



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 (“FY”) 2020**

*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.*

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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		% Change Increase/ (Decrease)
	Unaudited FY2020	Audited FY2019	
	\$	\$	
Revenue	15,351,775	11,050,616	38.9
Cost of sales	(10,063,582)	(6,280,105)	60.2
Gross profit	5,288,193	4,770,511	10.9
Other income	385,467	279,288	38.0
Gain on deconsolidation of subsidiary	551,982	-	N.M.
Selling and distribution expenses	(3,025,974)	(2,855,584)	6.0
Other operating expenses	(1,101,332)	(825,262)	33.5
General and administrative expenses	(4,956,634)	(4,722,514)	5.0
Finance cost	(2,025,468)	(432,094)	>100.0
Loss before income tax	(4,883,766)	(3,785,655)	29.0
Income tax expense	(243)	(337,290)	(99.9)
Net loss for the year	(4,884,009)	(4,122,945)	18.5
Other comprehensive 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	(20,754)	247,096	N.M.
Total comprehensive loss for the year	(4,904,763)	(3,875,849)	26.5
Net (loss)/income attributable to:			
Equity holders of the Company	(5,017,893)	(3,874,348)	29.5
Non-controlling interests	133,884	(248,597)	N.M.
Net loss for the year	(4,884,009)	(4,122,945)	18.5
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	(5,049,018)	(3,625,654)	39.3
Non-controlling interests	144,255	(250,195)	N.M.
Total comprehensive loss for the year	(4,904,763)	(3,875,849)	26.5

N.M. = Not Meaningful

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

	Group		
	Unaudited FY2020	Audited FY2019	% Change Increase/ (Decrease)
	\$	\$	
Amortisation of investment property	(12,777)	(12,777)	-
Allowance for doubtful trade receivables	(25,165)	(180,145)	(86.0)
Allowance for doubtful trade receivables written back	451,420	-	N.M.
Bad debts written off	(399,117)	(148,091)	>100.0
Inventories:			
- written off	(132,302)	(283,931)	(53.4)
- written down	(859,646)	(36,584)	>100.0
Net loss on foreign exchange difference	(117,923)	(490,242)	(75.9)
Depreciation of property, plant and equipment	(185,348)	(330,590)	(43.9)
Gain on deconsolidation of subsidiary	551,982	-	N.M.
Gain on disposal of property, plant and equipment	7,220	52,111	(86.1)
Property, plant and equipment written off	(1,569)	-	N.M.
Government grant	251,990	9,919	>100.0
Service income	943	103,254	(99.1)
Interest income on bank deposits	2,297	731	>100.0
Interest expense on loans and bills payable	(2,012,631)	(426,375)	>100.0
Finance lease interest	(5,968)	(5,719)	4.4

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 30.06.2020	Audited 30.06.2019	Unaudited 30.06.2020	Audited 30.06.2019
	\$	\$	\$	\$
Non-current assets				
Property, plant and equipment	84,743	405,490	-	-
Investment property	220,448	233,225	-	-
Subsidiary corporations	-	-	2	2
Investment in associated company	1	-	-	-
Trade receivables	797,523	130,599	-	-
Deferred tax assets	85,812	-	-	-
	<u>1,188,527</u>	<u>769,314</u>	<u>2</u>	<u>2</u>
Current assets				
Cash and cash equivalents	6,411,845	333,677	5,938,263	9,269
Trade receivables	7,394,593	3,681,898	-	-
Other receivables	1,461,620	1,308,897	9,929,422	4,913,247
Contract assets	328,490	790,067	-	-
Inventories	4,855,643	6,897,834	-	-
Tax recoverable	-	4,211	-	-
	<u>20,452,191</u>	<u>13,016,584</u>	<u>15,867,685</u>	<u>4,922,516</u>
Total assets	<u>21,640,718</u>	<u>13,785,898</u>	<u>15,867,687</u>	<u>4,922,518</u>
Non-current liabilities				
Finance lease liabilities	103,663	134,715	-	-
Borrowings	-	2,600,000	-	-
	<u>103,663</u>	<u>2,734,715</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	2,090,323	2,166,068	-	-
Other payables	13,595,398	8,717,107	7,536,302	4,910,360
Contract liabilities	3,268,748	4,212,571	-	-
Finance lease liabilities	31,052	54,407	-	-
Borrowings	8,802,729	1,208,036	6,957,500	-
Income tax payable	4,429	20,419	-	-
	<u>27,792,679</u>	<u>16,378,608</u>	<u>14,493,802</u>	<u>4,910,360</u>
Total liabilities	<u>27,896,342</u>	<u>19,113,323</u>	<u>14,493,802</u>	<u>4,910,360</u>
Net current (liabilities)/assets	<u>(7,340,488)</u>	<u>(3,362,024)</u>	<u>1,373,883</u>	<u>12,156</u>
Net (liabilities)/assets	<u>(6,255,624)</u>	<u>(5,327,425)</u>	<u>1,373,885</u>	<u>12,158</u>
Equity				
Share capital	12,707,823	8,731,259	12,707,823	8,731,259
Translation reserve	257,836	288,961	-	-
Accumulated losses	(18,964,429)	(13,946,536)	(11,333,938)	(8,719,101)
Capital and reserves attributable to equity holders of the Company	<u>(5,998,770)</u>	<u>(4,926,316)</u>	<u>1,373,885</u>	<u>12,158</u>
Non-controlling interests	(256,854)	(401,109)	-	-
Total equity	<u>(6,255,624)</u>	<u>(5,327,425)</u>	<u>1,373,885</u>	<u>12,158</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 30.06.2020		Audited 30.06.2019	
	\$	\$	\$	\$
	Secured	Unsecured	Secured	Unsecured
Borrowings	1,845,229	6,957,500	1,208,036	-
Advances classified under other payables	-	7,776,115	-	2,575,837
Finance leases	31,052	-	54,407	-
Total	1,876,281	14,733,615	1,262,443	2,575,837

Amount repayable after one year

	Unaudited 30.06.2020		Audited 30.06.2019	
	\$	\$	\$	\$
	Secured	Unsecured	Secured	Unsecured
Borrowings	-	-	2,600,000	-
Finance leases	103,663	-	134,715	-
Total	103,663	-	2,734,715	-

Details of collateral are as follows:

Except for the Convertible Loan together with its accrued interest amounting to \$6,957,500 as at 30 June 2020, all borrowings are secured by corporate guarantees from the Company. As at 30 June 2020, all borrowings are from non-financial institutions including shareholders and third parties (30 June 2019: \$3,710,000). There is no borrowings from financial institutions as at 30 June 2020 (30 June 2019: \$98,036).

Advances classified under other payables of \$7,776,115 comprised of a loan from a director, namely Mr Lim Wee Li, of \$4,631,305 (30 June 2019: \$2,116,124) and a loan from a shareholder of a subsidiary corporation of \$3,144,810 (30 June 2019: \$459,713).

Finance lease liabilities are secured on the property, plant and equipment purchased under the finance leases. In addition, as at 30 June 2020, finance lease liabilities were guaranteed by Mr Lim Wee Li (the Executive Chairman and CEO of the Company) and the Company amounting to \$51,242 (30 June 2019: \$63,076) and \$83,473 (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 FY2020	Audited FY2019
	\$	\$
Cash flows from operating activities		
Loss after tax	(4,884,009)	(4,122,945)
Adjustments for:		
Deferred tax	(85,812)	337,290
Depreciation of property, plant and equipment	185,348	330,590
Amortisation of investment property	12,777	12,777
Gain on disposal of property, plant and equipment	(7,220)	(52,111)
Property, plant and equipment written off	1,569	-
Interest expense	2,018,599	432,094
Interest income	(2,297)	(731)
Unrealised foreign exchange differences	10,767	261,996
	(2,750,278)	(2,801,040)
Change in working capital:		
Inventories	2,042,191	384,063
Trade and other receivables	(4,475,310)	1,826,345
Contract assets	461,577	503,501
Trade and other payables	1,277,963	532,456
Contract liabilities	(943,823)	436,254
Cash (used in)/generated from operations	(4,387,680)	881,579
Income tax refunded	4,211	33,718
Net cash (used in)/provided by operating activities	(4,383,469)	915,297
Investing activities		
Interest received	2,297	731
Additions to property, plant and equipment	(69,441)	(66,306)
Disposal of property, plant and equipment	32,358	55,809
Net cash used in investing activities	(34,786)	(9,766)

	Group	
	Unaudited FY2020	Audited FY2019
	\$	\$
Financing activities		
Fixed deposit pledged to a bank	52,082	115,998
Proceeds from issue of new shares	3,976,564	-
Repayment of bank borrowings	-	(252,829)
Repayment of finance leases	(54,407)	(56,123)
Repayment of non-convertible loan	-	(375,000)
Proceeds from advances from a director	5,229,441	-
Repayment of advances from a director	(2,714,271)	(102,866)
Interest paid	(5,968)	(89,572)
Proceeds from term loan from external third parties	7,788,000	200,000
Repayment of term loan from external third parties	(3,602,771)	(90,000)
Net cash provided by/(used in) financing activities	10,668,670	(650,392)
Net increase in cash and cash equivalents	6,250,415	255,139
Cash and cash equivalents at beginning of the financial year	183,559	(69,085)
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(22,129)	(2,495)
Cash and cash equivalents at the end of the financial year (Note A)	6,411,845	183,559
Note A		
Cash and cash equivalents	6,411,845	333,677
Less: Bank overdraft	-	(98,036)
Less: Pledged fixed deposit	-	(52,082)
Cash and cash equivalents in the consolidated statement of cash flows	6,411,845	183,559

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	Currency translation reserve	Accumulated losses	Attributable to equity holders of the Company	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$	\$
As at 1 July 2019	8,731,259	288,961	(13,946,536)	(4,926,316)	(401,109)	(5,327,425)
(Loss)/profit for the year	-	-	(5,017,893)	(5,017,893)	133,884	(4,884,009)
<i>Other comprehensive income</i>						
- Exchange differences on translation of foreign operations	-	(31,125)	-	(31,125)	10,371	(20,754)
Total comprehensive income/(loss) for the year	-	(31,125)	(5,017,893)	(5,049,018)	144,255	(4,904,763)
Issuance of new ordinary shares	3,976,564	-	-	3,976,564	-	3,976,564
As at 30 June 2020	12,707,823	257,836	(18,964,429)	(5,998,770)	(256,854)	(6,255,624)
As at 1 July 2018	8,731,259	40,267	(10,072,188)	(1,300,662)	(150,914)	(1,451,576)
(Loss)/profit for the year	-	-	(3,874,348)	(3,874,348)	(248,597)	(4,122,945)
<i>Other comprehensive income</i>						
- Exchange differences on translation of foreign operations	-	248,694	-	248,694	(1,598)	247,096
Total comprehensive income/(loss) for the year	-	248,694	(3,874,348)	(3,625,654)	(250,195)	(3,875,849)
As at 30 June 2019	8,731,259	288,961	(13,946,536)	(4,926,316)	(401,109)	(5,327,425)

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
Issuance of new ordinary shares	3,976,564	-	3,976,564
Total comprehensive loss for the year	-	(2,614,837)	(2,614,837)
As at 30 June 2020	<u>12,707,823</u>	<u>(11,333,938)</u>	<u>1,373,885</u>
As at 1 July 2018	8,731,259	(1,856,254)	6,875,005
Total comprehensive loss for the year	-	(6,862,847)	(6,862,847)
As at 30 June 2019	<u>8,731,259</u>	<u>(8,719,101)</u>	<u>12,158</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.

	<u>As at 30 June 2020</u>		<u>As at 31 December 2019</u>	
	No. of shares	\$	No. of shares	\$
Issued and paid-up share capital	176,750,000	12,707,823	118,477,000	8,731,259

Changes in the Company's Share Capital

The Company issued 58,273,000 new ordinary shares since the end of the previous period reported on, being 1 July 2019 up till 31 December 2019:

Date	No. of Shares Issued	Details of Share Issue
22 January 2020	2,000,000	Conversion of loan from a third party amounting to \$150,000
19 March 2020	56,273,000	Issue of shares for cash of \$3,826,564 via a placement exercise
	<u>58,273,000</u>	

Convertible Loan

The Company had on 3 May 2020 entered into a convertible loan agreement (the "**Convertible Loan Agreement**") with various investors, pursuant to which, the investors agreed to grant an interest-bearing convertible loan of \$6,050,000 to the Company (the "**Convertible Loan**").

In return, the investors were granted the right to convert the Convertible Loan together with the interest payable into a maximum of 46,694,626 new ordinary shares in the issued and paid-up capital of the Company in accordance of the terms of the Convertible Loan Agreement ("**Conversion**"). Such Conversion was approved by the shareholders of the Company on 29 June 2020.

Save for the aforementioned Convertible Loan, the Company did not have any other outstanding convertibles as at 30 June 2020 and 30 June 2019. The Company did not have any treasury shares or subsidiary holdings as at 30 June 2020 and 30 June 2019.

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 2020	As at 30 June 2019
Total number of shares excluding treasury shares	176,750,000	118,477,000

There were no treasury shares as at 30 June 2020 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 FY2020.

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 FY2020.

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 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 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 FY2019.

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.

	Group	
	FY2020	FY2019
Weighted average number of ordinary shares	135,187,708	118,477,000
Basic loss per ordinary share (cents)	(3.7)	(3.3)
Weighted average number of ordinary shares	135,315,288	118,477,000
Fully diluted loss per ordinary share (cents)	(3.7)	(3.3)

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 year by the weighted average number of ordinary shares. The basic and fully diluted loss per ordinary share in FY2019 are the same as the Company did not have any dilutive equity instruments in FY2019.

7. Net (liabilities)/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 2020	As at 30 June 2019	As at 30 June 2020	As at 30 June 2019
Net (liabilities)/asset value per ordinary share (cents)	(3.39)	(4.16)	0.78	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 years.

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 FY2020, the Group recorded revenue of \$15.4 million, an increase of 38.9% or \$4.3 million from \$11.1 million in FY2019. The increase in revenue occurred in Singapore (\$0.2 million) and Hong Kong (\$4.8 million), which was partially offset by decrease in revenue from Malaysia (\$0.1 million) and China (\$0.6 million).

The Residential Projects segment increased by 202.0% or \$6.3 million while the Distribution and Retail segment decreased by 25.5% or \$2.0 million.

Residential Projects

The Residential Projects segment accounted for 61.6% or \$9.5 million of the Group's revenue, derived from 8 ongoing projects (6 in Singapore and 2 in Hong Kong). Residential Projects revenue increased by 202.0% or \$6.3 million due to commencement of 5 projects during the year, of which 2 projects in Hong Kong were near to completion during FY2020. Comparatively, revenue for Residential Projects in FY2019 was from 7 ongoing projects carried forward from the previous financial year ended 30 June 2018 which only accounted for 28.3% or \$3.1 million of the Group's revenue. The increase in revenue for this segment occurred in Singapore (\$0.7 million) and Hong Kong (\$5.7 million) partially offset by a decrease in Malaysia (\$0.1 million).

Distribution and Retail

The Distribution and Retail segment accounted for 38.4% or \$5.9 million of the Group's revenue in FY2020, a decrease of 25.5% or \$2.0 million compared with FY2019 wherein the Distribution and Retail segment accounted for 71.7% or \$7.9 million of the Group's revenue. The decrease in revenue for this segment was mainly the result of the COVID-19 situation in which affected all of the Group's operations, in Singapore (\$0.4 million), Hong Kong (\$0.9 million), China (\$0.6 million) and Malaysia (\$0.1 million).

Gross Profit

Gross profit in FY2020 was \$5.3 million. This is an increase of 10.9% or \$0.5 million from \$4.8 million in FY2019. However, overall gross profit margin decreased by 8.7 percentage points to 34.4% in FY2020, from 43.2% in FY2019.

The decrease in overall gross profit margin was largely the result of increased raw material costs incurred on projects in Singapore, even though the Distribution and Retail segment recorded a marginal increase in gross profit margin due to reduction on sales discounts given in Singapore and Hong Kong.

Other Income

Other income increased by \$0.1 million from \$0.3 million in FY2019 to \$0.4 million in FY2020, due to \$0.2 million received from the Singapore Government through the COVID-19 relief measures which was partially offset by a decrease in service income of \$0.1 million due to movement restrictions during the COVID-19 lock-down period.

Gain on deconsolidation of subsidiary

In FY2020, the Group recorded a gain on deconsolidation of subsidiary of \$0.6 million following the disposal of 60% of the registered capital of Kitchen Culture (Sichuan) Co., Ltd. ("KCSC") completed in June 2020 and reclassification of KCSC from a subsidiary to an associated company of the Group.

Selling and Distribution Expenses

Selling and distribution expenses increased by 6.0% or \$0.2 million, from \$2.8 million in FY2019 to \$3.0 million in FY2020. The increase was mainly due to increase in showroom rental expenses of \$0.2 million (Malaysia \$0.1 million; Hong Kong \$0.1 million) and staff costs of \$0.1 million (Hong Kong), partially offset by a decrease in entertainment expenses of S\$0.1 million (Singapore).

Other Operating Expenses

Other operating expenses increased by 33.5% or \$0.3 million, from \$0.8 million in FY2019 to \$1.1 million in FY2020. The increase was due to the combined effects of:

- a. an increase in bad debts written off of \$0.3 million;
- b. a net increase in allowance for write down of inventories \$0.7 million due to allowance for inventory write down increased by \$0.8 million for display items in Hong Kong showrooms partially offset by a decrease in inventory written off of \$0.1 million for unaccounted inventory items in Singapore warehouse;
- c. absence of provision for defect liability and waiver of output tax which occurred in FY2019 totalling \$0.1 million;

- d. partially offset by (i) allowance for doubtful debts of \$0.5 million written back in FY2020 (FY2019: Nil) due to subsequent receipt of payments; (ii) allowance for doubtful debts decreased by \$0.1 million; and (iii) a decrease in foreign exchange loss of \$0.4 million.

General and Administrative Expenses

General and administrative expenses increased by \$0.2 million in FY2020, from \$4.7 million in FY2019 to \$4.9 million in FY2020 due mainly to:

- a. an increase in legal and professional fee of \$0.6 million mainly for consultancy fees in connection with the Group's fundraising and marketing exercises;
- b. an increase in staff costs of \$0.4 million arising from increased management and administration headcount in Singapore;
- c. partially offset by decreases in (i) depreciation charges of \$0.1 million due to certain property, plant and equipment being fully depreciated in prior year; (ii) general expenses of \$0.2 million; (iii) maintenance of office/showroom premises in Hong Kong of \$0.1 million, (iv) rental expenses of \$0.1 million; (v) postage and packing of \$0.1 million; (vi) insurance/telephone/utilities of \$0.1 million; and (vii) directors fee of \$0.1 million.

Finance Cost

Finance cost increased by 368.8% or \$1.6 million, from \$0.4 million in FY2019 to \$2.0 million in FY2020, due mainly to interest accrued for Convertible Loan and term loans from third parties secured during the financial year.

Loss Before Income Tax

The Group recorded loss before income tax of \$4.9 million in FY2020 as compared to loss of \$3.8 million in FY2019 due to the reasons explained above.

During FY2020, the Company has undertaken 2 fundraising exercises via a private placement which was completed in March 2020 and the Convertible Loan which was drawn down in May 2020. The expenses incurred in FY2020 for these fundraising exercises are one-off in nature and amounting to \$1.6 million. In addition, the Group recorded a gain on deconsolidation of subsidiary of \$0.6 million following the disposal of 60% of the registered capital of KCSC. If excluding these one-off expenses and gain, the normalised loss before income tax for FY2020 would be \$3.9 million.

Income Tax Expense

The income tax expense in FY2020 is minimal as the Group is in a loss position. Tax expense in FY2019 relate to write-off of deferred tax asset on which tax benefits are estimated to be irrecoverable in the foreseeable future.

Review of Statements of Financial Position of the Group

Assets

The Group's total assets increased by \$7.8 million from \$13.8 million as at 30 June 2019 to \$21.6 million as at 30 June 2020.

The increase in total assets was mainly attributable to:

- a. an increase in cash and cash equivalents of \$6.1 million, due mainly to proceeds from term loan from external third parties;
- b. a net increase in trade receivables and contract assets of \$3.9 million resulting from:
 - (i) a net increase of \$3.7 million in trade receivables arising from billings totalling \$3.9 million (Hong Kong \$3.2 million; Singapore \$0.7 million) for work completed in second quarter of 2020, partially offset by a decrease of \$0.2 million on collections from trade receivables (Malaysia);
 - (ii) a net decrease in allowance for doubtful debts of \$0.3 million (a decrease of \$0.4 million in Singapore, partially offset by an increase of \$0.1 million in Malaysia); and
 - (iii) a decrease of \$0.1 million in retention sum from settlement of final account (Singapore);

- c. an increase in other receivables of \$0.1 million due mainly to advances made to foreign suppliers for purchases of materials;
- d. an increase in deferred tax assets of \$0.1 million (Hong Kong) from recognition of tax benefits recoverable in the foreseeable future;
- e. partially offset by a decrease in inventories of \$2.1 million, mainly used in operations and included in cost of sales (\$1.3 million) and inventories write down / write off of \$1.0 million; and
- f. a decrease in property, plant and equipment of \$0.3 million, mainly due to depreciation charges.

Liabilities

The Group's total liabilities increased by \$8.8 million from \$19.1 million as at 30 June 2019 to \$27.9 million as at 30 June 2020.

The increase in total liabilities was mainly attributable to:

- a. a net increase in trade payables and contract liabilities of \$1.0 million mainly due to a net increase in sales deposits received for orders placed on kitchen systems and appliances of \$1.1 million;
- b. an increase in other payables of \$4.9 million due to increases in (i) amount due to a director of the Company, namely Mr Lim Wee Li, of \$2.5 million; (ii) amount due to a director and shareholder of a subsidiary of \$2.7 million; and (iii) accrued expenses for cost of sales and interest on loans of \$0.6 million; partially offset by (iv) a decrease in other creditors of \$0.9 million from payments to vendors for provision of services.
- c. an increase in borrowings \$5.0 million from (i) Convertible Loan and its accrued interest of \$7.0 million and (ii) term loan from a third party \$1.7 million, partially offset by (iii) repayment of loans from third parties \$3.6 million and bank overdraft \$0.1 million; and
- d. a net decrease in finance lease liabilities \$0.1 million.

Total Equity

The Group recorded negative total equity of \$6.3 million as at 30 June 2020, compared with negative total equity of \$5.3 million as at 30 June 2019 due mainly to the increase in share capital by \$4.0 million arising from a placement exercise, partially offset by the loss after income tax recorded in FY2020.

Review of Consolidated Statement of Cash Flows

In FY2020, the Group's operating cash flows before movements in working capital was cash outflow of \$2.8 million. The net cash used in working capital amounting to \$1.6 million was due mainly to a net increase in trade and other receivables and contract assets of \$4.0 million, partially offset by a decrease in inventories of \$2.1 million, and a net increase in trade and other payables and contract liabilities of \$0.3 million. The net cash used in operating activities in FY2020 amounted to \$4.4 million.

In FY2020, the net cash used in investing activities of \$35K was mainly due to net cash outflow on purchase of property, plant and equipment of \$69K, partially offset by the proceeds from disposal of property, plant and equipment of \$32K and interest received of \$2K.

The net cash generated from financing activities of \$10.7 million in FY2020 was due mainly to proceeds of Convertible Loan of \$6.1 million, proceeds of term loan from a third party \$1.7 million, proceeds from issuance of new shares in the capital of the Company of \$4.0 million via a placement exercise, drawdown of loan from a director \$2.5 million, withdrawal of fixed deposit pledged to a bank \$0.1 million, partially offset by repayment of term loans from external third parties of \$3.6 million and repayment of finance leases and interest expenses of \$0.1 million.

As a result of the above, cash and cash equivalents improved to \$6.4 million as at 30 June 2020, from \$184K as at 30 June 2019.

Going concern and working capital position

The Group is currently in a negative working capital position and a net liability position of \$7.3 million and \$6.3 million respectively as at 30 June 2020. The Board is of the opinion 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 given the following:

- (a) The entire amount of the Convertible Loan and accrued interest of \$7.0 million as at 30 June 2020 was converted into new ordinary shares in the capital of the Company in July 2020.
- (b) Mr Lim Wee Li, the Executive Chairman and CEO who had extended an interest free loan of \$4.6 million to the Group for working capital purposes as at 30 June 2020, had on 30 July 2020 converted the entire amount into new ordinary shares in the capital of the Company.
- (c) The Company had on 22 July 2020 entered into subscription agreements with various subscribers for the issue and allotment of new ordinary shares in the capital of the Company. The Company subsequently received aggregate proceeds of \$9.5 million from the subscribers in August 2020.

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

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 March 2020 is again delayed and is now expected to be recognised by end December 2020. Material and labour supply disruptions caused by COVID-19 resulted in a further a delay in the readiness of customers' sites which remained uncompleted as at end June 2020.

For item (d), only around 19%, 31% and 41% of the total contract value was received as of 30 June 2019, 31 December 2019 and 30 June 2020 respectively due to the delay in the construction progress by the main contractor caused by COVID-19 disruptions.

For item (e), no variance is noted.

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 Covid-19 pandemic has affected the global economy and the Company was also affected by it. In particular, the Group's Retail and Distribution business revenue slowed by about 25% year-on-year. Despite this development, the Group is pleased to report that revenues grew year-on-year, driven by the Residential Projects business. The management expect revenue growth to be modest for the next twelve months even in this difficult environment with anticipated cutback in domestic consumption amidst strict safe distancing and safety measures.

The Group's confidence in the growth is based on the following factors:

- (i) The Group's order book for kitchen appliances and kitchen systems (based on deposits received from customers) currently stands at \$5.3 million as at 30 June 2020.
- (ii) The Group plans to introduce new brands of appliances to the Group's portfolio of products, in line with expansion of the Group's businesses. Leveraging on its proven track record in Kitchen businesses, the Group has developed products that will cater to the broader market under its own Kitchen Culture brand, to offer high quality imported kitchens to the broader market at affordable prices. The marketing team is also developing creative and productive plans with the rise in demand for online sales and services.
- (iii) The Group's Residential Projects business improved significantly year-on-year with 8 ongoing projects (6 in Singapore and 2 in Hong Kong) during FY2020, two of which are in the premium market using premium products, for which the Group has a proven track record and competitive advantage in the design, supply and installation of international branded quality kitchen systems. The Group has almost completed 2 projects in Hong Kong during FY2020 while there are other 2 projects in Singapore were dropped due to liquidation of the main contractor. However, the liquidation of the main contractor does not have any material impact to the financials and operations of the Group as the projects have just started and the Group has only done minimal works. As at the date of this announcement, the Group's project portfolio stands at \$21.2 million for 5 residential projects in Singapore, which are expected to be completed over the next 2 to 3 years.
- (iv) The Group has also seen a renewed interest in its house brand, Pureform, which accounts for approximately a third of its current portfolio. This bodes well for the Group's strategy to capture a bigger share of the broader non-premium market segment.
- (v) 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.
- (vi) Whilst the Group focuses on growing its core business of kitchens by increasing market share in Singapore and the region, the Group has plans to diversify into medical supplies and Artificial Intelligence and Big Data businesses that will enhance shareholders value.

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 FY2020 as the Group is loss-making for the year and has accumulated losses of \$19.0 million as at 30 June 2020.

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 was no interested person transaction entered into by the Group with value of more than \$100,000 during FY2020.

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	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
	\$	\$	\$	\$	\$	\$	\$	\$
Reportable segment revenue	9,452,343	3,130,207	5,899,432	7,920,409	-	-	15,351,775	11,050,616
Reportable segment (losses)/profits	(759,123)	(602,836)	(1,430,475)	(1,713,766)	(565,911)	(525,271)	(2,755,509)	(2,841,873)
Reportable segment assets	8,394,881	3,991,105	6,939,986	9,769,359	6,305,851	25,434	21,640,718	13,785,898
Segment liabilities	7,672,084	4,132,859	6,002,860	8,976,428	14,221,398	1,986,459	27,896,342	15,095,746
Capital expenditure	-	123,026	69,441	-	-	-	69,441	123,026
Depreciation of property, plant and equipment	(72,882)	(42,977)	(110,721)	(85,953)	(1,745)	(201,660)	(185,348)	(330,590)
Amortisation of investment property	-	-	-	-	(12,777)	(12,777)	(12,777)	(12,777)
Loss allowances	(25,165)	(72,058)	-	(108,087)	-	-	(25,165)	(180,145)
Property, plant and equipment written off	-	-	(1,569)	-	-	-	(1,569)	-
Inventories written off	-	(113,572)	(132,302)	(170,359)	-	-	(132,302)	(283,931)
Bad debts written off	(204,634)	(59,236)	(194,483)	(88,855)	-	-	(399,117)	(148,091)

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

	Group	
	FY2020	FY2019
	\$	\$
Segment losses	(2,755,509)	(2,881,803)
Interest income	2,297	731
(Loss)/gain on foreign exchange difference	(117,923)	(490,242)
Interest on borrowings	(2,012,631)	(414,341)
Loss before tax	<u>(4,883,766)</u>	<u>(3,785,655)</u>

Geographical information

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

	Sales to external customers	
	FY2020	FY2019
	\$	\$
Singapore	4,345,796	4,105,377
Hong Kong	10,439,218	5,679,854
Malaysia	140,296	273,020
China	426,465	992,365
	<u>15,351,775</u>	<u>11,050,616</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		
	FY2020	FY2019	% Increase/ (Decrease)
	\$	\$	
(a) Sales reported for first 6-month period ⁽¹⁾	7,179,844	4,697,921	52.8
(b) Loss after tax before deducting non-controlling interests reported for first 6-month period ⁽¹⁾	(1,603,939)	(1,883,000)	(14.8)
(c) Sales reported for second 6-month period ⁽²⁾	8,899,713	6,352,695	40.1
(d) Loss after tax before deducting non-controlling interests reported for second 6-month period ⁽²⁾	(3,280,070)	(2,239,945)	(53.1)

Notes:

- (1) First 6-month period refers to 1 July 2018 to 31 December 2018 for FY2019 and 1 July 2019 to 31 December 2019 for FY2020.
- (2) Second 6-month period refers to 1 January 2019 to 30 June 2019 for FY2019 and 1 January 2020 to 30 June 2020 for FY2020.

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 FY2020 and FY2019.

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.

Name	Age	Family relationship with any director or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and positions held, if any, during the year
Lim Sok Khim	58	Wife of Mr Lim Wee Li	Sales Manager. Duties include managing the day-to-day operations of showrooms in Singapore and supervising a team of designers and sales staff.	Nil

20. Use of Proceeds

(i) Placement Exercise

The Company, on 19 March 2020, allotted and issued 56,273,000 new ordinary shares in the capital of the Company (“**Shares**”) to such third party subscribers procured by the placement agent, UOB Kay Hian Private Limited, at a placement price of \$0.068 per Share, under the placement exercise undertaken by the Company which was completed on 19 March 2020 (the “**Placement Exercise**”). The Company raised net proceeds from the Placement Exercise (after deducting expenses incurred in connection with the Placement Exercise) amounting to \$3.73 million (the “**Placement Net Proceeds**”). There has been no change in the utilisation of the CLA Net Proceeds since the announcement dated 18 August 2020. As at the date of this announcement, the use of Placement Net Proceeds is as follows:

Use of Placement Net Proceeds	Amount allocated (\$'000)	Aggregate amount utilised last disclosed in the announcement dated 18 August 2020 (\$'000)	Balance as at the date of this announcement (\$'000)
Repayment of amounts owing to external parties	1,900	1,900	-
Pursue new business opportunities	1,000	-	1,000
General working capital (including meeting general overheads and other operating expenses of the Group, as well as the expenses pertaining to the Placement Exercise)	831	641	190
Total:	3,731	2,541	1,190

The breakdown of the utilisation of Placement Net Proceeds for general working capital is as follows:

Consultancy fees in connection with the Group’s fundraising and marketing strategies	\$'000 195
Operating expenses (including staff costs and other miscellaneous expenses)	409
Expenses in relation to the Placement Exercise	37
Total	641

The above utilisation of Placement Net Proceeds is in line with the intended use and allocation as set out in the Company’s announcements dated 6 March 2020 and 19 March 2020.

(ii) Convertible Loan Agreement dated 3 May 2020

The Company had on 3 May 2020 entered into a Convertible Loan Agreement with various investors (“**CLA**”) pursuant to which such investors agreed to grant an interest-bearing convertible loan of an aggregate amount of \$6,050,000 (the “**Convertible Loan**”), and the Company agreed to allot and issue an aggregate of up to 46,694,626 new Shares at the conversion price of \$0.149 per new Share upon the investors’ exercise of their respective conversion rights to convert the Convertible Loan (including interest), in accordance with the terms and conditions of the CLA (the “**Proposed CLA Conversion**”). The Proposed CLA Conversion was approved by Shareholders at the 2020 EGM. Subsequent to the 2020 EGM, the Company had allotted and issued an aggregate of 46,694,626 new Shares to the investors pursuant to such investors’ exercise of their respective rights under the CLA.

The Company raised gross proceeds of up to \$6,050,000 under the CLA. After deducting estimated expenses (including but not limited to legal expenses), the estimated net proceeds amount to approximately \$6,020,000 (the “**CLA Net Proceeds**”). The Company intends to use the CLA Net Proceeds for the working capital requirements for KC Medical Supplies Pte. Ltd. (“**KC Medical**”). There has been no change in the utilisation of the CLA Net Proceeds since the announcement dated 18 August 2020. The breakdown of the utilisation of CLA Net Proceeds as at the date of this announcement is as follows:

	\$’000
Consultancy fee on potential projects for KC Medical	303
KC Medical’s operating expenses and other miscellaneous expenses	9
Additional expenses in relation to the Proposed CLA Conversion	43
Total	355

(iii) 2nd Placement Exercise

The Company, on 6 August 2020 and 12 August 2020, allotted and issued an aggregate of 40,572,000 new Shares to certain subscribers, under the proposed placement of an aggregate of 40,572,000 new Shares at an issue price of S\$0.235 per Share (the “**2nd Placement Exercise**”). The Company raised net proceeds from the 2nd Placement Exercise (after deducting expenses incurred in connection with the 2nd Placement Exercise of approximately S\$50,000 to be borne by the Company) amounting to approximately S\$9,484,000 (the “**2nd Placement Net Proceeds**”). There has been no change in the utilisation of the 2nd Placement Net Proceeds since the announcement dated 21 August 2020. As at the date of this announcement, the use of the 2nd Placement Net Proceeds is as follows:

Use of 2nd Placement Net Proceeds	Amount allocated	Aggregate amount utilised last disclosed in the announcement dated 21 August 2020	Balance as at the date of this announcement
	(S\$'000)	(\$'000)	(S\$'000)
Pursue new business opportunities	4,684	-	4,684
General working capital (including meeting general overheads and other operating expenses of the Group)	2,800	475 ⁽¹⁾	2,325
Repayment of amounts owing to external parties	2,000	2,000 ⁽²⁾	-
Total:	9,484	2,475	7,009

Notes:

- (1) The breakdown of the utilisation of 2nd Placement Net Proceeds for general working capital is as follows:

	S\$'000
Consultancy fees in connection with the Group's fundraising and marketing strategies	475
Total	475

- (2) With such utilisation of the Net Proceeds, the Group has fully repaid all long outstanding historical loans from third party lenders.

The above utilisation of 2nd Placement Net Proceeds is in line with the intended use and allocation as set out in the Company's announcement dated 22 July 2020.

On behalf of the Board of Directors

Lim Wee Li
Executive Chairman and CEO

Date: 30 August 2020