



KITCHEN CULTURE HOLDINGS LTD.

(Company Registration No: 201107179D)

(the “**Company**”, and together with its subsidiaries, the “**Group**”)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2017

*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, SAC Capital Private Limited (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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CHANGE OF FINANCIAL YEAR END

On 6 September 2016, the Company had announced a change of financial year end from 31 December to 30 June. Therefore, the financial statements presented for this results announcement will cover the 6-month financial period from 1 July 2017 to 31 December 2017 (“**1HY2018**”), and the comparative preceding financial period will cover the 6-month financial period from 1 July 2016 to 31 December 2016 (“**1HY2017**”).

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

	Group		
	Unaudited 1HY2018	Unaudited 1HY2017	Increase/(Decrease)
	\$	\$	%
Revenue	7,770,068	20,201,701	(61.5)
Cost of sales	(4,200,383)	(14,317,832)	(70.7)
Gross profit	3,569,685	5,883,869	(39.3)
Other income	134,403	224,479	(40.1)
Selling and distribution expenses	(2,030,423)	(3,895,185)	(47.9)
General and administrative expenses	(2,660,817)	(3,000,953)	(11.3)
Other operating expenses	(425,112)	(13,245)	N.M.
Loss from operations	(1,412,264)	(801,035)	76.3
Finance costs	(260,586)	(525,084)	(50.4)
Loss before tax	(1,672,850)	(1,326,119)	26.1
Tax credit	-	-	-
Loss for the period	(1,672,850)	(1,326,119)	26.1
Other comprehensive income for the period, net of tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences, arising from consolidation	18,850	(144,881)	N.M.
Total comprehensive income for the period	(1,654,000)	(1,471,000)	12.4
Loss attributable to:			
Owners of the Company	(1,691,725)	(1,256,917)	34.6
Non-controlling interests	18,875	(69,202)	N.M.
	(1,672,850)	(1,326,119)	26.1
Total comprehensive income attributable to:			
Owners of the Company	(1,680,344)	(1,366,891)	22.9
Non-controlling interests	26,344	(104,109)	N.M.
	(1,654,000)	(1,471,000)	12.4

N.M.= Not Meaningful

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income

	Group		
	Unaudited	Unaudited	% Change
	1HY2018	1HY2017	Increase/(Decrease)
	\$	\$	
Allowance for doubtful receivables	–	(7,973)	N.M.
Allowance for doubtful receivables written back	–	17,301	N.M.
Inventories written down to net realisable value	(96,150)	–	N.M.
Depreciation of property, plant and equipment	(533,390)	(428,183)	(24.6)
Property, plant and equipment written off	(21,192)	–	N.M.
Gain on disposal of property, plant and equipment	93,082	–	N.M.
Interest expense	(260,586)	(525,084)	50.3
Interest income	41	366	(88.8)
Net gain/(loss) on foreign exchange difference	(385,796)	141,537	N.M.
Sundry income ¹	134,362	82,576	62.7

N.M.= Not Meaningful

¹ Sundry income consists of compensation from a supplier for the termination of a supply contract amounting to \$22,000 (1HY2017: \$Nil), compensation from a supplier for defective goods under warranty amounting to \$77,700 (1HY2017: \$Nil), administration fee charged to customers amounting to \$21,221 (1HY2017: \$19,189) and government grant received amounting to \$13,441 (1HY2017: \$63,387).

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.

	Group		Company	
	Unaudited 31.12.2017	Audited 30.6.2017	Unaudited 31.12.2017	Audited 30.6.2017
	\$	\$	\$	\$
Current assets				
Cash and cash equivalents	359,760	755,017	2,957	9,539
Trade receivables	8,462,629	10,149,234	–	–
Other receivables	1,971,651	1,679,287	4,563,840	4,520,289
Inventories	8,961,834	9,364,369	–	–
Tax recoverable	64,242	89,374		
	<u>19,820,116</u>	<u>22,037,281</u>	<u>4,566,797</u>	<u>4,529,828</u>
Non-current assets				
Property, plant and equipment	769,843	1,114,564	–	–
Investment property	254,519	258,825	–	–
Subsidiaries	–	–	1,500,005	1,500,005
Trade receivables	728,865	728,865	–	–
Deferred tax assets	336,922	342,926	–	–
	<u>2,090,149</u>	<u>2,445,180</u>	<u>1,500,005</u>	<u>1,500,005</u>
Total assets	<u>21,910,265</u>	<u>24,482,461</u>	<u>6,066,802</u>	<u>6,029,833</u>
Current liabilities				
Trade payables	8,624,167	7,196,421	–	–
Other payables	9,383,552	9,838,534	586,654	477,267
Finance lease liabilities	120,579	48,093	–	–
Borrowings	4,915,994	3,889,551	375,000	375,000
Income tax payable	–	4,429	–	–
	<u>23, 044,292</u>	<u>20,977,028</u>	<u>961,654</u>	<u>852,267</u>
Non-current liabilities				
Finance lease liabilities	–	110,460	–	–
Borrowings	250,000	3,125,000	375,000	375,000
	<u>250,000</u>	<u>3,235,460</u>	<u>375,000</u>	<u>375,000</u>
Total liabilities	<u>23,294,292</u>	<u>24,212,488</u>	<u>1,336,654</u>	<u>1,227,267</u>
Equity				
Share capital	6,231,259	6,231,259	6,231,259	6,231,259
Translation reserve	415,644	404,263	–	–
(Accumulated losses)/ Retained earnings	(7,887,490)	(6,195,765)	(1,501,111)	(1,428,693)
Equity attributable to owners of the Company	<u>(1,240,587)</u>	<u>439,757</u>	<u>4,730,148</u>	<u>4,802,566</u>
Non-controlling interests	(143,440)	(169,784)	–	–
Total equity	<u>(1,384,027)</u>	<u>269,973</u>	<u>4,730,148</u>	<u>4,802,566</u>
Total liabilities and equity	<u>21,910,265</u>	<u>24,482,461</u>	<u>6,066,802</u>	<u>6,029,833</u>

1(b)(ii) In relation to the aggregate amount of the Group's borrowings and debt securities, specify the following at the end of the 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

Unaudited 31.12.2017		Audited 30.6.2017	
\$	\$	\$	\$
Secured	Unsecured	Secured	Unsecured
3,665,994	1,250,000	3,889,551	-

Amount repayable after one year

Unaudited 31.12.2017		Audited 30.6.2017	
\$	\$	\$	\$
Secured	Unsecured	Secured	Unsecured
-	250,000	2,125,000	1,000,000

Details of collaterals are as follows:

Borrowings from financial and non-financial institutions

Borrowings from financial institutions comprised of term loans, short-term revolving loans, accounts receivable financing and bills payable. Borrowings from non-financial institutions comprised of loans from shareholders and third parties; and advances from a Director.

Save for the advances from a Director and the non-convertible bond, all borrowings from financial and non-financial institutions are secured by corporate guarantees from the Company.

Finance lease liabilities

The finance lease liabilities are secured on the property, plant and equipment purchased under the finance leases. As at 31 December 2017, finance lease liabilities amounting to \$120,579 (30 June 2017: \$158,553) was guaranteed by the Company's Director, namely Mr. Lim Wee Li.

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	
	Unaudited 1HY2018	Unaudited 1HY2017
	\$	\$
Operating activities		
Loss before tax	(1,672,850)	(1,326,119)
Adjustments for:		
Depreciation of property, plant and equipment	533,390	428,183
Property, plant and equipment written off	21,192	–
(Gain) / Loss on disposal of property, plant and equipment	(93,082)	–
Interest expense	260,586	525,084
Interest income	(41)	(366)
Unrealised foreign exchange (gain)/loss	26,840	(261,878)
Operating cash flows before movements in working capital	(923,965)	(635,096)
Inventories	402,535	663,858
Trade and other receivables	1,394,241	(5,007,313)
Trade and other payables	1,701,546	2,874,496
Cash used in operating activities	2,574,357	(2,104,055)
Income tax recoverable	20,703	–
Net cash generated from / (used in) operating activities	2,595,060	(2,104,055)
Investing activities		
Interest received	41	366
Proceeds from disposal of property, plant and equipment	93,082	–
Purchases of property, plant and equipment	(207,542)	–
Net cash (used in) / generated from investing activities	(114,419)	366
Financing activities		
Fixed deposit pledged to a bank	-	(28)
Advances from / (repayment to) a director	88,066	1,346,642
Proceeds from borrowings	375,000	8,807,863
Repayment of borrowings	(2,223,557)	(8,536,618)
Repayment of finance leases	(37,974)	(28,289)

Interest paid	(260,586)	(525,084)
Net cash (used in) / generated from financing activities	(2,059,051)	1,064,486
Net (decrease) / increase in cash and cash equivalents	421,590	(1,039,203)
Cash and cash equivalents at the beginning of the financial period	(229,845)	1,003,500
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(15)	(83)
Cash and cash equivalents at the end of the financial period (Note A)	191,730	(35,786)

Note A

	As at 31 December 2017	As at 31 December 2016
	\$	\$
Cash and cash equivalents	359,760	949,606
Less: pledged fixed deposit	(168,030)	(167,967)
Less: bank overdraft	-	(817,425)
Cash and cash equivalents in the consolidated statement of cash flows	191,730	(35,786)

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	Share Capital \$	Retained earnings/ (Accumulated losses) \$	Currency translation reserve \$	Attributable to owners of the Company \$	Non- Controlling Interest \$	Total equity \$
As at 1 January 2017	6,231,259	(1,969,428)	344,369	4,606,200	(372,564)	4,233,636
(Loss)/profit for the period	–	(4,226,337)	–	(4,226,337)	176,694	(4,049,643)
Other comprehensive income for the period, net of tax						
- Exchange differences on translation of foreign operations	–	–	59,894	59,894	26,086	85,980
Total comprehensive income for the period	–	(4,226,337)	59,894	(4,166,443)	202,780	(3,963,663)
As at 30 June 2017 / 1 July 2017	6,231,259	(6,195,765)	404,263	439,757	(169,784)	269,973
Loss for the period	–	(1,691,725)	–	(1,691,725)	18,875	1,672,850
Other comprehensive income for the period, net of tax						
- Exchange differences on translation of foreign operations	–	–	11,381	11,381	7,469	18,850
Total comprehensive income for the period	–	(1,691,725)	11,381	(1,680,344)	26,344	(1,654,000)
As at 31 December 2017	6,231,259	(7,887,490)	415,644	(1,240,587)	(143,440)	(1,384,027)

Group	Share Capital \$	Retained earnings/ (Accumulated losses) \$	Translation reserve \$	Attributable to owners of the Company \$	Non- Controlling Interest \$	Total Equity \$
As at 1 January 2016	6,231,259	734,090	374,915	7,340,264	(192,494)	7,147,770
(Loss) for the period	–	(1,446,601)	–	(1,446,601)	(95,385)	(1,541,986)
Other comprehensive income for the period, net of tax						
- Exchange differences on translation of foreign operations	–	–	79,428	79,428	19,424	98,852
Total comprehensive income for the period	–	(1,446,601)	79,428	(1,367,173)	(75,961)	(1,443,134)
As at 30 June 2016 / 1 July 2016	6,231,259	(712,511)	454,343	5,973,091	(268,455)	5,704,636
Loss for the period	–	(1,256,917)	–	(1,256,917)	(69,202)	(1,326,119)
Other comprehensive income for the period, net of tax						
- Exchange differences on translation of foreign operations	–	–	(109,974)	(109,974)	(34,907)	(144,881)
Total comprehensive income for the period	–	(1,256,917)	(109,974)	(1,366,891)	(104,109)	(1,471,000)
As at 31 December 2016	6,231,259	(1,969,428)	344,369	4,606,200	(372,564)	4,233,636

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. (cont'd)

Company	Share capital \$	Accumulated losses \$	Total Equity \$
As at 1 January 2017	6,231,259	(1,045,041)	5,186,218
Loss for the period, representing total comprehensive income for the period	–	(383,652)	(383,652)
As at 30 June 2017 / 1 July 2017	6,231,259	(1,428,693)	4,802,566
Profit for the period, representing total comprehensive income for the period	–	(72,418)	(72,418)
As at 31 December 2017	6,231,259	(1,501,111)	(4,730,148)
As at 1 January 2016	6,231,259	(916,537)	5,314,722
Loss for the period, representing total comprehensive income for the period	–	(366,303)	(366,303)
As at 30 June 2016 / 1 July 2016	6,231,259	(1,282,840)	4,948,419
Loss for the period, representing total comprehensive income for the period	–	237,799	237,799
As at 31 December 2016	6,231,259	(1,045,041)	5,186,218

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.

	As at 31 December 2017		As at 31 December 2016	
	Number of shares	\$	Number of shares	\$
Issued and paid-up shares	100,000,000	6,231,259	100,000,000	6,231,259

There was no change in the Company's share capital since the end of the previous period reported on, being 30 June 2017 up till 31 December 2017. As at 31 December 2017 and 31 December 2016, the Company did not have outstanding options, convertibles, treasury shares or subsidiary holdings.

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.

	As at 31 December 2017	As at 31 December 2016
Total number of shares excluding treasury shares	100,000,000	100,000,000

1(d)(iv) A statement showing all sales, transfers, disposals, 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 31 December 2017.

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 31 December 2017.

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 by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Note 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period compared to the most recently audited financial statements for the financial period ended 30 June 2017 ("FP2017").

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRSs") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017, where applicable. The adoption of these new and revised FRSs and INT FRS is not expected to result in material adjustments to the financial position, results of operations or cash flows of the Group for 1HY2018.

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:

	1HY2018	1HY2017
Basic and fully diluted loss per share (cents)	(1.7)	(1.3)
Weighted average number of ordinary shares	100,000,000	100,000,000

As at 31 December 2017 and 2016, the Company did not have any dilutive instruments. Hence, the basic and diluted earnings per share for both periods under review are the same. For illustrative and comparative purposes, the earnings per share for the respective periods have been computed by dividing the Group's loss attributable to owners of the Company for the respective period by the aggregate number of ordinary shares of 100,000,000.

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	
	31.12.2017	30.6.2017	31.12.2017	30.6.2017
Net asset value per ordinary share (cents)	(1.4)	0.3	4.7	4.8

Net asset value per ordinary share is calculated based on the aggregate number of ordinary shares of 100,000,000.

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:
- 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
 - 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 Consolidated Statement of Comprehensive Income

Revenue

In 1HY2018, the Group recorded revenue of \$7.8 million, a decrease of 61.5% or \$12.4 million as compared to \$20.2 million in 1HY2017. The decrease was mainly attributable to lower revenue contribution from the Residential Projects segment by 71.2% or \$10.4 million and the Distribution and Retail segment by 35.7% or \$2.0 million.

Residential Projects

The Residential Projects segment accounted for 53.8% or \$4.2 million of the Group's revenue in 1HY2018, attributable to revenue derived from 10 ongoing projects carried forward from the calendar year 2016. Comparatively, revenue for Residential Projects in 1HY2017 amounted to \$14.6 million, of which approximately \$13.1 million was attributable to revenue recognised from commencement of 14 projects during the calendar year 2016, while \$1.5 million was derived from 11 ongoing projects carried forward from FY2015.

Distribution and Retail

The Distribution and Retail segment accounted for 46.2% or \$3.6 million of the Group's revenue in 1HY2018. The decrease in Distribution and Retail revenue of 35.7% or \$2.0 million, from \$5.6 million in 1HY2017 was attributable to a decrease in sales of \$1.6 million and \$0.4 million in Singapore and Hong Kong respectively.

Gross Profit

Gross profit decreased by 39.3% or \$2.3 million, from \$5.9 million in 1HY2017 to \$3.6 million in 1HY2018. Overall gross profit margin increased by 16.8 percentage points from 29.1% in 1HY2017 to 45.9% in 1HY2018 as a result of decreased costs incurred from the completion of residential projects.

Other Income

Other income decreased by 40.1% or \$0.1 million from \$0.2 million in 1HY2017 to \$0.1 million in 1HY2018. This was mainly due to a net foreign exchange gain of \$0.1 million recorded in 1HY2017 and which did not recur in 1HY2018.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 47.9% or \$1.9 million, from \$3.9 million in 1HY2017 to \$2.0 million in 1HY2018.

This was mainly attributable to a decrease in salaries and related costs (\$0.9 million), rental expenses (\$1.0 million) and advertising expenses (\$0.1 million) as a result of cost cutting measures adopted during 1HY2018.

General and Administrative Expenses

General and administrative expenses decreased by 11.3% or \$0.3 million, from \$3.0 million in 1HY2017 to \$2.7 million in 1HY2018.

This was mainly attributable to:

- a. a decrease in general expenses mainly in relation to a real estate agency fee of \$0.2 million incurred in 1HY2017 which did not recur in 1HY2018;
- b. a decrease in legal and professional fees of \$0.1 million;
- c. a decrease in management service fee in China amounting to approximately \$0.1 million; and
- d. offset by (i) an increase in depreciation of property, plant and equipment of \$0.1 million due to acquisition of new plant and equipment, and (ii) property, plant and equipment written off amounting to \$21,192 which is the net book value of obsolete plant and equipment scrapped during 1HY2018.

Other Operating Expenses

Other operating expenses increased by \$0.4 million, from approximately \$13,000 in 1HY2017 to \$0.4 million in 1HY2018 due mainly to a net foreign exchange loss of \$0.4 million incurred in 1HY2018.

Finance Costs

Finance costs decreased by 50.4% or \$0.2 million, from \$0.5 million in 1HY2017 to \$0.3 million in 1HY2018, mainly due to a decrease in bank interest paid as a result of the repayment of bank borrowings in 1HY2018.

Loss Before Tax

The Group recorded loss before tax of \$1.7 million and \$1.3 million in 1HY2018 and 1HY2017 respectively due to the reasons explained above.

Tax Expense

There is no income tax expense in 1HY2018 and 1HY2017 as the Group is in a loss position during the two financial periods.

Review of Statements of Financial Position of the Group

Assets

The Group's total assets decreased by \$2.6 million from \$24.5 million as at 30 June 2017 to \$21.9 million as at 31 December 2017. The decrease in total assets was mainly attributable to:

- a. decrease in cash and cash equivalents of \$0.4 million, mainly used in operating activities;
- b. decrease in trade receivables of \$1.7 million, mainly due to sales proceeds collected from development projects in Singapore;

- c. decrease in inventories of \$0.4 million as a result of inventories being recognised as an expense and included in cost of sales;
- d. decrease in net carrying value of property, plant and equipment of \$0.3 million due to (i) purchase of plant and equipment of \$0.2 million, less (ii) depreciation charge of \$0.5 million; and
- e. partially offset by an increase in other receivables of \$0.3 million, due mainly to an increase in prepaid expenses during 1HY2018;

Liabilities

The Group's total liabilities decreased by \$0.9 million from \$24.2 million as at 30 June 2017 to \$23.3 million as at 31 December 2017. The decrease in total liabilities was mainly attributable to:

- a. decrease in other payables of \$0.5 million due to (i) repayment of loan from a director and shareholder of \$0.8 million, (ii) offset by an increase in accrued operating expenses of \$0.3 million;
- b. decrease in borrowings of \$1.8 million due to (i) repayment of bank borrowings of \$1.1 million and (ii) bills payable of \$0.7 million during 1HY2018; and
- c. offset by an increase in trade payables of \$1.4 million due to (i) a net increase in sales deposits received for works not yet completed and (ii) an increase in amount due to customers on projects of \$1.0 million.

Working Capital Position

The Group's working capital is currently in a negative working capital position and a negative liability position of approximately \$3.5 million and \$1.4 million respectively as at 31 December 2017, mainly due to a decrease of \$2.6 million in total assets, offset by a decrease of \$0.9 million in total liabilities for the reasons explained above.

At present, the Board believes that the Group will be able to meet its short-term obligations as and when they fall due and continue as a going concern due to the following reasons:

- (a) the proposed conversion of shareholder's loans amounting to \$2.5 million granted by a controlling shareholder to the Company, into 18,477,000 new ordinary shares in the capital of the Company. Please refer to the Company's announcement dated 14 February 2018 relating to this debt conversion for more information,
- (b) the new contracts secured by the Group as announced on 9 February 2018,
- (c) net cash generated from operating activities of \$2.6 million,
- (d) there is continuing financial support provided by a controlling shareholder, Mr. Lim Wee Li who has extended a total loan amount of \$4.5 million to the Group for working capital purposes as at 31 December 2017. In addition, Mr Lim Wee Li has undertaken to provide any further financial support to enable the Group to continue in operation for the next 12 months from the date of these financial statements, if the need arises,
- (e) there are plans to broaden the Group's business by entering the mass market sector through a re-launch of the group's Pureform brand for kitchen and wardrobe systems, and any interior fit-out solutions; and
- (f) there are also plans to expand the Group's businesses through KROOM, which retails premium kitchen appliances and accessories, and kitchen and wardrobe systems.

Total Equity

Total equity decreased to negative \$1.4 million as at 31 December 2017 as compared to \$0.3 million as at 30 June 2017 mainly due to the loss after tax recorded in 1HY2018.

Review of Consolidated Statement of Cash Flows

In 1HY2018, the Group's operating cash flows before movements in working capital was cash outflow of \$0.9 million. The net cash generated from working capital amounting to \$3.5 million was due mainly to a decrease in trade and other receivables of \$1.4 million, a decrease in inventories of \$0.4

million and an increase in trade and other payables of \$1.7 million. The net cash generated from operating activities amounted to \$2.6 million.

In 1HY2018, net cash used in investing activities of \$0.1 million was due to purchase of plant and equipment of \$0.2 million, partially offset by proceeds from disposal of plant and equipment of \$0.1 million.

Net cash used in financing activities of \$2.1 million in 1HY2018 was due mainly to net repayment of borrowings (from financial and non-financial institutions) of \$1.8 million and interest paid of \$0.3 million.

As a result of the above, cash and cash equivalents (excluding fixed deposit pledged) was \$0.2 million as at 31 December 2017.

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

No forecast or prospect statement was previously disclosed.

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 outlook in Singapore and in the regions which the Group operates in are expected to remain challenging and competitive for the next 12 months given the present economic outlook and uncertainty in the global economy.

Notwithstanding the challenges, the Group is looking into various initiatives to improve its competitiveness and performance. This includes the following:

- a) To capitalise on its core competencies and to focus on the sale of imported kitchen systems, kitchen appliances, wardrobe systems, household furniture and accessories for residential projects and for distribution and retail in both local and regional markets; and
- b) To continue efforts in controlling costs and reducing overheads as well as explore opportunities to streamline operations to improve overall efficiency.

As announced on 9 February 2018, the Group, through its wholly-owned subsidiary, KHL Marketing Asia-Pacific Pte Ltd has secured two contracts in Singapore amounting to approximately \$6.1 million, one contract for the design, supply, delivery and installation of kitchen cabinets, wardrobes and bathroom cabinets for a residential development in a fast growing suburban residential hub, and another contract for the design, supply and delivery of kitchen appliances, and the supply and installation of kitchen cabinets and bedroom wardrobes for a residential development in a prime area. These contracts are expected to be fulfilled over the next 1 to 3 years.

There are plans to broaden the Group's business by entering the mass market sector through a re-launch of the Group's Pureform brand for kitchen and wardrobe systems, and any interior fit-out solutions as well as to expand the Group's businesses through KROOM, which retails premium kitchen appliances and accessories, and kitchen and wardrobe systems.

11. If a decision regarding dividend has been made:
 (a) Whether an interim (final) ordinary dividend has been declared (recommended);

No.

- (b)(i) Amount per share/rate %

Name of Dividend	
Dividend type	Not applicable
Dividend amount per ordinary share (cents)	Not applicable

- (b)(ii) Previous corresponding period/rate %

Name of Dividend	
Dividend type	Not applicable
Dividend amount per ordinary share (cents)	Not applicable

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

Not applicable.

- (d) The date the dividend is payable.

Not applicable.

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

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the current financial period ended 31 December 2017.

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 does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920(1)(a)(ii) of the Catalist Rules.

The Company had previously provided a corporate guarantee over the outstanding loan (together with the interest thereof) provided by Mr. Lim Wee Li, the Executive Chairman and CEO of the Company, to a subsidiary of the Company. Such corporate guarantee has been removed with effect from 28 April 2017. Following which, there has been no interested person transaction entered into by the Group with a value of more than \$100,000 during 1HY2018.

14. [Negative confirmation pursuant to Rule 705\(5\) of the Catalist Rules](#)

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the half year ended 31 December 2017 to be false or misleading in any material aspect.

15. [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\(1\) of the Catalist Rules](#)

The Company confirms that all the required undertakings in the format set out in Appendix 7H under the Rule 720(1) of the Catalist Rules have been obtained from its Directors and Executive Officers.

On behalf of the Board of Directors

Lim Wee Li
Executive Chairman and CEO

Date: 14 February 2018