



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 2019 (“HY2020”)

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

*This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (“**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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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 HY2020 | Unaudited HY2019 | Increase/(Decrease) |
| | \$ | \$ | % |
| Revenue | 7,179,844 | 4,697,921 | 52.8 |
| Cost of sales | (5,121,589) | (2,510,781) | >100.0 |
| Gross profit | 2,058,255 | 2,187,140 | (5.9) |
| Other income | 123,343 | 12,112 | >100.0 |
| Selling and distribution expenses | (1,333,012) | (1,945,323) | (31.5) |
| General and administrative expenses | (2,056,372) | (1,874,971) | 9.7 |
| Other operating expenses | (19,312) | (13,393) | 44.2 |
| Loss from operations | (1,227,098) | (1,634,435) | (24.9) |
| Finance cost | (376,841) | (248,565) | 51.6 |
| Loss before income tax | (1,603,939) | (1,883,000) | (14.8) |
| Income tax expense | - | - | - |
| Net loss for the period | (1,603,939) | (1,883,000) | (14.8) |
| Other comprehensive income for the period, net of tax | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | 95,862 | 177,524 | (46.0) |
| Total comprehensive loss for the period | (1,508,077) | (1,705,476) | (11.6) |
| Net (loss)/income attributable to: | | | |
| Equity holders of the Company | (1,630,069) | (1,877,603) | (13.2) |
| Non-controlling interests | 26,130 | (5,397) | N.M. |
| | (1,603,939) | (1,883,000) | (14.8) |
| Total comprehensive (loss)/income attributable to: | | | |
| Equity holders of the Company | (1,557,523) | (1,702,677) | (8.5) |
| Non-controlling interests | 49,446 | (2,799) | N.M. |
| | (1,508,077) | (1,705,476) | (11.6) |

N.M.= Not Meaningful

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

| | Group | | |
|---|-----------------------------|-----------------------------|----------------------------|
| | Unaudited HY2020 | Unaudited HY2019 | Increase/(Decrease) |
| | \$ | \$ | % |
| Amortisation of investment property | (6,389) | (6,389) | – |
| Depreciation of property, plant and equipment | (102,543) | (172,649) | (40.6) |
| Gain on disposal of property, plant and equipment | – | 37,655 | N.M. |
| Interest expense | (372,416) | (210,236) | 77.1 |
| Interest income | 1,182 | 359 | >100.0 |
| Net (loss)/gain on foreign exchange difference | (7,085) | 3,392 | N.M. |
| Sundry income ⁽¹⁾ | 122,161 | 11,753 | >100.0 |

Note 1: Sundry income

| | | | |
|---|---------|--------|--------|
| Administration fee charged to customers | 87,140 | 6,613 | >100.0 |
| Net revenue from investment property | 3,894 | 4,383 | (11.2) |
| Government grant | 17,681 | 757 | >100.0 |
| Discounts received | 13,446 | - | N.M. |
| | 122,161 | 11,753 | >100.0 |

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 31.12.2019 | Audited 30.6.2019 | Unaudited 31.12.2019 | Audited 30.6.2019 |
| | \$ | \$ | \$ | \$ |
| Current assets | | | | |
| Cash and cash equivalents | 861,818 | 333,677 | 14,551 | 9,269 |
| Trade receivables | 5,483,424 | 3,681,898 | – | – |
| Other receivables | 1,419,372 | 1,308,897 | 6,722,377 | 4,913,247 |
| Contract assets | 221,906 | 790,067 | – | – |
| Inventories | 7,233,466 | 6,897,834 | – | – |
| Tax recoverable | 5,622 | 4,211 | – | – |
| | <u>15,225,608</u> | <u>13,016,584</u> | <u>6,736,928</u> | <u>4,922,516</u> |
| Non-current assets | | | | |
| Property, plant and equipment | 330,004 | 405,490 | – | – |
| Investment property | 226,836 | 233,225 | – | – |
| Subsidiary corporations | – | – | 2 | 2 |
| Trade receivables | 675,850 | 130,599 | – | – |
| Deferred tax assets | 79,500 | – | – | – |
| | <u>1,312,190</u> | <u>769,314</u> | <u>2</u> | <u>2</u> |
| Total assets | <u>16,537,798</u> | <u>13,785,898</u> | <u>6,736,930</u> | <u>4,922,518</u> |
| Current liabilities | | | | |
| Trade payables | 2,006,773 | 2,166,068 | – | – |
| Other payables | 10,827,245 | 8,717,107 | 5,325,612 | 4,910,360 |
| Contract liabilities | 4,847,448 | 4,212,571 | – | – |
| Finance lease liabilities | 42,862 | 54,407 | – | – |
| Borrowings | 3,114,086 | 1,208,036 | 1,738,000 | – |
| Income tax payable | 15,697 | 20,419 | – | – |
| | <u>20,854,111</u> | <u>16,378,608</u> | <u>7,063,612</u> | <u>4,910,360</u> |
| Net current (liabilities)/assets | (5,628,503) | (3,362,024) | (326,684) | 12,156 |
| Non-current liabilities | | | | |
| Finance lease liabilities | 119,189 | 134,715 | – | – |
| Borrowings | 2,400,000 | 2,600,000 | – | – |
| | <u>2,519,189</u> | <u>2,734,715</u> | <u>–</u> | <u>–</u> |
| Total liabilities | <u>23,373,300</u> | <u>19,113,323</u> | <u>7,063,612</u> | <u>4,910,360</u> |
| Net (liabilities)/assets | (6,835,502) | (5,327,425) | (326,682) | 12,158 |
| Equity | | | | |
| Share capital | 8,731,259 | 8,731,259 | 8,731,259 | 8,731,259 |
| Translation reserve | 361,507 | 288,961 | – | – |
| Accumulated losses | (15,576,605) | (13,946,536) | (9,057,941) | (8,719,101) |
| Capital and reserves attributable to equity holders of the Company | <u>(6,483,839)</u> | <u>(4,926,316)</u> | <u>(326,682)</u> | <u>12,158</u> |
| Non-controlling interests | (351,663) | (401,109) | – | – |
| Total equity | <u>(6,835,502)</u> | <u>(5,327,425)</u> | <u>(326,682)</u> | <u>12,158</u> |
| Total liabilities and equity | <u>16,537,798</u> | <u>13,785,898</u> | <u>6,736,930</u> | <u>4,922,518</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 31.12.2019 | | Audited 30.6.2019 | |
|--|---------------------------------|------------------|------------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| | Secured | Unsecured | Secured | Unsecured |
| Borrowings | 3,114,086 | - | 1,208,036 | - |
| Finance leases | 42,862 | - | 54,407 | - |
| Advances classified under other payables | - | 5,446,558 | - | 2,575,837 |
| Total | 3,156,948 | 5,446,558 | 1,262,443 | 2,575,837 |

Amount repayable after one year

| | Unaudited 31.12.2019 | | Audited 30.6.2019 | |
|----------------|---------------------------------|------------------|------------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| | Secured | Unsecured | Secured | Unsecured |
| Borrowings | 2,400,000 | - | 2,600,000 | - |
| Finance leases | 119,189 | - | 134,715 | - |
| Total | 2,519,189 | - | 2,734,715 | - |

Details of collaterals are as follows:

All borrowings are guaranteed by the Company.

Finance lease liabilities are secured on the property, plant and equipment purchased under the finance leases. In addition, as at 31 December 2019, finance lease liabilities were guaranteed by Mr. Lim Wee Li and the Company amounting to \$59,159 (30 June 2019: \$63,076) and \$93,081 (30 June 2019: \$102,690), respectively.

- 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 HY2020 | Unaudited HY2019 |
| | \$ | \$ |
| Operating activities | | |
| Loss before tax | (1,603,939) | (1,883,000) |
| Adjustments for: | | |
| Deferred tax assets | (79,500) | - |
| Depreciation of property, plant and equipment | 102,543 | 172,649 |
| Amortisation of investment property | 6,389 | 6,389 |
| Gain on disposal of property, plant and equipment | - | (37,655) |
| Interest expense | 372,416 | 210,236 |
| Interest income | (1,182) | (359) |
| Unrealised foreign exchange differences | 109,736 | 204,151 |
| Operating cash flows before movements in working capital | (1,093,537) | (1,327,589) |
| Inventories | (335,632) | 281,859 |
| Trade and other receivables | (2,457,249) | 1,035,054 |
| Contract assets | 568,161 | - |
| Contract liabilities | 634,877 | - |
| Trade and other payables | (886,973) | 1,295,870 |
| Cash (used in)/generated from operations | (3,570,353) | 1,285,194 |
| Income tax paid | (1,411) | (3,872) |
| Net cash (used in)/provided by operating activities | (3,571,764) | 1,281,322 |
| Investing activities | | |
| Interest received | 1,182 | 359 |
| Disposal of property, plant and equipment | - | 41,353 |
| Additions to property, plant and equipment | (27,057) | (90,920) |
| Net cash used in investing activities | (25,875) | (49,208) |
| Financing activities | | |
| Release of fixed deposit pledged to bank | 52,082 | - |
| Proceeds from advances from a director | 2,714,271 | - |
| Repayment of advances from a director | - | (119,720) |
| Proceeds from borrowings | 1,671,050 | - |
| Repayment of borrowings | (225,000) | (285,392) |
| Proceeds from finance leases | - | 67,000 |
| Repayment of finance leases | (27,071) | (30,151) |
| Interest paid | (2,984) | (210,236) |
| Net cash provided by/(used in) financing activities | 4,182,348 | (578,499) |
| Net increase in cash and cash equivalents | 584,709 | 653,615 |
| Cash and cash equivalents at the beginning of the financial period | 183,559 | (69,085) |
| Effects of foreign exchange rate changes on the balance of cash held in foreign currencies | (4,486) | (10,649) |
| Cash and cash equivalents at the end of the financial period (Note A) | 763,782 | 573,881 |

Note A

| | As at 31 December 2019 | As at 31 December 2018 |
|--|-----------------------------------|-----------------------------------|
| | \$ | \$ |
| Cash and cash equivalents | 861,818 | 741,961 |
| Less: Bank overdraft | (98,036) | - |
| Less: Pledged fixed deposit | - | (168,080) |
| Cash and cash equivalents in the consolidated statement of cash flows | 763,782 | 573,881 |

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 | Accumulated Losses | Currency Translation Reserve | Attributable to Equity Holders of the Company | Non- Controlling Interests | Total Equity |
|--|--------------------------|-------------------------------|---|--|---|-------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| As at 1 July 2019 | 8,731,259 | (13,946,536) | 288,961 | (4,926,316) | (401,109) | (5,327,425) |
| (Loss)/profit for the period | - | (1,630,069) | | (1,630,069) | 26,130 | (1,603,939) |
| Other comprehensive income for the period, net of tax | | | | | | |
| - Exchange differences on translation of foreign operations | - | - | 72,546 | 72,546 | 23,316 | 95,862 |
| Total comprehensive (loss)/income for the period | - | (1,630,069) | 72,546 | (1,557,523) | 49,446 | (1,508,077) |
| As at 31 December 2019 | 8,731,259 | (15,576,605) | 361,507 | (6,483,839) | (351,663) | (6,835,502) |

Group

| | Share Capital \$ | Accumulated Losses \$ | Currency Translation Reserve \$ | Attributable to Equity Holders of the Company \$ | Non- Controlling Interests \$ | Total Equity \$ |
|--|---------------------------------|--------------------------------------|--|---|--|--------------------------------|
| As at 1 July 2018 | 8,731,259 | (10,221,783) | 189,862 | (1,300,662) | (150,914) | (1,451,576) |
| Loss for the period | - | (1,877,603) | - | (1,877,603) | (5,397) | (1,883,000) |
| Other comprehensive income for the period, net of tax | | | | | | |
| - Exchange differences on translation of foreign operations | - | - | 174,926 | 174,926 | 2,598 | 177,524 |
| Total comprehensive (loss)/income for the period | - | (1,877,603) | 174,926 | (1,702,677) | (2,799) | (1,705,476) |
| As at 31 December 2018 | 8,731,259 | (12,099,386) | 364,788 | (3,003,339) | (153,713) | (3,157,052) |

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 2019 | 8,731,259 | (8,719,101) | 12,158 |
| Loss for the period, representing total comprehensive loss for the period | – | (338,840) | (338,840) |
| As at 31 December 2019 | <u>8,731,259</u> | <u>(9,057,941)</u> | <u>(326,682)</u> |
| As at 1 July 2018 | 8,731,259 | (1,856,254) | 6,875,005 |
| Loss for the period, representing total comprehensive loss for the period | – | (202,801) | (202,801) |
| As at 31 December 2018 | <u>8,731,259</u> | <u>(2,059,055)</u> | <u>(6,672,204)</u> |

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State 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 2019 | | As at 30 June 2019 | |
|----------------------------------|------------------------|-----------|---------------------|-----------|
| | Number of shares | \$ | Number of shares | \$ |
| Issued and paid-up share capital | 118,477,000 | 8,731,259 | 118,477,000 | 8,731,259 |

There was no change in the Company's share capital since the end of the previous period reported on, being 30 June 2019 up till 31 December 2019.

As at 31 December 2019 and 31 December 2018, 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 2019 | As at 30 June 2019 |
|--|---------------------------|-----------------------|
| Total number of shares excluding treasury shares | 118,477,000 | 118,477,000 |

There were no treasury shares as at 31 December 2019 and 30 June 2019.

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 during and as at the end of HY2020.

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 during and as at the end of HY2020.

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 modifications or emphasis of matter).

Not applicable.

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

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

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

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The Group's latest audited financial statements for the financial year ended 30 June 2019 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

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 Section 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 year ended 30 June 2019.

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.

Except for the adoption of the new and revised SFRS(I) and interpretation of SFRS(I) applicable for the financial year beginning on or after 1 July 2019, the same accounting policies and methods of computation have been applied. The adoption of the new and revised SFRS(I) has no material impact on the financial performance or position of the Group and the Company.

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.

| | HY2020 | HY2019 |
|---|---------------|---------------|
| Basic and fully diluted loss per ordinary share (cents) | (1.38) | (1.58) |
| Weighted average number of ordinary shares | 118,477,000 | 118,477,000 |

Basic and fully diluted loss per ordinary share are calculated by dividing the Group's loss attributable to equity holders of the Company for the financial period by the weighted average number of ordinary shares. The basic and fully diluted loss per ordinary share in HY2020 and HY2019, respectively, are the same as the Company did not have any dilutive equity instruments in the respective financial periods.

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 | |
|--|-------------------|------------------|-------------------|------------------|
| | 31.12.2019 | 30.6.2019 | 31.12.2019 | 30.6.2019 |
| Net (liabilities)/asset value per ordinary share (cents) | (5.47) | (4.16) | (0.28) | 0.01 |

Net (liabilities)/asset value per ordinary share is calculated by dividing the Group's equity attributable to equity holders 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.

Review of Consolidated Statement of Comprehensive Income

Revenue

In HY2020, the Group recorded revenue of \$7.2 million, an increase of 52.8% or \$2.5 million as compared to \$4.7 million in HY2019. The increase was mainly attributable to higher revenue contribution from the Residential Projects segment by 102.9% or \$1.9 million and the Distribution and Retail segment by 21.2% or \$0.6 million.

Residential Projects

The Residential Projects segment accounted for 51.4% or \$3.7 million of the Group's revenue in HY2020, attributable to revenue derived from 2 ongoing projects (one in Singapore and one in Hong Kong) which commenced in calendar year 2019. Comparatively, revenue for Residential Projects in HY2019 amounted to \$1.8 million from 8 ongoing projects carried forward from calendar year 2016.

Distribution and Retail

The Distribution and Retail segment accounted for 48.6% or \$3.5 million of the Group's revenue in HY2020. The increase in Distribution and Retail revenue of 21.2% or \$0.6 million, from \$2.9 million

in HY2019 was mainly attributable to an increase in sales of \$1.4 million in Singapore, partially offset by decreases of \$0.4 million in Hong Kong and \$0.4 million in China.

Gross Profit

Gross profit decreased by 5.9% or \$0.1 million, from \$2.2 million in HY2019 to \$2.1 million in HY2020. The decrease in gross profit was mainly due to a decrease in gross profit from the Residential Projects segment of \$439K as a result of reduced gross profit margin, partially offset by an increase in gross profit from the Distribution and Retail segment of \$310K as a result of an increase in revenue from Singapore and improved gross profit margin.

Overall gross profit margin decreased by 17.9 percentage points from 46.6% in HY2019 to 28.7% in HY2020. The Residential Projects segment recorded a decrease in gross profit margin of 40.8 percentage points. This arose from massive reduced profit margins on the 2 ongoing projects (one in Singapore and one in Hong Kong) due to a highly competitive business environment. However, the Distribution and Retail segment experienced a slight increase in gross profit margin of 3.8 percentage points.

Other Income

Other income increased by \$0.1 million from \$12K in HY2019 to \$123K in HY2020. This was mainly due to an increase of \$81K in administration fee charged to customers in Hong Kong for handling and transportation, an increase of \$18K in government grant received in Singapore and discounts of \$13K received from suppliers in China.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 31.5% or \$0.6 million from \$1.9 million in HY2019 to \$1.3 million in HY2020. This was mainly attributable to cost cutting measures implemented in Singapore leading to a decrease in staff costs of \$0.3 million and reclassification of rental expenses of \$0.3 million to General and Administrative Expenses.

General and Administrative Expenses

General and administrative expenses increased by 9.7% or \$0.2 million, from \$1.9 million in HY2019 to \$2.1 million in HY2020. This was mainly attributable to:

- a. an increase in rental expenses of \$0.3 million reclassified from Selling and Distribution Expenses;
- b. an increase in repairs and maintenance of office/showroom premises in Hong Kong of \$0.1 million;
- c. partially offset by decreases in (i) depreciation of \$70K due to certain property, plant and equipment being fully depreciated in prior periods; (ii) travelling and transport/freight and handling charges of \$60K, and (iii) electricity, entertainment and telephone expenses totalling \$70K.

Other Operating Expenses

There was no significant variance in other operating expenses.

Finance Cost

Finance cost increased by 51.6% from \$249K in HY2019 to \$377K in HY2020, mainly due to an increase in interest paid as a result an increase in borrowings in HY2020.

Loss Before Tax

The Group recorded loss before tax of \$1.6 million and \$1.9 million in HY2020 and HY2019 respectively due to the reasons explained above.

Income Tax Expense

There is no income tax expense in HY2020 and HY2019 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 increased by \$2.7 million from \$13.8 million as at 30 June 2019 to \$16.5 million as at 31 December 2019. The increase in total assets was mainly attributable to:

- a. an increase in cash and cash equivalents of \$0.5 million;
- b. an increase in trade receivables and contract assets of \$1.8 million resulting from billings for work completed in fourth quarter of 2019 (increases of \$1.3 million in Singapore and \$0.7 million in Hong Kong, partially offset by a decrease of \$0.2 million in Malaysia);
- c. an increase in other receivables of \$0.1 million arising from deposits paid to foreign suppliers for purchases of materials;
- d. an increase in inventories of \$0.3 million in China, for delivery to customers in first quarter of 2020;
- e. an increase in deferred tax assets of \$0.1 million, from recognition of tax benefits recoverable in the foreseeable future; and
- f. partially offset by a decrease in net carrying value of property, plant and equipment of \$0.1 million due to depreciation charge.

Liabilities

The Group's total liabilities increased by \$4.3 million from \$19.1 million as at 30 June 2019 to \$23.4 million as at 31 December 2019. The increase in total liabilities was mainly attributable to:

- a. an increase in trade payables and contract liabilities of \$0.5 million due to a net increase in sales deposits received of \$0.6 million, partially offset by payment to trade creditors of \$0.1 million;
- b. an increase in other payables of \$2.1 million due to increases in (i) loan from a director of \$2.7 million, (ii) loan from a shareholder of a subsidiary corporation of \$0.2 million, and (iii) accrued expenses of \$0.6 million, partially offset by a decrease of \$1.4 million in non-trade creditors;
- c. an increase in borrowings \$1.7 million.

Statement on Working Capital Position and Going Concern

The Group is currently in a negative working capital position and a net liability position of \$5.6 million and \$6.8 million respectively as at 31 December 2019. Notwithstanding, the Board believes that barring any unforeseen circumstances, the Group will be able to meet its short-term obligations as and when they fall due and continue as a going concern on the basis of the following management representations:

- (a) Management has obtained written commitments from a shareholder and other third party lenders not to demand payment for at least the next 12 months up to 31 December 2021 for an aggregate loans of \$2.4 million.
- (b) Mr. Lim Wee Li, who had extended an interest free loan of \$4.8 million to the Group for working capital purposes as at 31 December 2019, has undertaken not to call for repayment until the Group has sufficient additional working capital. In addition, Mr. Lim Wee Li has undertaken to provide further financial support if the need arises to enable the Group to continue in operation for at least the next 12 months from 30 June 2019.
- (c) Contract liabilities of \$4.8 million in relates to sales deposits collected from customers for kitchen systems purchased, which will be recognised as revenue subsequently upon delivery of the kitchen systems to the customers and do not represent a payment obligation by the Group.

Further discussion on the Group's plan to strengthen its financial position is set out in Section 10 of this announcement.

Review of Consolidated Statement of Cash Flows

In HY2020, the Group's operating cash flows before movements in working capital was cash outflow of \$1.1 million. The net cash outflow from working capital amounting to \$2.5 million was due mainly to an increase in trade receivables, contract assets and other receivables of \$1.9 million, an increase in inventories of \$0.3 million and a decrease in trade payables, contract liabilities and other payables of \$0.3 million. The net cash used in operating activities amounted to \$3.6 million.

Net cash used in investing activities of \$26K in HY2020 was mainly attributable to acquisition of property, plant and equipment of \$27K.

Net cash generated from financing activities of \$4.2 million in HY2020 was due mainly to an increase in amount due to a director of \$2.7 million, increase in borrowings of \$1.7 million, partially offset by repayment of term loan from external third parties of \$0.2 million.

As a result of the above, cash and cash equivalents stood at \$0.8 million as at 31 December 2019.

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

The Company previously disclosed the following prospect statements in its announcement dated 28 February 2019:

- (a) “Based on the cash flow forecast, the Group is expected to have a positive cash balance for the next 12 months (from January to December 2019) due to contributions from its overseas unit.”
- (b) “...no cash deficit is expected during any month from January 2019 to December 2019.”
- (c) “The kitchen systems in relation to the \$5.3 million of sales deposits received are expected to be delivered over the next six months, pending readiness of customers’ sites.”
- (d) “In respect of the \$5.3 million project, work on the project has commenced and 25% of the total contract value is expected to be received by June 2019, 50% of the total contract value by December 2019 and 100% of the total contract value by December 2020.”
- (e) “In respect of the \$11.3 million project, the Group is expected to receive 15% of the total contract value by December 2020, 77% of the total contract value by December 2021 and 100% of the total contract value by April 2022.”

In relation to items (a) and (b), for January 2019 to June 2019, the Group recorded positive cash balances as previously forecasted. For July 2019 to December 2019, the Group expected a slight deficit in its cash balance due to delays in a project in Hong Kong which was previously expected to commence in June 2019. The Group managed its cash resources judiciously and obtained a secured term loan amounting to approximately \$1.3 million at an interest rate of 15% per annum in July 2019. The loan was fully repaid on 31 December 2019, and the Group’s cash balance on that date was positive.

For item (c), only \$2.5 million of the sales deposits was recognised as sales in second half of FY2019. Another \$1.8 million was recognised in July and August 2019. The remaining \$1.0 million, previously expected to be recognised by end of December 2019 is expected to be recognised by end of March 2020. The delay in the recognition of sales is due to a delay in the readiness of customers’ sites which were still under renovation as of December 2019.

For item (d), only around 19% and 31% of the total contract value was received as of 30 June 2019 and 31 December 2019 respectively due to the delay in the construction progress by the main contractor.

For item (e), no variance is noted.

Notwithstanding the above developments, the Board is of the opinion that the Group can continue as a going concern in view of the reasons set out in Section 8 above and that the Group has been showing progress in narrowing its losses since the financial period ended 30 June 2017.

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 Group's Distribution and Retail business had been slow amidst the challenging retail conditions. However, the Group's order book for kitchen appliances and kitchen systems (based on deposits received from customers which is classified as contract liabilities) currently stands at \$4.8 million, and efforts will be expended over the next few months in delivering these kitchen systems to customers. There are also plans to add new brands of appliances to the Group's portfolio of products, in line with expansion of the Group's businesses through KROOM, which retails premium kitchen appliances and accessories, and kitchen and wardrobe systems.

The Group's Residential Projects business had faced significant challenges following the introduction of cooling measures to the property market. Despite these difficulties, the Group managed to capitalise on its proven track record, and our order book pipeline (based on letters of award and intent) currently stands at \$24.7 million for 6 residential projects in Singapore and 2 projects in Hong Kong, which are expected to be completed over the next 2 to 3 years.

The Company is exploring various options to strengthen its balance sheet and working capital position, including *inter alia*, restructuring its current payment obligations, fundraising and other financing options. The Board will make further announcements as and when there are material developments.

To maintain its competitive advantage, the Group has continually implemented various initiatives to manage costs and improve efficiency in performance. This includes, amongst others, resource planning, cost control, streamlining of operations and partnering with manufacturers to lower cost of material.

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 and the reason(s) for the decision.

No dividend has been declared or recommended for HY2020 as the Group has accumulated losses of \$15.6 million as at 31 December 2019.

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. There is no interested person transaction entered into by the Group with a value of more than \$100,000 during HY2020.

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 HY2020 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: 3 March 2020