or loss:</i>						
Foreign currency translation	(435)	71	N.M.	19	1,162	(98.4)
Total comprehensive (loss)/ income	<u>(12,742)</u>	<u>1,048</u>	<u>N.M.</u>	<u>(18,481)</u>	<u>2,461</u>	<u>N.M.</u>
Total comprehensive (loss)/ income attributable to:						
Equity holders of the Company	(12,804)	1,036	N.M.	(18,558)	2,449	N.M.
Non-controlling interests	62	12	>100	77	12	>100
	<u>(12,742)</u>	<u>1,048</u>	<u>N.M.</u>	<u>(18,481)</u>	<u>2,461</u>	<u>N.M.</u>

N.M.: Not Meaningful

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

	Note	Group		Company	
		30.06.2019 S\$'000	31.12.2018 S\$'000	30.06.2019 S\$'000	31.12.2018 S\$'000
Non-current assets					
Property, plant and equipment		15,989	14,109	3,618	3,321
Investment in subsidiaries		-	-	41,359	41,359
Intangible assets	1(b)(1)	2,757	2,762	28	33
Deferred tax assets		531	554	289	287
Trade and other receivables	1(b)(2)	7,208	7,277	-	-
Total non-current assets		26,485	24,702	45,294	45,000
Current assets					
Inventories	1(b)(3)	3,953	4,050	-	-
Contract assets	1(b)(4)	64,304	65,735	-	-
Trade and other receivables	1(b)(2)	45,389	51,427	3,766	3,413
Prepayments		565	709	45	69
Loans to subsidiaries		-	-	6,605	6,155
Tax recoverable		1,804	1,501	-	-
Cash and short-term deposits		4,503	11,805	59	365
Total current assets		120,518	135,227	10,475	10,002
Current liabilities					
Trade and other payables	1(b)(5)	74,662	80,689	2,166	1,463
Contract liabilities	1(b)(4)	13,855	8,490	-	-
Lease liabilities		1,076	-	180	-
Provisions		876	2,225	-	-
Borrowings		7,942	3,000	466	-
Provision for tax		393	186	-	-
Total current liabilities		98,804	94,590	2,812	1,463
Net current assets		21,714	40,637	7,663	8,539
Non-current liabilities					
Deferred tax liabilities		37	37	-	-
Lease liabilities		1,591	-	410	-
Total non-current liabilities		1,628	37	410	-
Net assets		46,571	65,302	52,547	53,539
Equity attributable to owners of the Company					
Share capital		32,732	32,732	32,732	32,732
Reserves		14,161	32,969	19,815	20,807
		46,893	65,701	52,547	53,539
Non-controlling interests		(322)	(399)	-	-
Total equity		46,571	65,302	52,547	53,539

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Notes to Statement of Financial Position

Note 1(b)(1) Intangible assets

	Group		Company	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	S\$'000	S\$'000	S\$'000	S\$'000
Club membership	128	128	128	128
Less: Accumulated amortisation	(100)	(95)	(100)	(95)
	28	33	28	33
Goodwill	2,729	2,729	-	-
	<u>2,757</u>	<u>2,762</u>	<u>28</u>	<u>33</u>

Note 1(b)(2) Trade and other receivables

	Group		Company	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	S\$'000	S\$'000	S\$'000	S\$'000
Trade and other receivables (non-current):				
Retention monies				
- Third parties	6,122	6,056	-	-
- Immediate holding company	1,226	1,239	-	-
	7,348	7,295	-	-
Less: Loss allowance	(140)	(18)	-	-
	<u>7,208</u>	<u>7,277</u>	<u>-</u>	<u>-</u>
Trade receivables (current):				
Retention monies				
- Third parties	6,164	9,371	-	-
Trade receivables				
- Third parties	23,532	29,666	-	1
- Immediate holding company	3,231	2,516	-	-
- Related companies	517	522	-	-
- Subsidiary	-	-	665	665
	33,444	42,075	665	666
Less: Loss allowance	(2,505)	(809)	-	-
	<u>30,939</u>	<u>41,266</u>	<u>665</u>	<u>666</u>
Other receivables and deposits	14,895	10,124	68	69
Less: Loss allowance	(482)	-	-	-
	<u>14,413</u>	<u>10,124</u>	<u>68</u>	<u>69</u>
Amount due from a related company	37	37	28	28
Amount due from subsidiaries (non-trade)	-	-	3,005	2,650
Total	<u>45,389</u>	<u>51,427</u>	<u>3,766</u>	<u>3,413</u>
Movement in allowance accounts:				
At beginning of the year	827	1,486	-	-
Charge for the year	2,408	716	-	-
Write-back during the year	(88)	(1,070)	-	-
Write-off during the year	-	(273)	-	-
Currency translation difference	(20)	(32)	-	-
At end of the year	<u>3,127</u>	<u>827</u>	<u>-</u>	<u>-</u>

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Note 1(b)(3) Inventories

	Group		Company	
	30.06.2019 S\$'000	31.12.2018 S\$'000	30.06.2019 S\$'000	31.12.2018 S\$'000
Raw materials	3,064	2,369	-	-
Work-in-progress	528	576	-	-
Finished goods	361	1,105	-	-
	<u>3,953</u>	<u>4,050</u>	<u>-</u>	<u>-</u>

Note 1(b)(4) Contract assets and contract liabilities

	Group		Company	
	30.06.2019 S\$'000	31.12.2018 S\$'000	30.06.2019 S\$'000	31.12.2018 S\$'000
Contract revenue	68,945	65,907	-	-
Less: Loss allowance	(4,641)	(172)	-	-
Total contract assets	<u>64,304</u>	<u>65,735</u>	<u>-</u>	<u>-</u>
Contract revenue	1,690	1,146	-	-
Advance payment from customers	12,165	7,344	-	-
Total contract liabilities	<u>13,855</u>	<u>8,490</u>	<u>-</u>	<u>-</u>
Net contract assets	<u>50,449</u>	<u>57,245</u>	<u>-</u>	<u>-</u>

Note 1(b)(5) Trade and other payables

	Group		Company	
	30.06.2019 S\$'000	31.12.2018 S\$'000	30.06.2019 S\$'000	31.12.2018 S\$'000
<u>Trade payables:</u>				
Amount due to third parties	14,040	19,799	-	-
Amount due to subsidiaries	-	-	28	28
Amount due to related companies	55	58	-	-
Amount due to immediate holding company	3,109	1,866	-	-
Retention payables	8,802	8,396	-	-
Accrued contract costs	40,369	44,997	-	-
	<u>66,375</u>	<u>75,116</u>	<u>28</u>	<u>28</u>
Other payables	2,153	2,230	176	80
Amount due to a subsidiary	-	-	14	7
Amount due to a related company	1,666	1,165	1,623	1,122
Accrued operating expenses	4,468	2,178	325	226
	<u>74,662</u>	<u>80,689</u>	<u>2,166</u>	<u>1,463</u>

1(b)(ii) Aggregate amount of group's borrowings and debts securities as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

Amount repayable in one year or less, or on demand

	30.06.2019 S\$'000	31.12.2018 S\$'000
Unsecured bank borrowings	<u>7,942</u>	<u>3,000</u>

Amount repayable after one year – Nil

Details of any collateral

As at 30 June 2019, the Group's bank facilities were secured by the corporate guarantees provided by the Company. Certain bank facilities of a subsidiary were also secured by corporate guarantee provided by immediate holding company.

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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

Consolidated Statement of Cash Flows

	Group			
	2nd Quarter ended		Half Year ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
(Loss)/ Profit before tax	(11,913)	1,376	(17,841)	2,347
Adjustments:				
Depreciation of property, plant and equipment	847	369	1,604	1,255
Gain on disposal of property, plant and equipment	-	(1)	-	(119)
Property, plant and equipment written off	10	-	10	-
Interest income	(13)	(21)	(18)	(38)
Interest expenses	100	66	138	93
Amortisation of club membership	2	-	5	1
Operating (loss)/ profit before working capital changes	(10,967)	1,789	(16,102)	3,539
Increase in inventories	(311)	(583)	83	(710)
(Increase)/ Decrease in contract assets and liabilities	(9,262)	(17,178)	7,008	(38,519)
Decrease/ (Increase) in trade and other receivables	1,140	(2,687)	6,050	2,422
Increase/ (Decrease) in trade and other payables	8,673	19,847	(7,710)	29,941
Cash flows (used in)/ from operations	(10,727)	1,188	(10,671)	(3,327)
Interest expenses paid	(13)	(66)	(51)	(93)
Income taxes paid	28	(643)	(387)	(926)
Net cash flows (used in)/ generated from operating activities	(10,712)	479	(11,109)	(4,346)
Cash flows from investing activities				
Costs incurred for construction-in-progress	-	(270)	-	(282)
Interest income received	13	21	18	38
Proceeds from sale of property, plant and equipment	-	2	-	130
Purchase of property, plant and equipment	(201)	(360)	(604)	(622)
Net cash flows used in investing activities	(188)	(607)	(586)	(736)
Cash flows from financing activities				
Decrease in fixed deposits pledged	-	46	-	1,023
Repayment of finance lease liabilities	-	(25)	-	(50)
Proceeds from bank borrowings	3,812	-	4,302	-
Repayment of bank borrowings	(3,393)	-	(3,393)	-
Increase in finance liabilities due to adoption of SFRS(I) 16	(343)	-	(582)	-
Net cash flows generated from financing activities	76	21	327	973

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Consolidated Statement of Cash Flows (cont'd)

	Group			
	2nd Quarter ended		Half Year ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	S\$'000	S\$'000	S\$'000	S\$'000
Net decrease in cash and cash equivalents	(10,824)	(107)	(11,368)	(4,109)
Effect of exchange rate changes on cash and cash equivalents	(25)	236	33	266
Cash and cash equivalents at beginning of the period	11,319	23,946	11,805	27,918
Cash and cash equivalents at end of the period (Note A)	<u>470</u>	<u>24,075</u>	<u>470</u>	<u>24,075</u>

Notes to Consolidated Statement of Cash Flows

A. Cash and cash equivalents

	Group	
	30.06.2019	30.06.2018
	S\$'000	S\$'000
Cash at banks and on hand	4,503	23,327
Fixed deposits	-	748
Cash and short-term deposits	<u>4,503</u>	<u>24,075</u>
Less: Bank overdraft	<u>(4,033)</u>	<u>-</u>
Cash and cash equivalents	<u>470</u>	<u>24,075</u>

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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.

Statements of Changes in Equity

Group	Attributable to owners of the Company				Non-controlling interests	Total Equity
	Share capital	Revenue reserve	Other reserve	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2019						
Balance at 31 December 2018	32,732	34,692	(1,723)	65,701	(399)	65,302
Adoption of SFRS(I) 16	-	(250)	-	(250)	-	(250)
Balance at 1 January 2019, after adoption of SFRS(I)	32,732	34,442	(1,723)	65,451	(399)	65,052
Loss after tax	-	(18,582)	-	(18,582)	82	(18,500)
Other comprehensive income for the period	-	-	24	24	(5)	19
Total comprehensive loss for the period	-	(18,582)	24	(18,558)	77	(18,481)
Balance at 30 June 2019	32,732	15,860	(1,699)	46,893	(322)	46,571
2018						
Balance at 31 December 2017	32,732	61,488	(959)	93,261	(459)	92,802
Adoption of SFRS(I) 15	-	(96)	(8)	(104)	-	(104)
Adoption of SFRS(I) 9	-	(177)	-	(177)	-	(177)
Balance at 1 January 2018, after adoption of SFRS(I)	32,732	61,215	(967)	92,980	(459)	92,521
Profit after tax	-	1,287	-	1,287	12	1,299
Other comprehensive income for the period	-	-	1,162	1,162	-	1,162
Total comprehensive income for the period	-	1,287	1,162	2,449	12	2,461
Balance at 30 June 2018	32,732	62,502	195	95,429	(447)	94,982

Company	Share capital	Revenue reserve	Total
	S\$'000	S\$'000	S\$'000
2019			
Balance at 31 December 2018	32,732	20,807	53,539
Adoption of SFRS(I) 16	-	(206)	(206)
Balance at 1 January 2019, after adoption of SFRS(I)	32,732	20,601	53,333
Loss after tax, representing total comprehensive loss for the period	-	(786)	(786)
Balance at 30 June 2019	32,732	19,815	52,547
2018			
Balance at 31 December 2017	32,732	24,832	57,564
Loss after tax, representing total comprehensive loss for the period	-	(673)	(673)
Balance at 30 June 2018	32,732	24,159	56,891

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1(d)(ii) Details of any 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 any other purpose since the end of the previous period reported on. State 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.

	Number of shares	Share capital in S\$'000
Issued and fully paid ordinary shares:		
At 31 December 2018 and 30 June 2019	260,264,171	32,732

There were no changes in the share capital of the company in the 2nd quarter of 2019.

There were no outstanding convertible securities as at 30 June 2018 and 30 June 2019.

There were no treasury shares and subsidiary holdings as at 30 June 2018 and 30 June 2019.

The Company had adopted an employee share option scheme and performance share plan known as the Design Studio’s Employee Share Option Scheme and the Design Studio’s Performance Share Plan respectively, approved by the shareholders in an Extraordinary General Meeting held on 25 January 2013.

As of 30 June 2019, no options or shares have been granted to employees or directors.

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.

	30.06.2019	31.12.2018
Total number of shares (excluding treasury shares)	260,264,171	260,264,171

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

There were no sales, transfers, cancellation and/or use of treasury shares as at 30 June 2019 as the Company does not have any treasury shares.

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

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at 30 June 2019.

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

The figures have not been audited or reviewed.

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.

Except as disclosed in Note 5 below, the Group and Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2018.

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 applied the same accounting policies and methods of computation in the preparation of the financial information for the current period as compared with the audited financial statements as at 31 December 2018 except for the adoption of SFRS(I) 16, *Leases*.

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group has applied the standard from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases have been measured on transition as if the new rules had always been applied. All other right-of-use assets have been measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The impact of adoption of SFRS(I) equivalent of IFRS 16 has been disclosed in the Statements of Changes in Equity.

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6. (Loss)/ Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends: -

- (a) Based on weighted average number of ordinary shares on issue; and**
(b) Based on fully diluted basis (detailing any adjustments made to the earnings)

	Group			
	2nd Quarter ended		Half Year ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
(a) Based on weighted average number of ordinary shares in issue (cents)	(4.75)	0.37	(7.14)	0.49
(b) On fully diluted basis (cents)	(4.75)	0.37	(7.14)	0.49

The basic earnings per ordinary share for the 2nd quarter ended 30 June 2019 is calculated by dividing the 2nd quarter loss attributable to shareholders of S\$12.4 million (30 June 2018: profit attributable to shareholders of S\$1.0 million) by the weighted average number of 260,264,171 (30 June 2018: 260,264,171) shares in issue during the financial period.

The basic earnings per ordinary share for the half year ended 30 June 2019 is calculated by dividing the half year loss attributable to shareholders of S\$18.6 million (30 June 2018: profit attributable to shareholders of S\$1.3 million) by the weighted average number of 260,264,171 (30 June 2018: 260,264,171) shares in issue during the financial period.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

(a) Current period reported on

	Group 30.06.2019	Company 30.06.2019
Net asset value per ordinary share for the period based on existing issued share capital of 260,264,171 ordinary shares as at 30 June 2019 (cents)	18.02	20.19

(b) Immediately preceding financial year

	Group 31.12.2018	Company 31.12.2018
Net asset value per ordinary share for the period based on existing issued share capital of 260,264,171 ordinary shares as at 31 December 2018 (cents)	25.24	20.57

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8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss 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 Performance

2Q2019 vs 2Q2018

	2nd Quarter ended		+/(-) %
	30.06.2019 S\$'000	30.06.2018 S\$'000	
Singapore BU	11,770	18,828	(37.5)
Malaysia BU	4,327	18,810	(77.0)
International BU	17,820	7,389	>100
Manufacture BU	2,202	3,575	(38.4)
Total	36,119	48,602	(25.7)

For 2Q2019, the Group's revenue decreased by 25.7% to S\$36.1 million as compared to 2Q2018. This was mainly due to lower revenue recognised by Singapore, Malaysia and Manufacture business units ("BU"), partially offset by an increase in revenue recognition under International BU as the Group's intensified its focus on international business.

In line with lower revenue, raw materials and consumables used decreased from S\$11.2 million in 2Q2018 to S\$9.3 million in 2Q2019 and subcontractors' costs also decreased from S\$25.7 million in 2Q2018 to S\$18.5 million in 2Q2019.

Employee benefits increased from S\$7.4 million in 2Q2018 to S\$8.0 million in 2Q2019 mainly attributed to International BU as well as cost incurred for staff right sizing.

Depreciation and amortization expenses increased from S\$0.4 million in 2Q2018 to S\$0.8 million in 2Q2019 mainly attributed to increase in IT related capital expenditure.

Finance costs increased from S\$0.07 million in 2Q2018 to S\$0.1 million in 2Q2019 owing to increase in bank borrowings for working capital.

The Group provided higher impairment losses of S\$6.9 million on contract assets and receivables in 2Q2019 mainly attributed to Malaysia BU (S\$6.4 million) and Singapore BU (S\$0.5 million). In view of the difficulty encountered in receivables recovery, provision for impairment was made against certain outstanding receivables mainly for projects completed in past years. The Group will continue its efforts to pursue its contractual claims through all available channels.

Other expenses consist mainly of operating expenses, professional and legal expenses, repair and maintenance, utilities, transport, travelling expenses, freight and shipping charges. Other expenses increased from S\$3.5 million in 2Q2018 to S\$4.2 million in 2Q2019. The increase was mainly attributed to International BU and Singapore BU.

Income tax expenses comprised of income tax and deferred tax expense of \$0.38 million and S\$0.01 million respectively in 2Q2019. The income tax expenses were mainly attributed to International BU.

The Group recorded loss after tax of S\$12.3 million in 2Q2019 as compared to profit after tax of S\$1.0 million in 2Q2018.

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Review of Group Performance (cont'd)

1H2019 vs 1H2018 (cont'd)

	Half Year ended		+ / (-) %
	30.06.2019 S\$'000	30.06.2018 S\$'000	
Singapore BU	18,732	35,901	(47.8)
Malaysia BU	6,941	37,121	(81.3)
International BU	22,611	10,440	>100
Manufacture BU	3,242	6,127	(47.1)
Total	51,526	89,589	(42.5)

For 1H2019, the Group's revenue decreased by 42.5% to S\$51.5 million as compared to 1H2018 due mainly to lower revenue recognised by Singapore, Malaysia and Manufacture BUs, while the Group recognised an increase in revenue in its International BU. The International BU revenue increased from S\$10.4 million to S\$22.5 million in 1H2019.

In line with lower revenue, raw materials and consumables used decreased from S\$18.3 million in 1H2018 to S\$11.4 million in 1H2019 and subcontractors' costs also decreased from S\$47.1 million in 1H2018 to S\$23.7 million in 1H2019.

Employee benefits increased from S\$15.1 million in 1H2018 to S\$16.1 million in 1H2019 mainly attributed to International BU as well as cost incurred for staff right sizing.

Depreciation and amortization expenses increased from S\$1.3 million in 1H2018 to S\$1.6 million in 1H2019 mainly due to increase in IT related capital expenditure.

Finance costs increased from S\$0.09 million in 1H2018 to S\$0.14 million in 1H2019 owing to increase in bank borrowings for working capital.

The Group provided higher impairment losses of S\$6.9 million on contract assets and receivables in 1H2019 mainly attributed to Malaysia BU (S\$6.4 million) and Singapore BU (S\$0.5 million). In view of the difficulty encountered in receivables recovery, provision for impairment was made against certain outstanding receivables mainly for projects completed in past years. The Group will continue its efforts to pursue its contractual claims through all available channels.

Other expenses consist mainly of operating expenses, professional and legal expenses, repair and maintenance, utilities, transport, travelling expenses, freight and shipping charges. Other expenses increased from S\$7.3 million in 1H2018 to S\$9.0 million in 1H2019. The increase was mainly attributed to International BU and Singapore BU.

Income tax expenses comprised of income tax and deferred tax expense of S\$0.6 million and S\$0.06 million respectively in 1H2019. The income tax expenses were mainly attributed to International BU.

The Group recorded loss after tax of S\$18.5 million in 1H2019 as compared to profit after tax of S\$1.3 million in 1H2018.

Balance Sheet (30 June 2019 vs 31 December 2018)

Property, plant and equipment increased by S\$1.9 million mainly due to depreciation charges partially offset by the purchased of IT related capital expenditure in 1H2019.

Net contract assets decreased by S\$6.8 million to S\$50.4 million [Note 1(b)(4)] mainly due to increase in advance payment from customers and higher impairment loss allowance, partially offset by higher amount of work in progress.

Trade receivables decreased by S\$10.4 million to S\$ 38.1 million [Note 1(b)(2)] mainly due to collections from customers and higher impairment loss allowance made in the current period.

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Review of Group Performance (cont'd)

Balance Sheet (30 June 2019 vs 31 December 2018) (cont'd)

Other receivables and deposits increased by S\$4.3 million to S\$14.4 million [Note 1(b)(2)]. The increase was mainly due to deposits made to suppliers and subcontractors in the current period.

Trade payables decreased by S\$8.7 million to S\$66.4 million [Note 1(b)(5)]. The decrease was mainly due to payment and lower project related costs incurred during the period.

Lease liabilities of S\$2.7 million arose from the adoption of SFRS(I) 16 Leases.

Provisions decreased by S\$1.3 million to S\$0.9 million as at 30 June 2019. Provisions were attributed to business restructuring and onerous contract costs.

Borrowings increased by S\$4.9 million to S\$7.9 million due to financing for working capital requirements.

Cash Flow

2Q2019 vs 2Q2018

For 2Q2019, cash and cash equivalents decreased by S\$10.8 million which consists of net cash outflow of S\$10.7 million from operating activities and net cash outflow of S\$0.2 million from investing activities, partially offset by net cash inflow of S\$0.08 million from financing activities.

In comparison, cash and cash equivalent for 2Q2018 decreased by S\$0.1 million which consists of net cash outflow from investing activities of S\$0.6 million partially offset by net cash inflow of S\$0.5 million from operating activities.

1H2019 vs 1H2018

For 1H2019, cash and cash equivalents decreased by S\$11.4 million which consists of net cash outflow from operating activities of S\$11.1 million and net cash outflow from investing activities of S\$0.6 million, partially offset by net cash inflow from financing activities of S\$0.3 million.

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

The Company has not made any forecast or prospect statement previously.

10. A commentary at the date of the announcement of the 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 will continue its effort to secure projects and improve its operation efficiency. The Group will continue to strive on improving the bottom line by increasing efficiency, productivity and costs management. In consideration of the losses incurred for the half year ended 30 June 2019, the Group is expecting to record a full year loss for FY2019.

The Group has an outstanding order book of approximately S\$164 million as at 30 June 2019.

11. Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

Nil

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil

Date payable

Not applicable

Book closure date

Not applicable

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

No dividend has been declared/recommended for half year period ended 30 June 2019 in view of the losses recorded by the Group.

13. AGGREGATE VALUE OF TRANSACTIONS UNDER RULE 920(1)(A)(II) OF THE LISTING MANUAL

Aggregate value of transactions conducted pursuant to the general mandate for interested person transactions for the 3 months period ended 30 June 2019 pursuant to Rule 920(1)(a)(ii) of the Listing Manual:

Name of interested person	Aggregate value of all interested person transactions during the period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Depa Interiors LLC & its associates	S\$213,167	S\$272,210

14. Confirmation under Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors which may render the unaudited financial statements for the half year ended 30 June 2019 to be false or misleading in any material respect.

On behalf of Board of Directors

Edgar Ramani
Director

Dr Adelle Maree Howse
Director

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Hazel Chia
Company Secretary

Date: 8 August 2019