



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 2020 (“HY2021”)

*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.*

The contact person for the Sponsor is Ms. Lee Khai Yinn (telephone no.: (65) 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

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 HY2021	Unaudited HY2020	Increase/(Decrease)
	\$	\$	%
Revenue	4,700,759	7,179,844	(34.5)
Cost of sales	(3,105,925)	(5,121,589)	(39.4)
Gross profit	1,594,834	2,058,255	(22.5)
Other income	542,329	123,343	>100.0
Selling and distribution expenses	(1,401,424)	(1,333,012)	5.1
General and administrative expenses	(5,197,469)	(2,056,372)	>100.0
Other operating expenses	(174,294)	(19,312)	>100.0
Loss from operations	(4,636,023)	(1,227,098)	>100.0
Finance cost	(37,670)	(376,841)	(90.0)
Loss before income tax	(4,673,694)	(1,603,939)	>100.0
Income tax expense	-	-	-
Net loss for the period	(4,673,694)	(1,603,939)	>100.0
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	64,952	95,862	(32.2)
Total comprehensive loss for the period	(4,608,742)	(1,508,077)	>100.0
Net (loss)/income attributable to:			
Equity holders of the Company	(4,505,243)	(1,630,069)	>100.0
Non-controlling interests	(168,451)	26,130	N.M.
	(4,673,694)	(1,603,939)	>100.0
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	(4,454,946)	(1,557,523)	>100.0
Non-controlling interests	(153,796)	49,446	N.M.
	(4,608,742)	(1,508,077)	>100.0

N.M.= Not Meaningful

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

	Group		
	Unaudited HY2021	Unaudited HY2020	Increase/(Decrease)
	\$	\$	%
Allowance for doubtful receivables written back	7,681	–	N.M.
Amortisation of investment property	(6,389)	(6,389)	–
Bad debts written off (trade)	(8,708)	–	N.M.
Depreciation of property, plant and equipment	(86,873)	(102,543)	(15.3)
Depreciation of right-of-use assets	(921,383)	–	N.M.
Property, plant and equipment written off	(26,947)	–	N.M.
Loss on disposal of property, plant and equipment	(1,024)	–	N.M.
Interest expense on loans and bills payable	–	(369,432)	N.M.
Interest expense on finance lease	(16,004)	(2,984)	>100.0
Interest expense on lease liabilities (SFRS(I) 16)	(11,348)	–	N.M.
Interest income	27,641	1,182	>100.0
Net loss on foreign exchange difference	(115,853)	(7,085)	>100.0
Sundry income ⁽¹⁾	515,712	122,161	>100.0

Note 1: Sundry income

Government grant	408,770	17,681	>100.0
Rental rebate	91,683	-	N.M.
Administration fee charged to customers	15,259	87,140	(82.5)
Net revenue from investment property	-	3,894	N.M.
Discounts received	-	13,446	N.M.
	515,712	122,161	>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 31.12.2020	Audited 30.6.2020	Unaudited 31.12.2020	Audited 30.6.2020
	\$	\$	\$	\$
Current assets				
Cash and cash equivalents	8,394,853	6,403,022	5,940,438	5,938,263
Trade receivables	4,233,519	7,827,846	–	–
Other receivables	2,561,806	1,265,885	14,971,181	5,560,376
Contract assets	894,254	352,932	–	–
Inventories	5,164,047	4,853,956	–	–
Tax recoverable	4,736	3,316	40,507	–
	21,253,215	20,706,957	20,952,126	11,498,639
Non-current assets				
Right-of-use assets	1,145,587	1,350,407	–	–
Property, plant and equipment	948,840	258,701	278,147	–
Investment property	214,059	220,448	–	–
Investment in subsidiary corporations	–	–	2,100,002	100,002
Investment in associated companies	23,922,000	–	23,922,000	–
Trade receivables	128,481	307,754	–	–
Deferred tax assets	78,389	82,497	–	–
	26,437,356	2,219,807	26,300,149	100,002
Total assets	47,690,571	22,926,764	47,211,768	11,598,641
Current liabilities				
Trade payables	2,800,771	1,953,657	–	–
Other payables	4,051,068	13,649,532	6,597,781	7,594,038
Contract liabilities	3,803,652	3,186,234	–	–
Finance lease liabilities	64,539	11,176	–	–
Lease liabilities	1,072,566	1,081,307	–	–
Borrowings	–	8,802,729	–	6,957,500
Income tax payable	61,458	4,429	–	–
	11,854,054	28,689,064	6,597,781	14,551,538
Net current assets/(liabilities)	9,399,161	(7,982,107)	14,354,345	(3,052,899)
Non-current liabilities				
Finance lease liabilities	304,198	123,539	–	–
Lease liabilities	–	213,527	–	–
	304,198	337,066	–	–
Total liabilities	12,158,252	29,026,130	6,557,274	14,551,538
Net assets/(liabilities)	35,532,319	(6,099,366)	40,654,494	(2,952,897)
Equity				
Share capital	58,948,250	12,707,823	58,948,250	12,707,823
Translation reserve	250,364	200,067	–	–
Accumulated losses	(23,222,638)	(18,717,395)	(18,293,756)	(15,660,720)
Capital and reserves attributable to equity holders of the Company	35,975,976	(5,809,505)	40,654,494	(2,952,897)
Non-controlling interests	(443,657)	(289,861)	–	–
Total equity	35,532,319	(6,099,366)	40,654,494	(2,952,897)
Total liabilities and equity	47,690,571	22,926,764	47,211,768	11,598,641

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 31.12.2020		Audited 30.6.2020	
	\$	\$	\$	\$
	Secured	Unsecured	Secured	Unsecured
Borrowings	-	-	1,845,229	6,957,500
Finance leases	64,539	-	11,176	-
Advances classified under other payables	-	-	-	7,779,180
Total	64,539	-	1,856,405	14,736,680

Amount repayable after one year

	Unaudited 31.12.2020		Audited 30.6.2020	
	\$	\$	\$	\$
	Secured	Unsecured	Secured	Unsecured
Finance leases	304,198	-	123,539	-
Total	304,198	-	123,539	-

Details of collaterals are as follows:

Finance lease liabilities are secured on the property, plant and equipment purchased under the finance leases. In addition, as at 31 December 2020, finance lease liabilities were guaranteed by Mr. Lim Wee Li and the Company amounting to \$287,867 (30 June 2020: \$51,242) and \$79,900 (30 June 2020: \$83,473), 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 HY2021	Unaudited HY2020
	\$	\$
Operating activities		
Loss before tax	(4,673,694)	(1,603,939)
Adjustments for:		
Deferred tax assets	-	(79,500)
Depreciation of property, plant and equipment	86,873	102,543
Depreciation of right-of-use assets	921,383	-
Amortisation of investment property	6,389	6,389
Loss on disposal of property, plant and equipment	1,024	-
Property, plant and equipment written off	26,947	-
Interest expense	27,352	372,416
Interest income	(27,641)	(1,182)
Unrealised foreign exchange differences	(224,004)	109,736
Operating cash flows before movements in working capital	(3,855,371)	(1,093,537)
Inventories	(310,091)	(335,632)
Trade and other receivables	2,477,679	(2,457,249)
Contract assets	(541,322)	568,161
Contract liabilities	617,418	634,877
Trade and other payables	(4,630,635)	(886,973)
Cash used in operations	(6,242,322)	(3,570,353)
Income tax paid	(1,420)	(1,411)
Net cash used in operating activities	(6,243,742)	(3,571,764)
Investing activities		
Interest received	27,641	1,182
Additions to property, plant and equipment	(578,705)	(27,057)
Net cash used in investing activities	(551,064)	(25,875)
Financing activities		
Release of fixed deposit pledged to bank	-	52,082
Proceeds from advances from a director	-	2,714,271
Proceeds from borrowings	-	1,671,050
Repayment of borrowings	(8,802,729)	(225,000)
Repayment of finance leases	(25,468)	(27,071)
Interest paid	(27,352)	(2,984)
Proceeds from issuance of new shares	17,687,122	-
Net cash provided by financing activities	8,831,573	4,182,348
Net increase in cash and cash equivalents	2,036,767	584,709
Cash and cash equivalents at the beginning of the financial period	6,403,022	183,559
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(44,936)	(4,486)
Cash and cash equivalents at the end of the financial period (Note A)	8,394,853	763,782

Note A

	As at 31 December 2020	As at 31 December 2019
	\$	\$
Cash and cash equivalents	8,394,853	861,818
Less: Bank overdraft	-	(98,036)
Cash and cash equivalents in the consolidated statement of cash flows	8,394,853	763,782

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 2020	12,707,823	(18,717,395)	200,067	(5,809,505)	(289,861)	(6,099,366)
Loss for the period	-	(4,505,243)	-	(4,505,243)	(168,451)	(4,673,694)
Other comprehensive income for the period, net of tax						
- Exchange differences on translation of foreign operations	-	-	50,297	50,297	14,655	64,952
Total comprehensive (loss)/income for the period	-	(4,505,243)	50,297	(4,454,946)	(153,796)	(4,608,742)
Issuance of new ordinary shares	46,240,427	-	-	46,240,427	-	46,240,427
As at 31 December 2020	58,948,250	(23,222,638)	250,364	35,975,976	(443,657)	35,532,319
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)

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 2020	12,707,823	(15,660,720)	(2,952,897)
Loss for the period, representing total comprehensive loss for the period	–	(2,633,036)	(2,633,036)
Issuance of new ordinary shares	46,240,427	–	46,240,427
As at 31 December 2020	58,948,250	(18,293,756)	40,654,494
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	8,731,259	(9,057,941)	(326,682)

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 2020		As at 30 June 2020	
	Number of shares	\$	Number of shares	\$
Issued and paid-up share capital	424,665,283	58,948,250	176,750,000	12,707,823

Changes in the Company's Share Capital

The Company issued 247,915,283 new ordinary shares since the end of the previous period reported on, being from 1 July 2020 to 31 December 2020:

Date	No. of Shares Issued	Details of Share Issue
2, 6, 8, 9 & 13 July 2020	46,694,626	Conversion of loans from third parties and accrued interest thereon amounting to \$6,975,500.
30 July 2020	66,148,657	Conversion of loans from a director amounting to \$4,630,406.
6 & 12 August 2020	40,572,000	Issue of shares for cash of \$9,534,420 via a placement exercise.
13 October 2020	94,500,000	Issue of consideration shares and introducer shares in relation to acquisition of an associated company.
	<u>247,915,283</u>	

As at 31 December 2020 and 31 December 2019, 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 2020	As at 30 June 2020
Total number of shares excluding treasury shares	424,665,283	176,750,000

There were no treasury shares as at 31 December 2020 and 30 June 2020.

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 HY2021.

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 HY2021.

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 2020 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 2020.

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 2020, the same accounting policies and methods of computation have been applied. The Group has adopted the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time on 1 July 2020:

- Amendments to SFRS(I) 3: Business Combinations – Definition of a Business
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material
- Amendments to Reference to Conceptual Framework in SFRS(I) Standards
- Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements
- Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform
- Amendment to SFRS(I) 16: Covid-19-Related Rent Concessions

The adoption of the new and revised SFRS(I) and interpretation of SFRS(I) has no material impact on the financial performance or position of the Group and the Company for HY2021.

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.

	HY2021	HY2020
Basic and fully diluted loss per ordinary share (cents)	(1.30)	(1.38)
Weighted average number of ordinary shares	346,813,465	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 HY2021 and HY2020, 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	
	31.12.2020	30.6.2020	31.12.2020	30.6.2020
Net assets/(liabilities) value per ordinary share (cents)	8.47	(3.29)	9.57	(1.67)

Net assets/(liabilities) 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 HY2021, the Group recorded revenue of \$4.7 million, a decrease of 34.5% or \$2.5 million as compared to \$7.2 million in HY2020. The decrease was mainly attributable to lower revenue contribution from the Residential Projects segment by 48.2% or \$1.8 million and the Distribution and Retail segment by 20.1% or \$0.7 million.

Residential Projects

The Residential Projects segment accounted for 40.7% or \$1.9 million of the Group's revenue in HY2021, attributable to revenue derived from 7 ongoing projects (5 in Singapore and 2 in Hong Kong). Residential Projects revenue decreased by 48.2% or \$1.8 million due to mainly to the disruption of construction work for the Singapore projects arising from COVID-19 circuit breaker restrictions, and 2 projects in Hong Kong which were completed during HY2021. Comparatively, revenue for Residential Projects in HY2020 amounted to \$3.7 million from 2 ongoing projects (1 in Singapore and 1 in Hong Kong).

Distribution and Retail

The Distribution and Retail segment accounted for 59.3% or \$2.8 million of the Group's revenue in HY2021. The decrease in Distribution and Retail revenue of 20.1% or \$0.7 million, from \$3.5 million in HY2020 was mainly attributable to a decrease in sales of \$1.4 million in Singapore, \$0.2 million from deconsolidation of subsidiary in China, partially offset by an increase of \$0.4 million in Hong Kong and \$0.5 million in Malaysia.

Gross Profit

Gross profit decreased by 22.5% or \$0.5 million, from \$2.1 million in HY2020 to \$1.6 million in HY2021. The decrease in gross profit was mainly due to a decrease in gross profit from the Residential Projects segment of \$39K as a result of reduced revenue, and a decrease in gross profit from the Distribution and Retail segment of \$424K as a result of a decline in revenue and gross profit margin.

Overall gross profit margin increased by 5.3 percentage points from 28.7% in HY2020 to 33.9% in HY2021. The Residential Projects segment recorded an increase in gross profit margin of 7.6 percentage points. This arose from initiatives to manage costs and improve efficiency at the 5 ongoing projects in Singapore. However, the Distribution and Retail segment experienced a decline in gross profit margin of 3.1 percentage points, due mainly to competitive pricing on sales in Singapore.

Other Income

Other income increased by \$0.4 million from \$123K in HY2020 to \$542K in HY2021. This was mainly due to an increase of \$391K received from the Singapore Government through the COVID-19 relief measures, rental rebates in relation to COVID-19 relief of \$92K and increase in interest income of \$26K, partially offset by the decrease in service income of \$72K, net revenue from investment property \$4K and an absence of discount received \$13K.

Selling and Distribution Expenses

Selling and distribution expenses increased by 5.1% or \$68K from \$1.3 million in HY2020 to \$1.4 million in HY2021. This was mainly attributable to increases in staff costs of \$91K due to increase in headcounts in Singapore, entertainment of \$31K, depreciation of motor vehicles of \$25K, advertisement of \$12K, upkeep of motor vehicles, insurance and showroom expenses totalling of \$14K, partially offset by a decrease in rental expenses of \$105K.

General and Administrative Expenses

General and administrative expenses increased by 152.7% or \$3.1 million, from \$2.1 million in HY2020 to \$5.2 million in HY2021. This was mainly attributable to:

- a. an increase in legal and professional fee of \$2.0 million, due primarily to expenses incurred in: (i) acquisition of 30% of the total number of issued shares of OOWAY Technology Pte Ltd (“OOWAY”) (“OOWAY Acquisition”) of \$1.4 million, (ii) \$0.5 million on placement of 40,572,000 new ordinary shares in the capital of the Company, and (iii) \$0.1 million in relation to conversion of debts to share capital;
- b. an increase in depreciation of right-of-use assets of \$0.9 million arising from adoption of SFRS(I) 16;
- c. an increase in staff costs of \$1.0 million due to increased headcount at the Head Office in Singapore;
- d. partially offset by decreases in (i) rental expenses of \$0.5 million arising from adoption of SFRS(I) 16 where operating leases were accounted for as a “ROU asset” and depreciated accordingly, with the expenses recognised as depreciation of right-of-use assets, (ii) directors’ remuneration and fees of \$0.2 million, (iii) depreciation of \$40K due to certain property, plant and equipment being fully depreciated in prior periods, (iv) travelling and transport expenses of \$67K, and (v) packing expenses of \$37K.

Other Operating Expenses

Other operating expenses increased by \$155K due to increases in (i) foreign exchange loss of \$109K mainly due to HKD weakening against SGD , (ii) property, plant and equipment written off of \$26K, and (iii) subscription fee of \$21K.

Finance Cost

Finance cost decreased by 90% from \$377K in HY2020 to \$38K in HY2021, mainly due to the decrease in interest paid as borrowings were fully repaid in HY2021.

Loss Before Tax

The Group recorded loss before tax of \$1.6 million and \$4.7 million in HY2020 and HY2021 respectively due to the reasons explained above.

Income Tax Expense

There is no income tax expense in HY2021 and HY2020 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 \$24.8 million from \$22.9 million as at 30 June 2020 to \$47.7 million as at 31 December 2020. The increase in total assets was mainly attributable to:

- a. an increase in investment in associated companies of \$23.9 million arising from the OOWAY Acquisition. The purchase consideration was satisfied by way of an issue of 90,000,000 Consideration Shares to the Vendor;
- b. an increase in cash and cash equivalents of \$2.0 million;
- c. an increase in other receivables of \$1.3 million mainly due to advances and prepayments paid to foreign suppliers for purchases of materials to be used on residential projects;
- d. an increase in net carrying value of property, plant and equipment of \$0.7 million, due to additions to plant and equipment of \$0.8 million and partially offset by depreciation charge of \$0.1 million;
- e. an increase in inventories of \$0.3 million, ordered and kept for delivery to customers in Singapore in first quarter of 2021;
- f. partially offset by (i) a net decrease in trade receivables and contract assets of \$3.2 million due mainly to collections from customers in Hong Kong of \$3.7 million while receivables in Singapore increased by \$0.5 million, and (ii) a net decrease in carrying value of right-of-use assets of \$0.2 million due to recognition of additional right-of-use assets from adoption of SFRS(I) 16 in HY2021 of \$0.7 million, partially offset by depreciation of right-of-use assets of \$0.9 million.

Liabilities

The Group's total liabilities decreased by \$16.9 million from \$29.0 million as at 30 June 2020 to \$12.1 million as at 31 December 2020. The decrease in total liabilities was mainly attributable to:

- a. a decrease in other payables of \$9.6 million due to (i) conversion of loan from a director of \$4.6 million into new shares, (ii) repayment of loan from a third party of \$2.8 million, (iii) decrease in accrued expenses of \$1.4 million which consists of trade payables recorded upon receipt of invoices from suppliers, (iv) decrease in non-trade creditors of \$0.7 million due to settlement of outstanding accounts to suppliers for non-trade services, and (v) decrease in deferred grant income of \$0.1 million;
- b. a decrease in borrowings \$8.8 million due to conversion of Convertible Loan and its accrued interest of \$7.0 million into new shares and repayment of term loan;
- c. partially offset by an increase in trade payables and contract liabilities of \$1.5 million due to a net increase trade creditors of \$0.8 million and sales deposits received from customers of \$0.7 million.

Statement on Working Capital Position and Going Concern

The Group's working capital improved by \$17.1 million and is currently in a positive working capital position and a net asset position of \$9.4 million and \$35.5 million respectively as at 31 December 2020. Sufficient liquidity is maintained to meet the Group's working capital and capital expenditure requirements, with a total of \$8.4 million in available liquidity as at 31 December 2020. The Board of directors is of the view that the Group is able operate as a going concern.

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

Review of Consolidated Statement of Cash Flows

In HY2021, the Group's operating cash flows before movements in working capital was cash outflow of \$3.9 million. The net cash outflow from working capital amounting to \$2.4 million was due mainly to a decrease in trade payables, contract liabilities and other payables of \$4.0 million, an increase in inventories of \$0.3 million, partially offset by a decrease in trade receivables, contract assets and other receivables of \$1.9 million. The net cash used in operating activities amounted to \$6.2 million.

Net cash used in investing activities of \$0.6 million in HY2021 was mainly attributable to acquisition of property, plant and equipment of \$0.6 million.

Net cash generated from financing activities of \$8.9 million in HY2021 was due mainly to proceeds from issuance of new shares totalling \$17.7 million, partially offset by repayment of borrowings of \$8.8 million.

As a result of the above, cash and cash equivalents stood at \$8.4 million as at 31 December 2020.

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, among others, the following prospect statements in its announcement dated 28 February 2019:

- (a) “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.”
- (b) “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.”
- (c) “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.”

For item (a), \$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 was delayed due to disruptions caused by COVID-19 and has been recognised as at end December 2020.

For item (b), only approximately 19%, 31%, 41% and 43% of the total contract value was received as of 30 June 2019, 31 December 2019, 30 June 2020 and 31 December 2020 respectively due to the delay in the construction progress by the main contractor caused by COVID-19 disruptions.

For item (c), only approximately 8% of the total contract value was received as of 31 December 2020 due to the delay in the construction progress by the main contractor caused by COVID-19 disruptions.

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 it has disrupted the Group’s economic operations. In particular, the Group’s Retail and Distribution business revenue slowed by about 20% compared with HY2020. 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 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 \$3.8 million, and efforts will be expended over the next few months in delivering these kitchen systems to customers.

The Group’s Residential Projects business had faced significant challenges following the circuit breaker measures which resulted in the suspension of almost all construction worksites, as well as manpower disruptions arising from the additional measures implemented to curb the spread of COVID-19. Despite these difficulties, the Group is confident the Residential Projects segment will recover. 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 1 to 2 years.

Whilst the Group focuses on growing its core business of kitchens by increasing market share in Singapore and the region, the Group has diversified into Artificial Intelligence and Big Data business through OOWAY Acquisition that will enhance shareholders value. The Company is also in the midst

of discussing with OOWAY on potential strategic business plans. The Company will make necessary announcements when appropriate.

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 HY2021 as the Group has accumulated losses of \$23.2 million as at 31 December 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. Details of the interested person transaction entered into by the Group for HY2021 as required to be disclosed pursuant to Rule 1204(17) of the Catalist Rules are set out below:

Name of interested person	Aggregate value of all interested person transactions (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	HY2021	HY2020	HY2021	HY2020
Mr Lim Wee Li (Executive Chairman and CEO) – Purchase of a pre-owned motor vehicle from Mr Lim Wee Li	\$270,000.00	-	-	-

14. [Use of Proceeds.](#)

The Company did not make any material utilisation of the remaining net proceeds from the date of its last announcement to the date of this report. For a status report on the use of proceeds, please refer to the Company's announcement on 1 February 2021.

15. [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 HY2021 to be false or misleading in any material aspect.

16. [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: 10 February 2021