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Raffles Interior Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1376)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Raffles Interior Limited (the “**Company**”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 June 2020 together with comparative figures for the corresponding period in 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	(Unaudited) S\$000	(Unaudited) S\$000
Revenue	5	29,090	36,524
Cost of sales		<u>(25,211)</u>	<u>(29,262)</u>
Gross Profit		3,879	7,262
Other income	6	1,157	99
Administrative expenses		<u>(5,038)</u>	<u>(5,639)</u>
Operating profit		<u>(2)</u>	<u>1,722</u>
Finance income		—*	11
Finance costs		<u>(65)</u>	<u>(33)</u>
Finance costs, net	7	<u>(65)</u>	<u>(22)</u>
(Loss)/profit before income tax		(67)	1,700
Income tax expense	8	<u>(348)</u>	<u>(615)</u>
(Loss)/profit and total comprehensive (loss)/income for the period	9	<u>(415)</u>	<u>1,085</u>
Basic and diluted (loss)/earnings per share for profit attributable to equity holders of the Company (expressed in Singapore cents per share)	11	<u>(0.05)</u>	<u>0.14</u>

* Amount less than S\$1,000.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 (Unaudited) S\$000	As at 31 December 2019 (Audited) S\$000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,505	2,738
Right-of-use assets		<u>649</u>	<u>746</u>
		<u>3,154</u>	<u>3,484</u>
Current Assets			
Contract assets	16	25,424	27,869
Trade and other receivables, deposits and prepayments	13	15,366	8,933
Pledged fixed deposits	14	1,560	1,560
Cash and cash equivalents	15	<u>14,874</u>	<u>2,628</u>
		<u>57,224</u>	<u>40,990</u>
Total assets		<u>60,378</u>	<u>44,474</u>
EQUITY			
Share capital	18	1,829	—
Share premium		29,730	—
Reserves		<u>(2,553)</u>	<u>12,409</u>
Total equity		<u>29,006</u>	<u>12,409</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		7	7
Lease liabilities		<u>508</u>	<u>582</u>
		<u>515</u>	<u>589</u>
Current liabilities			
Trade and other payables and accruals	17	20,398	24,234
Contract liabilities	16	1,477	—
Borrowings		7,000	5,323
Lease liabilities		136	143
Current income tax liabilities		<u>1,846</u>	<u>1,776</u>
		<u>30,857</u>	<u>31,476</u>
Total liabilities		<u>31,372</u>	<u>32,065</u>
Total equity and liabilities		<u>60,378</u>	<u>44,474</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1 GENERAL

The Company was incorporated in the Cayman Islands on 7 January 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-111, Cayman Islands.

The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") on 21 March 2019 and the principal place of business in Hong Kong is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The head office and principal place of business of the Group is at 59 Sungei Kadut Loop, Singapore 729490. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 7 May 2020 (the "**Listing Date**").

The Company is a subsidiary of Ultimate Global Enterprises Limited ("**Ultimate Global**"), incorporated in the British Virgin Islands (the "**BVI**"), which is also the Company's ultimate holding company. Ultimate Global is owned by Mr. Lo Lek Chew ("**Mr. Lo**"), Mr. Chua Boon Par ("**Mr. Chua**"), Mr. Ding Hing Hui ("**Mr. Ding**"), Mr. Leong Wai Kit ("**Mr. Leong**"), Mr. Low Lek Huat, Mr. Low Lek Hee and Mr. Ng Foo Wah ("**Mr. Ng**").

The Company is an investment holding company and the principal activities of its operating subsidiary, Ngai Chin Construction Pte. Ltd. ("**Ngai Chin**"), are the provision of interior fitting-out service in the Republic of Singapore ("**Singapore**").

The interim condensed consolidated financial information are presented in Singapore Dollars ("**S\$**"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand ("**S\$'000**"), unless otherwise stated.

2 GROUP REORGANISATION

In preparing for the initial listing of the shares of the Company on the Stock Exchange, the Companies comprising the Group underwent a group reorganisation (the "**Reorganisation**") as described below. Prior to the Reorganisation, Ngai Chin, the only operating subsidiary of the Group, was controlled by Mr. Lo, Mr. Chua, Mr. Ding, Mr. Leong, Mr. Low Lek Huat, Mr. Low Lek Hee and Mr. Ng (collectively the "**Ultimate Shareholders**"), each holding an effective interest of 33%, 15%, 12%, 10%, 10%, 10% and 10% in the Company, respectively. The Ultimate Shareholders have been managing and controlling Ngai Chin on a collective basis on all decisions, including but not limited to, financial, management and operational matters of Ngai Chin. Each of the Ultimate Shareholders has reiterated his agreement in writing that, in respect of the aforesaid matters in relation to Ngai Chin, they have always been acting in concert.

The Reorganisation comprised the following steps:

- (i) On 27 July 2018, Flourishing Honour Limited (“**Flourishing Honour**”) was incorporated in the BVI. On 18 January 2019, Flourishing Honour allotted and issued one share to the Company for cash at par.
- (ii) On 7 January 2019, the Company was incorporated in the Cayman Islands. Upon its incorporation, one nil-paid initial share was transferred to Ultimate Global, which is a company incorporated in the BVI on 8 November 2018 and owned by the Ultimate Shareholders in proportion to the effective interest held by each of the Ultimate Shareholders in Ngai Chin.
- (iii) On 30 March 2020, a sale and purchase agreement was entered into between the Ultimate Shareholders, Flourishing Honour and the Company, pursuant to which the Ultimate Shareholders transferred their entire shareholding interests in Ngai Chin to Flourishing Honour, in consideration of the Company (i) allotting and issuing 99 shares of the Company to Ultimate Global, credited as fully paid; and (ii) crediting the initial share held by Ultimate Global as fully paid.

Upon the completion of the Reorganisation, the Company has become the holding company of the companies now comprising the Group.

3 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 is prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the accountant’s report included as Appendix I of the prospectus dated 21 April 2020 (the “**Prospectus**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”).

4 ADOPTION OF NEW AND REVISED STANDARDS

New and amended IFRSs issued but not yet effective

(a) New and amended standards and interpretations adopted by the Group

The following new and amended standards and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 January 2020:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
IAS 1 and IAS 8 (Amendment)	Definition of material
IAS 39, IFRS 7 and IFRS 9 (Amendment)	Hedge accounting
IFRS 3 (Amendment)	Definition of a business

The new and amended standards and interpretations did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

(b) New and amended standards and interpretations not yet adopted

A number of new and amended standards and interpretations are effective for the Group's annual periods beginning on or after 1 January 2021 and have not been early adopted for these consolidated financial information.

		Effective for the Group's accounting periods beginning on or after
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2022
Amendments to IFRS 16	Covid-19 Related Rent Concession	1 June 2020
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 June 2020
Amendments to IFRS 3	Reference to Conceptual Framework	1 June 2020
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1 June 2020
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

5 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of interior fitting-out services in Singapore.

Information is reported to the executive Directors, being the chief operating decision makers (“CODMs”) of the Group, for the purposes of resources allocation and performance assessment. Neither other analysis of the Group's results nor assets and liabilities are regularly provided to the CODMs for review and the CODMs review the overall results and financial performance of the Group as a whole. Accordingly, only entity-wide disclosures on services, major customers and geographical information are presented in accordance with IFRS 8 Operating Segments.

An analysis of the Group's revenue for the six months ended 30 June 2020 and 2019 is as follows:

		For the six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
		S\$000	S\$000
Contract revenue		<u>29,090</u>	<u>36,524</u>
Timing of the revenue recognition			
— Over time		<u>29,090</u>	<u>36,524</u>

All the Group's services are rendered directly with the customers. Contracts with the Group's customers for the six months ended 30 June 2020 are agreed in fixed-price terms from 3 to 6 months (six months ended 30 June 2019: 3 to 6 months).

Included in the Group's revenue for the six months ended 30 June 2020 is approximately S\$22.0 million, S\$5.5 million and S\$1.5 million (six months ended 30 June 2019: approximately S\$33.8 million, nil and S\$2.3 million) derived from provision of sub-contracting works from owners/tenants, construction contractors and professional consultants, respectively.

S\$47.2 million (31 December 2019: S\$43.6 million) will be recognised as revenue during the years ended/ending 31 December 2019 to 31 December 2022.

Information about major customers

For the six months ended 30 June 2020 and 2019, revenue generated from major customers which individually contributing over 10% of the total revenue of the Group accounted for approximately 41.4% and 43.4% of the total revenue of the Group respectively. Other individual customers accounted for less than 10% of the revenue.

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	S\$000	S\$000
Customer A	6,086	—
Customer B	3,036	—
Customer C	2,928	—
Customer D	NA*	10,422
Customer E	NA*	5,435
	12,050	15,857

* Revenue from customer is less than 10% of the total revenue of the Group for the respective period

Geographical information

The Group principally operates in Singapore, which is also the Company's place of domicile. Revenue derived from Singapore represents 100% of the Group's total revenue for the six months ended 30 June 2020 (six months ended 30 June 2019: 100%) based on the location of the services delivered. The Group's assets and liabilities are all located in Singapore.

6 OTHER INCOME

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	S\$000	S\$000
Government grants (<i>Note a</i>)	1,152	63
Others	5	36
	1,157	99

Note a: Government grants mainly include the Wage Credit Scheme and Special Employment Credit Scheme in Singapore. Additional wage support like job support scheme and foreign worker rebate are received during this period of economic uncertainty due to Coronavirus Disease 2019 (“COVID-19”) for the six months ended 30 June 2020. All of them are compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs.

7 FINANCE INCOME/(COSTS), NET

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	S\$000	S\$000
Finance costs:		
Bank charges	(5)	(20)
Interest on:		
— Lease liabilities	(13)	(13)
— Borrowings	(47)	—
	(65)	(33)
Finance income:		
Bank deposits	—*	11
	(65)	(22)

* Interest income from deposits is less than S\$1,000 for the six months ended 30 June 2020.

8 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	S\$000	S\$000
Current income tax	348	645
Deferred income tax	—	(30)
	348	615

Corporate income tax is calculated at 17% of the estimated assessable profit. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$190,000 for the year of assessment 2020 and 2021 of normal chargeable income.

The tax on the Group's (loss)/profit before tax differs from the theoretical amount as follows:

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	S\$000	S\$000
(Loss)/profit before income tax	<u>(67)</u>	<u>1,700</u>
Tax calculated at tax rate of 17%	(11)	289
Expenses not deducted for tax purposes	396	363
Singapore statutory income exemption	(17)	(17)
Tax incentive	—	(10)
Others	<u>(20)</u>	<u>(10)</u>
	<u>348</u>	<u>615</u>

9 (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period has been arrived at after charging:

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	S\$000	S\$000
Depreciation of property, plant and equipment	318	331
Depreciation of right-of-use assets	87	82
Listing expenses	1,442	1,916
Directors' remuneration	361	471
Other staff costs:		
— Salaries and other benefits	4,255	5,493
— Contribution to central provident fund	206	230
Total staff cost	4,822	6,194
Cost of materials recognised as cost of services	2,870	2,562
Subcontractor cost recognised as cost of services	<u>18,762</u>	<u>22,325</u>

10 DIVIDENDS

No dividend has been declared by the Company or any Group entities during the six months ended 30 June 2019 and 2020 or subsequent to the period end.

11 (LOSS)/EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 and 2019.

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to the equity holders of the Company (S\$'000)	(415)	1,085
Weighted average number of ordinary shares in issue	825,549,451	750,000,000
Basic (loss)/earnings per share in Singapore cents	<u>(0.05)</u>	<u>0.14</u>

Weighted average of 750,000,000 ordinary shares for the six months ended 30 June 2019, being the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in Note 18, are deemed to have been issued throughout the six months ended 30 June 2019.

Weighted average of 825,549,451 ordinary shares for the six months ended 30 June 2020 is calculated based on the weighted average of approximately 75,549,451 ordinary shares issued upon the share offer as detailed in Note 18 during the six months ended 30 June 2020, in addition to the aforementioned 750,000,000 ordinary shares for the six months ended 30 June 2019.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during six months ended 30 June 2020 and 2019, and hence the diluted earnings per share is the same as basic earnings per share.

12 PROPERTY, PLANT AND EQUIPMENT

	Building <i>S\$000</i>	Renovation <i>S\$000</i>	Plant and equipment <i>S\$000</i>	Motor vehicles <i>S\$000</i>	Furniture and fittings <i>S\$000</i>	Total <i>S\$000</i>
As at 1 January 2019	2,748	2	425	129	11	3,315
Additions	—	—	65	—	3	68
Depreciation	<u>(445)</u>	<u>(2)</u>	<u>(148)</u>	<u>(46)</u>	<u>(4)</u>	<u>(645)</u>
As at 31 December 2019	2,303	—	342	83	10	2,738
Additions	—	—	88	—	—	88
Disposal	—	—	(3)	—	—	(3)
Depreciation	<u>(223)</u>	<u>—</u>	<u>(77)</u>	<u>(16)</u>	<u>(2)</u>	<u>(318)</u>
As at 30 June 2020	<u>2,080</u>	<u>—</u>	<u>350</u>	<u>67</u>	<u>8</u>	<u>2,505</u>
As at 31 December 2019						
Cost	5,460	469	1,291	545	101	7,866
Accumulated depreciation	<u>(3,157)</u>	<u>(469)</u>	<u>(949)</u>	<u>(462)</u>	<u>(91)</u>	<u>(5,128)</u>
	<u>2,303</u>	<u>—</u>	<u>342</u>	<u>83</u>	<u>10</u>	<u>2,738</u>
As at 30 June 2020						
Cost	5,460	469	1,368	545	101	7,943
Accumulated depreciation	<u>(3,380)</u>	<u>(469)</u>	<u>(1,018)</u>	<u>(478)</u>	<u>(93)</u>	<u>(5,438)</u>
	<u>2,080</u>	<u>—</u>	<u>350</u>	<u>67</u>	<u>8</u>	<u>2,505</u>

As at 30 June 2020, building with total carrying amount of S\$2,080,000 (31 December 2019: S\$2,303,000) are pledged to bank in respect of performance bank guarantee and trade financing.

13 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2020 (Unaudited) S\$000	As at 31 December 2019 (Audited) S\$000
Current		
Trade receivables	9,690	7,157
Less: Provision for allowance for doubtful debts	<u>(19)</u>	<u>(19)</u>
Trade receivables, net	<u>9,671</u>	<u>7,138</u>
Prepayments	4,725	75
Deposits	652	710
Deferred listing expenses	—	1,001
Other receivables	<u>318</u>	<u>9</u>
	<u>5,695</u>	<u>1,795</u>
Total	<u><u>15,366</u></u>	<u><u>8,933</u></u>

The Group normally grants credit term to customers of up to 65 days. The ageing analysis of these trade receivables based on the invoice date is as follows:

	As at 30 June 2020 (Unaudited) S\$000	As at 31 December 2019 (Audited) S\$000
0 to 30 days	1,603	3,590
31 to 60 days	1,252	2,081
61 to 90 days	3,918	1,041
Over 90 days	<u>2,917</u>	<u>445</u>
	<u><u>9,690</u></u>	<u><u>7,157</u></u>

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement.

Under this arrangement, the Group has transferred the relevant receivables to the bank in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained the late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its combined information of financial position. The amount repayable under the factoring agreement is presented as trade financing. The Group considers the held to collect business model to remain appropriate for these receivables and hence continues measuring them at amortised cost.

The relevant carrying amounts are as follows:

	As at 30 June 2020 (Unaudited) S\$000	As at 31 December 2019 (Audited) S\$000
Transferred receivables	—	4,154
Amortised trade financing borrowings	—	3,323

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables and contract assets. The Group has assessed that the expected loss rate for trade receivables was consistently at an insignificant level. Thus no additional loss allowance provision for trade receivables was recognised.

The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables mentioned above. The Group does not hold any collateral as security.

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed when necessary. The majority of the Group's trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history.

The Group does not charge interest or hold any collateral over these balances.

Allowance for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to individual customer's credit quality. In determining the recoverability of a trade receivable, the management of the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period, and no impairment was considered necessary for those balances which are not past due at each reporting date.

In the opinion of the management, the trade receivables at the end of each reporting period are of good credit quality and considering high creditability of these customers, good track record with the Group and subsequent settlement, the management believes that no impairment allowance is necessary in respect of the remaining unsettled balances.

14 PLEDGED FIXED DEPOSITS

	As at 30 June 2020 (Unaudited) S\$000	As at 31 December 2019 (Audited) S\$000
Pledged bank deposits — current	<u>1,560</u>	<u>1,560</u>

The average effective interest rates per annum at the end of each period were set out as follows:

Fixed deposits pledged	<u>1.76%</u>	<u>1.60%</u>
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Fixed deposits have been pledged to bank in respect of performance bond guarantee provided for the Group.

15 CASH AND CASH EQUIVALENTS

	As at 30 June 2020 (Unaudited) S\$000	As at 31 December 2019 (Audited) S\$000
Cash at bank (denominated in SGD)	3,560	2,625
Cash at bank (denominated in HKD)	11,311	—
Cash on hand	<u>3</u>	<u>3</u>
	<u>14,874</u>	<u>2,628</u>

16 CONTRACT ASSETS AND LIABILITIES

The following table sets out the contract assets and liabilities as at the respective reporting dates as indicated below:

	As at 30 June 2020 (Unaudited) S\$000	As at 31 December 2019 (Audited) S\$000
Contract assets	25,429	27,874
Less: Allowance	<u>(5)</u>	<u>(5)</u>
	25,424	27,869
Contract liabilities	<u>(1,477)</u>	<u>—</u>
	<u>23,947</u>	<u>27,869</u>

Contract assets represent the Group's right to consideration from customers for the provision of interior fitting-out services to customers that is not yet due for billing as at the end of the reporting period. The contract assets arise when: (i) our Group has completed the relevant services under such contracts and is pending certification by the customers; and (ii) the customers withhold certain amounts payable to our Group as retention money to secure the due performance of the contracts for a period of generally 12 months (i.e. defect liability period) after completion of the relevant works. Any amount previously recognised as a contract asset is reclassified as trade receivables at the point when it becomes due for billing and is invoiced to the customer. After our customers and/or the professional consultants of the project certify our progress claims and we issue the billings, contract assets will be reclassified as trade receivables. We generally grant our customers a credit term of up to 65 days.

Included in contract assets, there was retention receivables amounting to S\$3.4 million (31 December 2019: S\$3.2 million), representing certain percentage of the total contract sum held by our customers. Depending on the contract terms, our customers may hold up a certain percentage of each payment (including progress payment) made to us as retention money. Retention money is normally equivalent to 2.5% to 10.0% of the value of works done and subject to a maximum 5.0% of the total contract sum. Typically, half of the retention money is released upon handover of the project and the remaining is released upon expiry of the defect liability period of around 12 months. The defect liability period commences on the date of the Certificate of Completion issued by the customer. Thus, the amount of retention receivables as at the end of the reporting period depends on the completion of the project and the defect liability period.

Contract liabilities represent the Group's obligation to transfer project works to customers for which the Group has received consideration in advance from the customers according to progress billing arrangement stated in the contracts.

Our contract assets and liabilities are normally affected by (i) the number, value and stage of projects on hand; (ii) the amount of works completed by our Group at the time close to the end of each reporting period, by reference to the actual costs incurred to date and the total budgeted costs for the projects; (iii) the timing to certify the application of payment progress for billings, which may vary from period to period; (iv) amount of works certified by our customers or the professional consultants of the project; and (v) depending on the contract terms, the amount of the retention money held by our customers yet to be released.

Our Group considered that the expected credit losses for contract assets are negligible as the customers of the Group are reputable organisations.

Unsatisfied performance obligations

	As at 30 June 2020 (Unaudited) S\$000	As at 31 December 2019 (Audited) S\$000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied		
— Construction contracts		
— To be satisfied within 1 year	40,213	43,592
— After 1 year	7,023	—
	<u>47,236</u>	<u>43,592</u>

17 TRADE AND OTHER PAYABLES AND ACCRUALS

Trade and other payables and accruals comprise the following:

	As at 30 June 2020 (Unaudited) S\$000	As at 31 December 2019 (Audited) S\$000
Trade payables	9,993	8,334
Accruals for project cost	6,287	11,291
Retention payables (<i>Note a</i>)	2,896	2,624
Other payables and accruals		
— Accrued expenses	789	447
— Accrued listing expenses	—	1,122
— Goods and service tax payable	405	413
— Others	28	3
	<u>20,398</u>	<u>24,234</u>

Note a: The retention payables to subcontractors are interest-free and payable after the completion of maintenance period or in accordance with the terms specified in the relevant contracts for a period of generally 12 months after completion of the relevant works.

The following is an ageing analysis of trade payables presented based on the invoice date as at the end of each reporting period:

	As at 30 June 2020 S\$000	As at 31 December 2019 S\$000
0 to 30 days	1,361	3,780
31 to 60 days	3,153	1,833
61 to 90 days	2,026	220
More than 90 days	3,453	2,501
	<u>9,993</u>	<u>8,334</u>

The credit period on purchases from suppliers and subcontractors as at 30 June 2020 is 30 to 90 days (31 December 2019: 30 to 90 days) or payable upon delivery.

18 SHARE CAPITAL

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 7 May 2020 by way of placing of 225,000,000 ordinary shares and public offer of 25,000,000 ordinary shares at the price of HK\$0.50 per share (the “Share Offer”).

	Number of ordinary shares	Par value HK\$	Share capital HK\$
Authorised share capital of the Company:			
At the date of incorporation on 7 January 2019	38,000,000	0.01	380,000
Increase in authorised share capital on 30 March 2020 (<i>Note c</i>)	<u>9,962,000,000</u>	0.01	<u>99,620,000</u>
As at 30 June 2020	<u>10,000,000,000</u>		<u>100,000,000</u>
	Number of ordinary shares		Share capital S\$
Issued and fully paid share capital of the Company			
At the date of incorporation on 7 January 2019 (<i>Note a</i>)		1	—
Issue of shares pursuant to the Reorganisation (<i>Note b</i>)		99	—
Issue of shares pursuant to the capitalisation issue (<i>Note c</i>)		749,999,900	1,371,750
Issue of shares pursuant to the Share Offer		<u>250,000,000</u>	<u>457,358</u>
As at 30 June 2020		<u>1,000,000,000</u>	<u>1,829,108</u>

Notes:

- On 7 January 2019, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. As at the time of its incorporation, one share was allotted and issued in nil paid form to the initial subscriber, an independent third party. The said share was transferred to Ultimate Global on the same day.
- On 30 March 2020, the Company acquired the entire issued share capital of Ngai Chin from the Ultimate Shareholders. In settlement of the aforesaid consideration, the Company allotted and issued 99 shares credited as fully paid, to Ultimate Global at the instruction of the Ultimate Shareholders. Following the completion of the above acquisition, Ngai Chin became an indirect wholly-owned subsidiary of the Company.
- Pursuant to the written resolution of the then sole shareholder of the Company dated 30 March 2020, it was resolved that the authorised share capital of the Company increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,620,000,000 shares; and conditional on the share premium account of the Company being credited as a result of the Share Offer, an amount of HK\$7,499,999 which will then be standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par a total of 749,999,900 shares for allotment, rank *pari passu* in all respects with all the then existing shares.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an interior fitting-out services provider in Singapore. Our interior fitting-out services include (i) project management and construction management of the interior fitting-out projects; (ii) construction and installation of interior fitting-out works; (iii) customising, manufacturing and supplying of carpentry/joinery and integral fixtures; and (iv) maintenance of the projects that we undertake on an ad-hoc basis.

During the six months ended 30 June 2020, the Group's revenue decreased by 20.3% to approximately S\$29.1 million as compared to approximately S\$36.5 million for the six months ended 30 June 2019. The Group's gross profit and net profit also decreased by 46.6% and 136.4% to approximately S\$3.9 million and net loss of S\$0.4 million respectively, as compared to approximately S\$7.3 million and S\$1.1 million for the six months ended 30 June 2019. The decrease was mainly due to the circuit breaker measures imposed by the Singapore government in April and May 2020 which have ceased all our works at site from 7 April 2020 to 30 June 2020 and subsequently resulted in no revenue being recognised during this period, while the Group bore the fixed operating costs. Although the circuit breaker measures have been gradually lifted on 1 June 2020, works at site could not resume immediately due to the spike in COVID-19 infections among foreign workers living in the dormitories and the additional safety and controlling measures for each construction project before work could resume at site.

The above have severely delayed our project progress and the Group is monitoring the situation closely and working with the relevant government authorities and customers to mitigate any potential issues.

Consequently, the construction sector's growth is expected to weaken in 2020 and 2021 due to hints of elevated risks of a global recession. However, with the supervision of the Group's senior management and dedicated staff coupled with the proceeds received from the Share Offer, the Group believes that it is in a very healthy position to weather any storm ahead.

As at 30 June 2020, the Group had 23 projects on hand (including contracts in progress and contracts which are yet to commence) with a notional contract value of approximately S\$86.5 million, of which approximately S\$39.3 million had been recognised as revenue before 30 June 2020. The remaining balance will be recognised as the Group's revenue in accordance with the stage of completion.

With all the mandatory safety measures put in place, our Singapore factory will not be able to operate at its full capacity during this pandemic crisis. With 23 projects on hand, we have an urgent need to expand our production facilities to fulfill our obligations once we are able to resume our works at site full swing. The management foresees that we will have difficulties in getting skilled carpenters from Malaysia and China to Singapore during this pandemic crisis and cost of subcontracting will be more costly as capacity shrinks. Thus, the management has decided to set up our production facilities in Malaysia due to its (i) proximity to Singapore, (ii) easier to source skilled production labor and (iii) lower cost. The Malaysia production facilities expansion will be fully financed by the Group's internal

resources without utilising the proceeds from the Share Offer. As at the date of this announcement, we have set up a wholly owned subsidiary in Malaysia, namely, Ngai Chin Construction Sdn. Bhd. to operate the new production facility and it has started operation in August 2020.

FINANCIAL REVIEW

	Six months ended 30 June		Change
	2020 (Unaudited)	2019 (Unaudited)	
Revenue (\$'000)	29,090	36,524	(7,434)
Gross profit (\$'000)	3,879	7,262	(3,383)
Gross profit margin	13.3%	19.9%	-6.6%
Net profit (\$'000)	(415)	1,085	(1,500)

Revenue

The Group's principal operating activities are provision of interior fitting-out services for (i) owners or tenants of commercial and light-industrial properties; (ii) construction contractors; and (iii) professional consultants, and our revenue is mainly derived from projects involving fitting-out works for office space.

	For the six months ended 30 June					
	2020			2019		
	Number of projects with revenue contribution	Revenue S\$'000	Percentage of revenue	Number of projects with revenue contribution	Revenue S\$'000	Percentage of revenue
Owners/tenants	22	22,038	75.8	32	33,803	92.6
Construction contractors	6	5,523	19.0	4	416	1.1
Professional consultants	<u>6</u>	<u>1,529</u>	<u>5.2</u>	<u>9</u>	<u>2,305</u>	<u>6.3</u>
	<u>34</u>	<u>29,090</u>	<u>100.0</u>	<u>45</u>	<u>36,524</u>	<u>100.0</u>

The Group's overall revenue decreased by approximately S\$7.4 million or approximately 20.3% from approximately S\$36.5 million for the six months ended 30 June 2019 to approximately S\$29.1 million for the six months ended 30 June 2020. The decrease is mainly due to the imposition of circuit breaker measures by the Singapore government in April 2020 which resulted in suspension of works at site since 7 April 2020.

Cost of Services

The Group's cost of services decreased by approximately S\$4.1 million or approximately 14.0% from approximately S\$29.3 million for the six months ended 30 June 2019 to approximately S\$25.2 million for the six months ended 30 June 2020. Such decrease in cost of services is generally in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 June 2020 amounted to approximately S\$3.9 million, representing a decrease of approximately 46.6% as compared to approximately S\$7.3 million for the six months ended 30 June 2019, which was driven by the decrease in revenue for the same period. The Group's gross profit margin for the six months ended 30 June 2020 was approximately 13.3% compared to 19.9% for the six months ended 30 June 2019 mainly due to increase in the cost of sales as a result of (i) fixed project overheads such as workers' salaries and accommodations incurred during the circuit breaker period, and (ii) extra costs incurred for circuit breaker measures that were put in place on sites, such as temperature taking, safety distancing measures etc.

Other Income

Other income mainly included income from (i) interest income from bank, (ii) government grants, and (iii) sundry income. During the six months ended 30 June 2020, other income amounted to approximately S\$1.2 million compared to approximately S\$0.1 million for the six months ended 30 June 2019. This is mainly due to the additional grants of approximately S\$1.1 million given by the Singapore government to combat the COVID-19.

Administrative Expenses

The administrative expenses of the Group for the six months ended 30 June 2020 amounted to approximately S\$5.0 million as compared to S\$5.6 million for the six months ended 30 June 2019 mainly due to cost saving measures implemented by the Group.

Finance Costs

Finance costs for the six months ended 30 June 2020 was approximately S\$65,000 (six months ended 30 June 2019: S\$33,000) which represents interest on lease liabilities. The interest has increased as a result of the interest incurred for the assets related to our operation which were not classified into cost of sales as the Company ceased operation for 3 months.

Income Tax Expense

The Group's income tax expense decreased to approximately S\$0.3 million for the six months ended 30 June 2020 from approximately S\$0.6 million for the six months ended 30 June 2019. Such decrease is in line with the decrease in revenue as the Group has ceased operation for 3 months due to COVID-19 measures.

Net (Loss)/Profit

Profit attributable to owners of the Company for the six months ended 30 June 2020 decreased by approximately S\$1.5 million from approximately S\$1.1 million for the six months ended 30 June 2019 to a net loss of approximately S\$0.4 million for the six months ended 30 June 2020. Excluding the listing expenses of approximately S\$1.9 million and S\$1.4 million for the six months ended 30 June 2019 and 30 June 2020 respectively, the net profit for the six months ended 30 June 2019 and 30 June 2020 of the Group would have been approximately S\$3.0 million and S\$1.0 million respectively.

Interim Dividend

The Board did not recommend a payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

Liquidity, Financial Resources and Capital Structure

The Company's shares were successfully listed on the Main Board of the Stock Exchange on 7 May 2020 and there has been no change in capital structure of the Group since then. The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination of its cash and cash equivalents, cash flows generated from operations and net proceeds from the Share Offer.

The Group adopts a prudent cash and financial management policy. The Group's cash, mainly denominated in SGD and HKD, is generally deposited with certain financial institutions.

As at 30 June 2020, the Group had total cash and bank balances of approximately S\$14.9 million as compared to approximately S\$2.6 million as at 31 December 2019.

As at 30 June 2020, the Group had a total available committed banking facilities of approximately S\$27.2 million, of which approximately S\$7.0 million was utilized which comprises S\$2.0 million of revolving loan and S\$5.0 million of term loan. The outstanding term loan as at 30 June 2020 carried fixed interest rate at 2.25% per annum and will be settled by monthly instalment and matured by June 2025.

As at 30 June 2020, the Group also had facilities in relation to performance guarantee of approximately S\$17.5 million, of which approximately S\$5.8 million was utilized.

All of the Group's borrowings are denominated in SGD.

Pledge of Assets

Other than the building and pledged fixed deposits disclosed in Note 12 and Note 14, the Group did not pledge any assets to secure any banking facilities or bank loans during the six months ended 30 June 2020 and 30 June 2019.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy financial position throughout the year. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Foreign Exchange Risk

The Group mainly operates in Singapore. Most of the operating transactions and revenue were settled in Singapore dollars and the Group's assets and liabilities are primarily denominated in Singapore dollars. However, the Group has certain bank balances denominated in Hong Kong dollars amounting to approximately S\$11.3 million as at 30 June 2020 (31 December 2019: Nil) which exposes the Group to foreign currency risk. The Group manages the risk by closely monitoring the movements of the foreign currency rate.

Gearing Ratio

Gearing ratio is calculated by dividing all interest-bearing borrowings by total equity at the period-end date and expressed as a percentage. The gearing ratio of the Group as at 30 June 2020 was 26.4% (as at 31 December 2019: 48.7%).

Significant Investments, Material Acquisitions and Disposal of Subsidiaries and Associated Companies

Apart from the reorganisation in relation to the listing of the Company's shares (as set out under the section headed "History, Development and Reorganisation" of the prospectus of the Company dated 21 April 2020 (the "**Prospectus**")), there were no significant investments held, material acquisitions or disposal of subsidiaries and associated companies by the Group during the six months ended 30 June 2020.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets as at 30 June 2020.

Employees and Remuneration Policy

As at 30 June 2020, the Group had a total of 355 employees (30 June 2019: 350 employees), including executive Directors. Total staff costs including Directors' emoluments for the six months ended 30 June 2020 amounted to approximately S\$4.8 million (six months ended 30 June 2019: approximately S\$6.2 million), salaries, wages and other staff benefits, contributions and retirement schemes. In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefits levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from central provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance, experience, responsibility, workload and time devoted to the Company, and approved by the Board.

Contingent Liabilities

As at 30 June 2020, the Group had performance bonds of approximately S\$5.8 million (31 December 2019: S\$5.5 million) given in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and the customers. The performance guarantees will be released upon completion of the contracts.

Capital Expenditures and Capital Commitments

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment of approximately S\$88,000 (30 June 2019: S\$38,000).

As at 30 June 2020, the Group had no material capital commitments.

Use of Net Proceeds from the Share Offer

The net proceeds from the Share Offer were approximately HK\$69.9 million (equivalent to approximately S\$13.0 million) (after deducting listing expenses). An analysis of the utilisation of the net proceeds from the Share Offer from the Listing Date up to 30 June 2020 is set out below:

Purpose	Net proceeds S\$ million	Approximate percentage of the total net proceeds	Approximate actual amount utilised as at 30 June 2020 S\$ million	Unused amount of net proceeds as at 30 June 2020 S\$ million	Expected date to fully utilise the unutilised amount
Extending our service scope to include MEP services	4.2	32.3%	—*	4.2	30 June 2022
Expanding the Group's premises for its various operational needs	3.7	28.5%	—	3.7	31 December 2022
Acquisition of a Singapore-based design company	2.0	15.4%	—	2.0	30 June 2021
Enhancing our information technology capacity and project implementation efficiency	1.2	9.2%	—	1.2	30 June 2021
Financing additional machinery and equipment	0.7	5.4%	—	0.7	30 June 2021
General working capital	<u>1.2</u>	<u>9.2%</u>	<u>1.2</u>	<u>—</u>	N/A
	<u>13.0</u>	<u>100.0%</u>	<u>1.2</u>	<u>11.8</u>	

* Amount utilised is less than S\$0.1 million.

During the period from the Listing Date to 30 June 2020, the Group has utilised approximately S\$1.2 million for its general working capital purposes, which is in line with the purposes shown above.

As at 30 June 2020, the unused amount of net proceeds was placed in licensed banks in Hong Kong and Singapore and the Board expected that it will be utilised in the same manner as disclosed in the prospectus. Due to the adverse impacts of the outbreak of COVID-19 on worldwide economies and the three-phased approach embarked by the Singapore government to resume usual daily activities after the circuit breaker measures imposed by the Singapore government, the Board will continue to closely monitor the situation and evaluate the impacts on the timeline to utilise the unutilised proceeds and will keep shareholders and potential investors informed if there is any material change.

EVENTS AFTER THE REPORTING PERIOD

On 9 July 2020, a 100% owned subsidiary, Ngai Chin Construction Sdn. Bhd., was incorporated in Malaysia, with an initial paid up capital of RM400,000 (approximately S\$133,000).

Except as disclosed above, there are no significant events affecting the Group which have occurred after the six months ended 30 June 2020 and up to the date of this announcement.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the period from the Listing Date to 30 June 2020 with the exception of code provision A.2.1, which requires the roles of chairman and chief executive to be held by different individuals.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chua currently holds both positions. Throughout our business history, Mr. Chua has held the key leadership position of our Group and has been deeply involved in the formulation of corporate strategies, management of the business and operations of our Group. Taking into account the continuation of the implementation of our business plans, our Directors, including our independent non-executive Directors, consider that Mr. Chua is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Group and its shareholders as a whole.

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Code of Ethics and Securities Transactions (the “**Company’s Code**”) no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required provisions set out in the Company’s Code during the period from the Listing Date and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period from the Listing Date to 30 June 2020.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Wong Heung Ming Henry (chairman of the Audit Committee), Mr. Chia Kok Seng and Mr. Gay Soon Watt, and has reviewed the Group’s unaudited condensed

consolidated interim financial information and interim results for the six months ended 30 June 2020 and discussed with the management on the accounting principles and practices adopted by the Group with no disagreement by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.rafflesinterior.com.

The 2020 interim report will also be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.rafflesinterior.com and will be despatched to the shareholders of the Company in due course.

By Order of the Board

Raffles Interior Limited

Chua Boon Par

Chairman, chief executive officer and executive director

Hong Kong, 21 August 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chua Boon Par, Mr. Ding Hing Hui and Mr. Leong Wai Kit; and three independent non-executive Directors, namely Mr. Chia Kok Seng, Mr. Gay Soon Watt and Mr. Wong Heung Ming Henry.