kitchen culture

KITCHEN CULTURE HOLDINGS LTD.
(Company Registration No: 201107179D)

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE CATALIST RULES – ADJUSTMENTS TO PRELIMARY FINANCIAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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

The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

The Board of Directors (the "**Board**") of Kitchen Culture Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the unaudited financial results announcement for the financial year ended 30 June 2019 ("**FY2019**") dated 29 August 2019 (the "**Announcement**"). Pursuant to Rule 704(5) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**"), the Board wishes to announce the material variances and the reasons for the material variances between the audited financial statements of the Group for FY2019 (the "**Audited Results**") and the unaudited financial statements stated in the Announcement (the "**Unaudited Results**") following the finalisation of the audit.

Below are the details of the material variances between the Audited Results and the Unaudited Results:

<u>Consolidated Statement of Financial Position</u>

	Per Unaudited Results	**Per Audited Results**	**Change Increase / (Decrease)**		**Explanation for the variances**
	S$	**S$**	**S$**	**%**	
Cash and cash equivalents	251,775	333,677	81,902	32.5%	Refer to A
Trade receivables (total)	4,328,353	3,812,497	(515,856)	(11.9)%	Refer to B
Other receivables	1,432,941	1,308,897	(124,044)	(8.7)%	Refer to C
Inventories	6,963,426	6,897,834	(65,592)	(0.9)%	n.m.
Contract assets	-	790,067	790,067	100%	Refer to D
Property, plant and equipment	427,907	405,490	(22,417)	(5.2)%	n.m.
Deferred tax assets	336,080	-	(336,080)	(100)%	Refer to E
Trade payables	6,264,275	2,166,068	(4,098,207)	(65.4)%	Refer to F
Other payables	8,693,337	8,717,107	23,770	0.3%	n.m.
Contract liabilities	-	4,212,571	4,212,571	100%	Refer to G
Borrowings (total)	3,710,000	3,808,036	98,036	2.6%	Refer to H
Translation reserve	433,480	288,961	(144,519)	(33.3)%	Refer to I
Accumulated losses	(13,912,706)	(13,946,536)	33,830	0.2%	n.m.
Total equity (negative)	**(4,899,235)**	**(5,327,425)**	**428,190**	**8.7%**	
Net current liabilities	(5,380,968)	(3,362,024)	(2,018,944)	(37.5)%	Refer to J

Consolidated Statement of Comprehensive Income

	Per Unaudited Results	Per Audited Results	Change Increase / (Decrease)		Explanation for the variances
	S$	S$	S$	%	
Revenue	10,547,442	11,050,616	503,174	4.8%	Refer to K
Cost of sales	(6,176,198)	(6,280,105)	103,907	1.7%	Refer to L
Other income	76,096	279,288	203,192	267.0%	Refer to M
Selling and distribution expenses	(3,021,778)	(2,855,584)	(166,194)	(5.5)%	Refer to N
Other operating expenses	(211,714)	(825,262)	613,548	289.8%	Refer to O
General and administrative expenses	(4,474,537)	(4,722,514)	247,977	5.5%	Refer to P
Finance cost	(432,176)	(432,094)	82	0.0%	n.m.
Loss before tax	**(3,692,865)**	**(3,785,655)**	**92,790**	**2.5%**	
Income tax	-	(337,290)	377,290	100.0%	Refer to E
Loss for the year	**(3,692,865)**	**(4,122,945)**	**430,080**	**11.6%**	
Exchange differences on translation of foreign operations	245,206	247,096	1,890	0.8%	n.m.
Total comprehensive loss for the year	**(3,447,659)**	**(3,875,849)**	**428,190**	**12.4%**	

Consolidated Statement of Cash Flows

	Per Unaudited Results	Per Audited Results	Change Increase / (Decrease)		Explanation for the variances
	S$	S$	S$	%	
Net cash provided by operating activities	1,023,802	915,297	(108,505)	(10.6)%	Refer to Q
Net cash used in investing activities	(53,160)	(9,766)	(43,394)	(81.6)%	Refer to R
Net cash used in financing activities	(647,287)	(650,392)	3,105	0.5%	n.m

n.m. – not meaningful / not material

Explanatory notes:

A. Cash and cash equivalents increased mainly due to reclassification of a bank overdraft of S$98,036 to Borrowings.

B. Trade receivables decreased by S$515,856 due mainly to reclassification of contract sums receivable of S$363,485 to contract assets, an increase in provision for doubtful debts of S$180,145, partially offset by an increase in a long term prepayment of S$30,095.

C. Other receivables decreased by S$124,044 due to reclassification of S$173,036 to contract assets, partially offset by an increase in advances to suppliers of S$48,992.

D. Contract assets comprise contract sums receivable for work done and not invoiced of S$253,546, contract sums receivable of $363,485 which was reclassified from trade receivables in Note B above and S$173,036 which was reclassified from other receivables explained in Note C above.

E. Deferred tax assets was fully written off and corresponding income tax expense was recorded as recoverability of this asset in the near future was considered doubtful.

F. Trade payables decreased mainly due to reclassification of S$4,212,571 to contract liabilities, partially offset by an additional increase in payables for goods and services received.

G. Contract liabilities comprise amount due to customers on projects of S$13,703 and deposits received from customers of S$4,198,868 reclassified from trade payables from Note F above.

H. Borrowings increased due primarily to a bank overdraft reclassified from cash and bank balances from Note A above.

I. Translation reserve decreased due to unrealised foreign exchange losses reclassified as general and administrative expense. Refer to Note N.

J. Net current liabilities decreased due mainly to reclassification of S$1.6 million of borrowings from current to non-current liabilities in view of the written commitments obtained from certain lenders not to demand payment for at least the next 12 months and reclassification of S$0.5 million of trade receivables from non-current to current assets.

K. Revenue increased by S$503,174 due to recognition of additional Residential Projects revenue of S$122,121 from late certification by main contractor for work done as at the end of the financial year, and recognition of additional Distribution and Retail revenue of S$381,053 for goods delivered but not invoiced as at the end of the financial year.

L. Cost of sales increased by S$103,907 for cost of inventories delivered to customers not accounted for previously.

M. Other income increased by S$203,192 due to recognition of additional service income for services provided but not invoiced as at the end of the financial year.

N. Selling and distribution expenses decreased by S$166,194 due to a net decrease in showroom and warehouse rental expense of S$124,708 (primarily due to the reversal of over-accrual of showroom rental expense in Malaysia of S$108,083), and a decrease in staff costs of S$41,486.

O. Other operating expenses increased mainly due to (i) net allowance for doubtful debts of S$102,698, (ii) additional bad debts written off of S$145,056, (iii) additional foreign exchange loss of S$91,571, (iv) unrealised foreign exchange loss of $16,134, (v) allowance for inventories write-down of S$36,584, (vi) inventories written off of S$283,931, which was partially offset by (vi) a reversal of provision for defect liability of S$62,426 made in prior year.

P. General and administrative expenses increased due to (i) an increase in office rental expense of S$35,573, (ii) conservancy and maintenance expenses of offices/showrooms in Hong Kong of S$108,588, (iii) additional unrealised foreign exchange loss of S$138,061, which was partially offset by (iv) a decrease in staff costs totalling S$34,245.

Q. Net cash from operating activities decreased mainly due to an increase in loss after tax of S$92,790.

R. Net cash used in investing activities decreased due to a reclassification of deposit paid amounting to S$43,394 for the purchase of a fixed asset from “additions to property, plant and equipment” to “other receivables”.

On behalf of the Board of Directors

Lim Wee Li
Executive Chairman and CEO

17 November 2019