



KITCHEN CULTURE HOLDINGS LTD.
(Company Registration No: 201107179D)
(the “**Company**”, and together with its subsidiaries, the “**Group**”)

**FULL YEAR UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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

The contact person for the Sponsor is Ms. Lee Khai Yinn (telephone no.: (65) 6532 3829), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

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 the current financial year will cover the 12-month financial period from 1 July 2017 to 30 June 2018 (“**FY2018**”), and the comparative preceding financial period will cover the 18-month financial period from 1 January 2016 to 30 June 2017 (“**FP2017**”).

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		% Change Increase/ (Decrease)
	Unaudited FY2018	Audited FP2017	
	\$	\$	
Revenue	14,535,097	49,551,428	(70.7)
Cost of sales	(8,126,071)	(34,894,726)	(76.7)
Gross profit	<u>6,409,026</u>	<u>14,656,702</u>	<u>(56.3)</u>
Other income	878,984	247,063	255.8
Selling and distribution expenses	(4,754,350)	(10,027,887)	(52.6)
Other operating expenses	(1,254,450)	(561,197)	123.5
General and administrative expenses	(4,538,240)	(9,900,683)	(54.2)
Finance cost	(512,647)	(1,331,746)	(61.5)
Loss before income tax	<u>(3,771,677)</u>	<u>(6,917,748)</u>	<u>(45.5)</u>
Income tax	-	-	-
Loss for the year	<u>(3,771,677)</u>	<u>(6,917,748)</u>	<u>(45.5)</u>
Other comprehensive (loss)/income for the year, net of tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	(206,809)	39,951	N.M.
Total comprehensive loss for the year	<u>(3,978,486)</u>	<u>(6,877,797)</u>	<u>(42.2)</u>
(Loss)/Profit attributable to:			
Owners of the Company	(3,783,745)	(6,929,855)	(45.4)
Non-controlling interests	12,068	12,107	(0.3)
Net loss for the year	<u>(3,771,677)</u>	<u>(6,917,748)</u>	<u>(45.5)</u>
Total comprehensive (loss)/income attributable to:			
Owners of the Company	(3,998,018)	(6,900,507)	(42.1)
Non-controlling interests	19,532	22,710	(14.0)
Total comprehensive loss for the year	<u>(3,978,486)</u>	<u>(6,877,797)</u>	<u>(42.2)</u>

N.M. = Not Meaningful

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

	Unaudited	Group	Audited	% Change
	FY2018		FP2017	Increase/(Decrease)
	\$		\$	
Allowance for doubtful receivables	(185,513)		(72,889)	154.5
Allowance for doubtful receivables written back	98,898		48,365	104.5
Bad debts written off	(203,477)		(5,998)	N.M.
Other receivables written off	-		(47,376)	N.M.
Depreciation of property, plant and equipment	(691,762)		(1,198,978)	(42.3)
Depreciation of investment property	(12,823)		(18,058)	(29.0)
Inventories:				
- written down	(471,424)		(113,409)	315.7
- written off	-		(139,511)	N.M.
- written back	25,399		-	N.M.
Net loss on foreign exchange difference	(327,468)		(204,940)	59.8
Gain/(Loss) on disposal of property, plant and equipment	92,186		(873)	N.M.
Property, plant and equipment written off	(35,303)		(89,961)	(60.8)
Interest income	441		2,927	(84.9)
Interest expense	(512,647)		(1,331,746)	(61.5)

N.M. = Not Meaningful

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 30.06.2018	Audited 30.06.2017	Unaudited 30.06.2018	Audited 30.06.2017
	\$	\$	\$	\$
Non-current assets				
Property, plant and equipment	615,442	1,114,564	-	-
Investment property	246,002	258,825	-	-
Subsidiary corporations	-	-	1,500,005	1,500,005
Trade receivables	618,250	728,865	-	-
Deferred tax assets	337,337	342,926	-	-
	<u>1,817,031</u>	<u>2,445,180</u>	<u>1,500,005</u>	<u>1,500,005</u>
Current assets				
Cash and cash equivalents	311,569	755,017	2,692	9,539
Trade receivables	5,438,714	10,149,234	-	-
Other receivables	2,167,381	1,679,287	8,752,843	4,520,289
Inventories	7,321,883	9,364,369	-	-
Tax recoverable	38,223	89,374	-	-
	<u>15,277,770</u>	<u>22,037,281</u>	<u>8,755,535</u>	<u>4,529,828</u>
Total assets	<u>17,094,801</u>	<u>24,482,461</u>	<u>10,255,540</u>	<u>6,029,833</u>
Non-current liabilities				
Finance lease liabilities	126,120	110,460	-	-
Borrowings	1,000,000	3,125,000	-	375,000
	<u>1,126,120</u>	<u>3,235,460</u>	<u>-</u>	<u>375,000</u>
Current liabilities				
Trade payables	5,563,737	7,196,421	-	-
Other payables	8,099,953	9,838,534	3,005,535	477,267
Finance lease liabilities	58,420	48,093	-	-
Borrowings	3,450,655	3,889,551	375,000	375,000
Income tax payable	4,429	4,429	-	-
	<u>17,177,194</u>	<u>20,977,028</u>	<u>3,380,535</u>	<u>852,267</u>
Total liabilities	<u>18,303,314</u>	<u>24,212,488</u>	<u>3,380,535</u>	<u>1,227,267</u>
Net (liabilities)/assets	<u>(1,208,513)</u>	<u>269,973</u>	<u>6,875,005</u>	<u>4,802,566</u>
Equity				
Share capital	8,731,259	6,231,259	8,731,259	6,231,259
Translation reserve	189,990	404,263	-	-
Accumulated losses	(9,979,510)	(6,195,765)	(1,856,254)	(1,428,693)
Equity attributable to owners of the Company	<u>(1,058,261)</u>	<u>439,757</u>	<u>6,875,005</u>	<u>4,802,566</u>
Non-controlling interests	(150,252)	(169,784)	-	-
Total equity	<u>(1,208,513)</u>	<u>269,973</u>	<u>6,875,005</u>	<u>4,802,566</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 As at 30 June 2018		Audited As at 30 Jun 2017	
\$	\$	\$	\$
Secured	Unsecured	Secured	Unsecured
3,509,075	-	3,937,644	-

Amount repayable after one year

Unaudited As at 30 June 2018		Audited As at 30 Jun 2017	
\$	\$	\$	\$
Secured	Unsecured	Secured	Unsecured
1,126,120	-	3,235,460	-

Details of collateral 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, bills payable, non-convertible bond and bank overdraft. Borrowings from non-financial institutions comprised of loans from a director, shareholders and third parties.

Except for the non-convertible bond, all borrowings from financial and non-financial institutions are secured by corporate guarantees from the Company. The non-convertible bond is secured by the Company's ordinary shares held by the controlling shareholder and Director of the Company, Mr. Lim Wee Li.

Finance lease liabilities

As at 30 June 2018, the finance lease liabilities of \$184,540 (as at 30 June 2017: \$158,553) are secured on the property, plant and equipment purchased under the finance leases and guaranteed by the Company's Director, namely Mr. Lim Wee Li (\$89,489) and the Company (\$95,051). As at 30 June 2017, the finance leases were guaranteed by the Company's Director, Mr. Lim Wee Li (\$83,823) and the Company (\$74,730).

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 FP2018	Audited FY2017
	\$	\$
Operating activities		
Loss before tax	(3,771,677)	(6,917,748)
Adjustments for:		
Depreciation of property, plant and equipment	691,762	1,198,978
Depreciation of investment property	12,823	18,058
(Gain)/Loss on disposal of property, plant and equipment	(92,186)	873
Property, plant and equipment written off	35,303	89,961
Interest expense	512,647	1,331,746
Interest income	-	(2,927)
Unrealised foreign exchange (gain)/loss	(200,983)	69,374
Operating cash flows before movements in working capital	(2,812,311)	(4,211,685)
Inventories	2,042,486	1,396,241
Trade and other receivables	4,333,041	1,098,650
Trade and other payables	(1,952,506)	3,352,253
Cash generated from operating activities	1,610,710	1,635,459
Income tax received/(paid)	51,151	(89,374)
Net cash provided by operating activities	1,661,861	1,546,085
Investing activities		
Interest received	-	2,927
Additions to property, plant and equipment	(147,131)	(679,917)
Disposal of property, plant and equipment	92,187	6,080
Net cash used in investing activities	(54,944)	(670,910)

**Consolidated Statement of Cash Flows
(cont'd)**

	Group	
	Unaudited FY2018	Audited FP2017
	\$	\$
Financing activities		
Fixed deposit pledged to a bank	(84)	(490)
Repayment of bank borrowings	(1,444,855)	(5,967,047)
Repayment of finance leases	(55,395)	(91,568)
Drawdown of term loan from a director	831,241	3,702,687
Interest paid	(512,647)	(1,351,747)
Proceeds from loan from external third parties	900,000	-
Repayment of term loan from external third parties	(1,175,000)	(500,000)
Net cash used in financing activities	(1,456,740)	(4,208,165)
Net increase/(decrease) in cash and cash equivalents	150,177	(3,332,990)
Cash and cash equivalents at beginning of the financial year	(229,845)	3,090,434
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	332	12,711
Cash and cash equivalents at the end of the financial year (Note A)	(79,336)	(229,845)

Note A

	As at 30 June 2018	As at 30 June 2017
	\$	\$
Bank balances	143,490	587,022
Fixed deposit	168,079	167,995
Cash and cash equivalents	311,569	755,017
Less: pledged fixed deposit	(168,079)	(167,995)
Less: bank overdraft	(222,826)	(816,867)
Cash and cash equivalents in the consolidated statement of cash flows	(79,336)	(229,845)

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	Translation reserve	(Accumulated losses) / Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$	\$
As at 1 July 2017	6,231,259	404,263	(6,195,765)	439,757	(169,784)	269,973
(Loss)/profit for the year	-	-	(3,783,745)	(3,783,745)	12,068	(3,771,677)
<i>Other comprehensive income</i>						
- Exchange differences on translation of foreign operations	-	(214,273)	-	(214,273)	7,464	(206,809)
Total comprehensive (loss)/income for the year	-	(214,273)	(3,783,745)	(3,998,018)	19,532	(3,978,486)
Issuance of share capital	2,500,000	-	-	2,500,000	-	2,500,000
As at 30 June 2018	8,731,259	189,990	(9,979,510)	(1,058,261)	(150,252)	(1,208,513)
As at 1 January 2016	6,231,259	374,915	734,090	7,340,264	(192,494)	7,147,770
Loss/(profit) for the period	-	-	(6,929,855)	(6,929,855)	12,107	(6,917,748)
<i>Other comprehensive income</i>						
- Exchange differences on translation of foreign operations	-	29,348	-	29,348	10,603	39,951
Total comprehensive income/(loss) for the period	-	29,348	(6,929,855)	(6,900,507)	22,710	(6,877,797)
As at 30 June 2017	6,231,259	404,263	(6,195,765)	439,757	(169,784)	269,973

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 July 2017	6,231,259	(1,428,693)	4,802,566
Issuance of share capital	2,500,000	-	2,500,000
Total comprehensive loss for the year	-	(427,561)	(427,561)
As at 30 June 2018	<u>8,731,259</u>	<u>(1,856,254)</u>	<u>6,875,005</u>
As at 1 January 2016	6,231,259	(916,537)	5,314,722
Total comprehensive loss for the period	-	(512,156)	(512,156)
As at 30 June 2017	<u>6,231,259</u>	<u>(1,428,693)</u>	<u>4,802,566</u>

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.

	<u>As at 30 June 2018</u>		<u>As at 31 December 2017</u>	
	No. of shares	\$	No. of shares	\$
Issued and paid-up share capital	118,477,000	8,731,259	100,000,000	6,231,259

Following the issuance and allotment of 18,477,000 ordinary shares pursuant to the conversion of shareholder's loan extended by Mr. Lim Wee Li on 28 June 2018, the Company's share capital increased from 100,000,000 shares as at 31 December 2017 to 118,477,000 shares as at 30 June 2018. The Company had no outstanding convertibles, treasury shares or subsidiary holdings as at 30 June 2018 and 30 June 2017.

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 30 June 2018	As at 30 June 2017
Total number of shares excluding treasury shares	118,477,000	100,000,000

There were no treasury shares as at 30 June 2018 and 30 June 2017.

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 2018.

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 2018.

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 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 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 July 2017, where applicable. The adoption of these standards from the effective date did not result in material adjustments to the financial position, results of operations or cash flows of the Group for FY2018.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

	Group	
	FY2018	FP2017
Weighted average number of ordinary shares	100,101,244	100,000,000
Basic and fully diluted loss per ordinary share (cents)	<u>(3.8)</u>	<u>(6.9)</u>

Basic and fully diluted loss per ordinary share are calculated by dividing the Group's loss attributable to owners of the Company for the year by the weighted average number of ordinary shares. The basic and fully diluted loss per ordinary share in FY2018 and FP2017 are the same as the Company did not have any dilutive equity instruments in the respective financial years.

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	
	As at 30 June 2018	As at 30 June 2017	As at 30 June 2018	As at 30 June 2017
Net (liabilities)/asset value per ordinary share (cents)	<u>(0.9)</u>	<u>0.4</u>	<u>5.8</u>	<u>4.8</u>

Net (liabilities)/asset value per ordinary share is calculated by dividing the Group's equity attributable to owners of the Company by the aggregate number of ordinary shares as at the end of the respective financial periods.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Due to the change of financial year end in FP2017, the changes in income and expenses between FP2017 and FY2018 are not comparable.

Review of Consolidated Statement of Comprehensive Income

Revenue

In FY2018, the Group recorded revenue of \$14.5 million, a decrease of 70.7% or \$35.0 million as compared to \$49.5 million in FP2017. The decline in revenue occurred across the Group's operations in Singapore (\$25.6 million), Malaysia (\$5.3 million) and Hong Kong (\$4.3 million), partially offset by increases in revenue from China (\$0.2 million).

The decrease was attributable to lower revenue contribution from the Residential Projects segment by 84.5% or \$27.5 million and the Distribution and Retail segment by 44.2% or \$7.5 million.

Residential Projects

The Residential Projects segment accounted for 34.8% or \$5.1 million of the Group's revenue, derived from 10 ongoing projects carried over from FP2017. Residential Projects revenue declined 84.5% due to fewer projects on hand. Comparatively, revenue for Residential Projects in FP2017 was from commencement of 14 projects during the calendar year 2016 and 11 ongoing projects carried forward from FY2015 and accounted for 65.7% or \$32.6 million of the Group's revenue. The decrease in revenue for this segment occurred in Singapore (\$18.7 million), Malaysia (\$5.0 million), and Hong Kong (\$4.0 million).

Distribution and Retail

The Distribution and Retail segment accounted for 65.2% or \$9.5 million of the Group's revenue in FY2018. This is a decrease of 44.2% or \$7.5 million compared with FP2017 wherein the Distribution and Retail segment accounted for 34.3% or \$17.0 million of the Group's revenue. The decrease in revenue for this segment was in the Group's largest market Singapore (\$6.8 million), followed by Malaysia (\$0.4 million) and Hong Kong (\$0.2 million) due mainly to slowdown in retail sales and the shorter 12-month period for FY2018 compared to 18 months for FP2017.

Gross Profit

Gross profit in FY2018 was \$6.4 million. This is a decrease of 56.3% or \$8.2 million from \$14.7 million in FP2017, in line with lower revenue and a shorter 12-month period for FY2018. Overall gross profit margin increased by 14.5 percentage points from 29.6% in FP2017 to 44.1% in FY2018 as a result of decreased costs incurred from the completion of Residential Projects.

Other Income

Other income increased by \$0.6 million from \$0.2 million in FP2017 to \$0.9 million in FY2018, due mainly to proceeds from an insurance claim of \$0.2 million, write-back of provision for doubtful debts \$0.1 million by the Company's subsidiary, Kitchen Culture Sdn. Bhd., and unrealised foreign exchange gain of \$0.5 million.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 52.6% or \$5.3 million, from \$10.0 million in FP2017 to \$4.8 million in FY2018. The decrease was due largely to cost cutting measures adopted during FY2018 resulting in decreases in staff costs (\$1.8 million), rental expenses (\$3.3 million) and advertisement expenses (\$0.3 million).

Other Operating Expenses

Other operating expenses increased by \$0.7 million to \$1.3 million in FY2018, compared with \$0.6 million in FP2017.

The increase was mainly attributable to:

- a. a net loss in foreign exchange amounting to \$0.3 million in FY2018 compared with \$0.2 million in FP2017;
- b. increase in bad debts written off by \$0.2 million in FY2018;
- c. increase in allowance for doubtful receivables of \$0.1 million in FY2018;
- d. increase in write down of inventories by \$0.4 million due to mainly to damages; partially offset by
- e. a decrease in write off of property, plant and equipment in FY2018 of \$0.05 million; and
- c. increase in allowance for doubtful receivables written back of \$0.05 million.

General and Administrative Expenses

General and administrative expenses decreased by 54.2% or \$5.4 million, from \$9.9 million in FP2017 to \$4.5 million in FY2018 mainly due to cost cutting measures adopted during FY2018 resulting in decreases in staff costs (\$2.2 million), rental expenses (\$0.8 million) and depreciation (\$0.5 million). The decrease in depreciation charge was due to lower carrying values of property, plant and equipment resulting from asset disposals.

Finance Cost

Finance cost decreased by 61.5% or \$0.8 million, from \$1.3 million in FP2017 to \$0.5 million in FY2018, mainly due to a decrease in borrowings.

Loss Before Tax

The Group recorded loss before tax of \$3.8 million and \$6.9 million in FY2018 and FP2017 respectively due to the reasons explained above.

Review of Statements of Financial Position of the Group

Assets

The Group's total assets decreased by \$7.4 million from \$24.5 million as at 30 June 2017 to \$17.1 million as at 30 June 2018.

The decrease in total assets was mainly attributable to:

- a. decrease in trade and other receivables of \$4.2 million, mainly from collections;
- b. decrease in inventories of \$2.0 million, mainly used in operations and included in cost of sales;
- c. decrease in net carrying value of property, plant and equipment of \$0.5 million due mainly to depreciation charge (\$0.7 million), partially offset by a gain on disposal of equipment (\$0.1 million); and
- d. decrease in cash and cash equivalents of \$0.4 million.

Liabilities

The Group's total liabilities decreased by \$5.9 million from \$24.2 million as at 30 June 2017 to \$18.3 million as at 30 June 2018.

The decrease in total liabilities was mainly attributable to:

- a. decrease in borrowings of \$2.6 million, due to repayment of term loans to financial institutions;
- b. decrease in trade and other payables of \$3.4 million, attributable mainly to:
 - i) a decrease of \$1.6 million in aggregate due to settlement of accounts;

- ii) amount due to director decreased by \$1.9 million due to debt conversion of Mr. Lim Wee Li's loan amounting to \$2.5 million, partially offset by an additional loan \$0.6 million; and
- iii) a decrease in sales deposits received of \$0.2 million due to completion of sales orders.

Total Equity

Total equity decreased to negative \$1.2 million as at 30 June 2018, compared with positive \$0.3 million as at 30 June 2017 due mainly to the loss after tax recorded in FY2018.

Review of Consolidated Statement of Cash Flows

In FY2018, the Group's operating cash flows before movements in working capital was cash outflow of \$2.8 million. The net cash generated from working capital amounting to \$4.4 million was due mainly to a decrease in inventories of \$2.0 million and a decrease in trade and other receivables of \$4.3 million, partially offset by a decrease in trade and other payables of \$2.0 million. The net cash generated from operating activities in FY2018 amounted to \$1.7 million.

In FY2018, the net cash used in investing activities of \$0.05 million was mainly due to net cash outflow on purchase of property, plant and equipment of \$0.14 million, partially offset by the proceeds from disposal of property, plant and equipment of \$0.09 million.

The net cash used in financing activities of \$1.4 million in FY2018 was due mainly to repayments of bank borrowings (\$1.4 million), term loans from third parties (\$1.2 million), and interest expenses (\$0.5 million), partially offset by proceeds from loans from external third parties of \$0.9 million and drawdown of term loan from a director of \$0.8 million.

As a result of the above, cash and cash equivalents improved by \$0.15 to a deficit of \$0.08 million as at 30 June 2018, from a deficit of \$0.23 million as at 30 June 2017.

Going concern and working capital position

The Group is currently in a negative working capital position and a negative liability position of approximately \$1.9 million and \$1.2 million respectively as at 30 June 2018, mainly due to the decrease of \$7.4 million in total assets, offset by a decrease of \$5.9 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 new contracts secured by the Group as announced on 9 February 2018;
- (b) potential contracts in the pipeline totalling \$2.8 million;
- (c) net cash generated from operating activities of \$1.7 million;
- (d) there is continuing financial support provided by a controlling shareholder, Mr Lim Wee Li who has extended a total loan amount of \$2.2 million to the Group for working capital purposes as at 30 June 2018. In addition, Mr Lim has undertaken to provide any further financial support to enable the Group to continue in operations for the next 12 months from the date of these financial statements, if the need arises;
- (e) addition of new brands of appliances to the Group's portfolio of products;
- (f) 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;
- (g) there are also plans to expand the Group's businesses through KROOM, which retails premium kitchen appliances and accessories, and kitchen and wardrobe systems; and
- (h) there may be plans to convert a portion of shareholder's loans and/or other loans granted to the Company into new ordinary shares in the capital of the Company.

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

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

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

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

To manage 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;
- b) Expanding its sales and marketing efforts in securing new projects,
- c) Entering the mid/mass-market sector with a new range of competitively priced imported products; and
- d) Continue efforts in controlling costs and reducing overheads and 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

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

(b)(ii) Previous corresponding period

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 FY2018.

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) of the Catalist Rules. 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.

On 28 June 2018, 18,477,000 new ordinary shares in the capital of the Company were allotted and issued to Mr Lim Wee Li at the issue price of \$0.1353 each pursuant to the conversion of shareholder's loans of \$2,500,000 extended by Mr Lim Wee Li to the Company (the "Debt Conversion"). The Debt Conversion was approved by the shareholders of the Company at the extraordinary general meeting held on 26 June 2018. Save for the Debt Conversion, there was no other interested person transaction entered into by the Group with value of more than \$100,000 during FY2018.

14. Issuer to confirm that it has procured undertaking 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.

15. Segmented revenue and results for operating segments (of the Group) in the form presented in the Issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

	Residential Projects		Distribution and Retail		Others		Total	
	FY2018	FP2017	FY2018	FP2017	FY2018	FP2017	FY2018	FP2017
	\$	\$	\$	\$	\$	\$	\$	\$
Reportable segment revenue	5,059,770	32,579,783	9,475,327	16,971,645	-	-	14,535,097	49,551,428
Reportable segment (losses)/profits	(909,358)	(4,173,332)	(1,688,804)	(1,098,943)	(333,841)	(745,040)	(2,932,003)	(6,017,315)
Reportable segment assets	5,956,044	15,388,133	11,061,225	8,802,794	77,532	291,534	17,094,801	24,482,461
Segment liabilities	4,776,317	11,034,618	8,870,302	6,466,987	75,493	1,270,763	13,722,112	18,772,368
Capital expenditure	80,143	315,618	148,838	441,799	950	-	229,931	757,417
Depreciation of property, plant and equipment	(178,814)	(543,873)	(332,082)	(655,105)	(180,866)	-	(691,762)	(1,198,978)
Depreciation of investment property	-	-	-	-	(12,823)	(18,058)	(12,823)	(18,058)
Allowance for doubtful trade receivables	(27,376)	(50,478)	(158,137)	(22,411)	-	-	(185,513)	(72,889)
Other receivables written off	-	(31,919)	-	(15,457)	-	-	-	(47,376)
Property, plant and equipment written off	(6,261)	(55,435)	(11,628)	(34,526)	(17,414)	-	(35,303)	(89,961)

A reconciliation of segment losses to the loss before tax is as follows:

	Group	
	FY2018	FP2017
	\$	\$
Segment losses	(2,932,003)	(6,017,315)
Interest income	441	2,927
Net loss on foreign exchange difference	(327,468)	(204,940)
Interest on borrowings	(512,647)	(698,420)
Loss before tax	<u>(3,771,677)</u>	<u>(6,917,748)</u>

Geographical information

Revenue based on the geographical location of customers is as follows:

	Sales to external customers	
	FY2018	FP2017
	\$	\$
Singapore	6,954,367	32,542,985
Hong Kong	6,321,808	10,651,665
Malaysia	579,997	5,867,443
China	678,925	489,335
	<u>14,535,097</u>	<u>49,551,428</u>

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to Note 8 above for details.

17. A breakdown of sales as follows:

	Group		% Increase/ (Decrease)
	FY2018 \$	FP2017 \$	
(a) Sales reported for first 6-month period ⁽¹⁾	N.A.	12,808,371	N.M.
(b) Loss after tax before deducting non-controlling interests reported for first 6-month period ⁽¹⁾	N.A.	(1,541,986)	N.M.
(c) Sales reported for second 6-month period ⁽²⁾	7,770,068	20,201,701	(61.5)
(d) Loss after tax before deducting non-controlling interests reported for second 6-month period ⁽²⁾	(1,672,850)	(1,326,119)	26.1
(e) Sales reported for third 6-month period ⁽³⁾	6,765,029	16,541,356	(59.1)
(f) Loss after tax before deducting non-controlling interests reported for third 6-month period ⁽³⁾	(2,098,827)	(4,049,643)	(48.2)

Notes:

- (1) First 6-month period refers to 1 January 2016 to 30 June 2016 for FP2017. It is not applicable to FY2018.
- (2) Second 6-month period refers to 1 July 2016 to 31 December 2016 for FP2017 and 1 July 2017 to 31 December 2017 for FY2018.
- (3) Third 6-month period refers to 1 January 2017 to 30 June 2017 for FP2017 and 1 January 2018 to 30 June 2018 for FY2018.

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows: (a) Ordinary; (b) Preference; (c) Total.

No dividend was declared for FY2018 and FP2017.

19. Disclosure of person occupying a managerial position in the Issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Issuer pursuant to Rule 704(10) of the Catalist Rules. If there are no such persons, the issuer must make an appropriate negative statement.

The Company confirms that there is no person occupying a managerial position in the Company and its subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company pursuant to Rule 704(10) of the Catalist Rules.

On behalf of the Board of Directors

Lim Wee Li
Executive Chairman and CEO

Date: 29 August 2018