



kitchen
culture

KITCHEN CULTURE HOLDINGS LTD.

(Company Registration No: 201107179D)

**ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE CATALIST RULES –
ADJUSTMENTS TO PRELIMINARY FINANCIAL RESULTS ANNOUNCEMENT FOR THE
FINANCIAL YEAR ENDED 30 JUNE 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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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 2020 (“**FY2020**”) dated 30 August 2020 (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 FY2020 (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:

Consolidated Statement of Financial Position

As at 30 June 2020	Per Unaudited Results	Per Audited Results	Change Increase / (Decrease)		Explanation for the variances
	S\$	S\$	S\$	%	
Cash and cash equivalents	6,411,845	6,403,022	(8,823)	(0.1)%	n.m.
Trade receivables (total)	8,192,116	8,135,600	(56,516)	(0.7)%	Refer to A
Other receivables	1,461,620	1,265,885	(195,735)	(13.4)%	Refer to B
Contract assets	328,490	352,932	24,442	7.4%	Refer to C
Inventories	4,855,643	4,853,956	(1,687)	(0.0)%	n.m.
Tax recoverable	-	3,316	3,316	100.0%	n.m.
Property, plant and equipment	84,743	1,609,108	1,524,365	>100.0%	Refer to D
Investment property	220,448	220,448	-	-	-
Investment in associated company	1	-	(1)	(100.0)%	n.m.
Deferred tax assets	85,812	82,497	(3,315)	(3.9)%	n.m.
Trade payables	(2,090,323)	(1,953,657)	(136,666)	(6.5)%	Refer to E
Other payables	(13,595,398)	(13,649,532)	54,134	0.4%	Refer to F
Contract liabilities	(3,268,748)	(3,186,234)	(82,514)	(2.5)%	Refer to G
Finance lease liabilities (total)	(134,715)	-	(134,715)	(100.0)%	Refer to H
Lease liabilities (total)	-	(1,429,549)	1,429,549	100.0%	Refer to I
Borrowings (total)	(8,802,729)	(8,802,729)	-	-	-
Income tax payable	(4,429)	(4,429)	-	-	-
Share capital	12,707,823	12,707,823	-	-	-
Translation reserve	257,836	200,067	(57,769)	(22.4)%	Refer to J

As at 30 June 2020	Per Unaudited Results	Per Audited Results	Change Increase / (Decrease)		Explanation for the variances
	S\$	S\$	S\$	%	
Accumulated losses	(18,964,429)	(18,717,395)	(247,034)	(1.3)%	Refer to K
Total equity attributable to equity holders of the Company (negative)	(5,998,770)	(5,809,505)	(189,265)	(3.2)%	
Net current liabilities	(7,340,488)	(7,982,107)	641,619	8.7%	Refer to L

Consolidated Statement of Comprehensive Income

	Per Unaudited Results	Per Audited Results	Change Increase / (Decrease)		Explanation for the variances
	S\$	S\$	S\$	%	
Revenue	15,351,775	15,222,365	(129,410)	(0.8)%	Refer to M
Cost of sales	(10,063,582)	(10,256,499)	192,917	1.9%	Refer to N
Other income	385,467	534,161	148,694	38.6%	Refer to O
Gain on disposal of subsidiary corporation	551,982	1,140,586	588,604	>100.0%	Refer to P
Selling and distribution expenses	(3,025,974)	(1,842,704)	(1,183,270)	(39.1)%	Refer to Q
Other operating expenses	(1,101,332)	(1,387,247)	285,915	26.0%	Refer to R
General and administrative expenses	(4,956,634)	(6,038,529)	1,081,895	21.8%	Refer to S
Finance cost	(2,025,468)	(2,098,799)	73,331	3.6%	Refer to T
Loss before tax	(4,883,766)	(4,726,666)	(157,100)	(3.2)%	
Income tax (expense)/credit	(243)	81,507	81,750	n.m.	Refer to U
Loss for the year	(4,884,009)	(4,645,159)	(238,850)	(4.9)%	
Exchange differences on translation of foreign operations	(20,754)	(103,346)	82,592	>100.0%	Refer to V
Total comprehensive loss for the year	(4,904,763)	(4,748,505)	(156,258)	(3.2)%	

Consolidated Statement of Cash Flows

	Per Unaudited Results	Per Audited Results	Change Increase / (Decrease)		Explanation for the variances
	S\$	S\$	S\$	%	
Net cash used in operating activities	(4,383,469)	(4,997,326)	613,857	14.0%	Refer to W
Net cash used in investing activities	(34,786)	(480,230)	445,444	>100.0%	Refer to X
Net cash provided by financing activities	10,668,670	11,719,148	1,050,478	9.8%	Refer to Y

n.m. – not meaningful / not material

Explanatory notes:

- A. Trade receivables decreased by S\$56,516 mainly due to an increase in provision for doubtful debts of S\$136,077, and partially offset by an increase in retention sum of S\$83,119 arising from an upward adjustment of project billings.
- B. Other receivables decreased by S\$195,735 mainly due to reclassification of S\$139,087 to trade payables, reclassification of S\$105,006 to contract assets, write off output tax of S\$14,770, reclassification of output tax S\$42,264 to other payables, partially offset by an increase of S\$105,257 from deferment of recognition of grant income.
- C. Contract assets increased by S\$24,442 due to contract sums receivable for work done and not invoiced of S\$105,006 which was reclassified from other receivables in Note B above, partially offset by a decrease in certification of progress claim of S\$80,564.
- D. Property, plant and equipment increased by S\$1,524,365 mainly due to addition of right-of-use assets of S\$1,350,402 arising from the adoption of SFRS(I)16 and an increase in renovation cost of S\$178,133.
- E. Trade payables decreased by S\$136,666 due mainly to payments made to suppliers of S\$139,087 reclassified from Note B above.
- F. Other payables increased by S\$54,134 due mainly to recognition of deferred grant income of S\$113,495 and an increase in accrued expenses of S\$95,569, partially offset by output tax of S\$42,264 reclassified from other receivables from B above and S\$112,350 reclassified as owing to holding company, being an intercompany transaction which was then eliminated upon consolidation.
- G. Contract liabilities decreased by S\$82,514 arising mainly from a decrease in amount due to customers on projects of S\$81,300.
- H. Finance lease liabilities are reclassified and presented as a component of lease liabilities in Note I below.

- I. SFRS(I)16 requires the unexpired portion of committed lease agreements to be capitalised and disclosed as lease liabilities. The adoption of SFRS(I)16 resulted in recognition of lease liabilities of S\$1,294,834. With inclusion of finance lease liabilities of S\$134,715 reclassified from Note H above, total lease liabilities is S\$1,429,549.
- J. Translation reserve decreased by S\$57,769 mainly due to a decrease in the shareholders' equity of the Group's subsidiary in Hong Kong.
- K. Accumulated losses decreased by S\$247,034 mainly due to a decrease in loss for the year of S\$238,850.
- L. Current liabilities increased by S\$896,385 due mainly to an increase in lease liabilities of S\$1,061,431 arising from adoption of SFRS(I)16, partially offset by a decrease in trade and other payables totalling S\$187,986. Current assets increased by S\$254,766 mainly from increase in trade and other receivables.
- M. Revenue decreased by S\$129,410 due mainly to reclassification of service income of S\$159,042 to other income and a decrease in recognition of distribution and retail revenue of S\$105,370 for uncompleted sales orders at the end of the financial year, partially offset by recognition of additional residential projects revenue of S\$135,002 from late certification by main contractor for work done as at the end of the financial year.
- N. Cost of residential projects increased marginally by S\$40,031 due to increased costs incurred. Cost of distribution and retail increased by S\$152,886 due to apportionment of staff costs from general and administrative expenses.
- O. Other income increased by S\$148,694 due mainly to service income of S\$159,042 reclassified from revenue in Note M above, partially offset by a decrease in miscellaneous income of S\$10,348.
- P. Gain on disposal of subsidiary corporation increased as adjustments to the subsidiary's revenues, costs, write-downs and write-offs resulted in an increase in its reported loss for the financial year by S\$588,604. This caused the net liabilities of the subsidiary to increase by S\$588,604. This in turn led to an additional gain of S\$588,604 on disposal as the net liabilities were excluded from consolidation.
- Q. Selling and distribution expenses decreased by S\$1,183,270 due mainly to reclassification of rental expenses of S\$1,275,551 general and administrative expenses, partially offset by increases in entertainment expenses of S\$61,991 and staff costs of S\$30,290.
- R. Other operating expenses increased by S\$285,915 mainly due to (i) net allowance for doubtful debts of S\$23,246, (ii) additional bad debts written-off of S\$106,131, (iii) allowance for inventories write-down of S\$274,276, (iv) inventories written-off of S\$133,989, (v) waiver of output tax S\$16,545, partially offset by foreign exchange gain of S\$268,272.
- S. General and administrative expenses increased by S\$1,081,895 mainly due to (i) depreciation of right-of-use assets arising from the adoption of SFRS(I)16 amounting to S\$1,389,520, part of which was reclassified from rental expenses from Note Q above, partially offset by decreases in (ii) rental expenses of S\$127,886 reclassified to depreciation of right-of-use assets and (iii) staff costs totalling S\$166,194.
- T. Finance cost increased by S\$73,331 mainly due to (i) an increase in interest expense on lease liabilities of S\$59,242 arising from the adoption of SFRS(I)16 and (ii) an increase in interest expense on loans and bills payable of S\$13,559.

- U. An adjustment of S\$81,750 in tax credit was made for deferred tax asset benefits deemed recoverable in the near future.
- V. Exchange differences on translation of foreign operations decreased mainly due to the decrease in net profit before income tax at the Group's subsidiary in Hong Kong from S\$451,019 to S\$341,987.
- W. Net cash used in operating activities increased mainly due to a net increase in working capital changes of S\$1,088,662, partially offset by a decrease in operating loss before working capital changes of S\$478,364.
- X. Net cash used in investing activities increased due to capitalisation of leases to right-of-use assets amounting to S\$331,426, cash outflow on disposal of subsidiary corporation of S\$88,880 and decrease in proceed from disposal of property, plant and equipment of S\$25,138.
- Y. Net cash provided by financing activities increased due to additional loan from a third party of S\$2,765,428, partially offset by SFRS(I)16 adjustments for repayment of finance lease S\$1,330,120 and interest paid S\$384,830.

On behalf of the Board of Directors

Lim Wee Li
Executive Chairman and CEO

Date: 19 October 2020