



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”) 2019**

*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 FY2019	Audited FY2018	
	\$	\$	
Revenue	10,547,442	14,388,410	(26.7)
Cost of sales	(6,176,198)	(8,111,158)	(23.9)
Gross profit	4,371,244	6,277,252	(30.4)
Other income	76,096	485,264	(84.3)
Selling and distribution expenses	(3,021,778)	(4,510,422)	(33.0)
Other operating expenses	(211,714)	(779,893)	(72.9)
General and administrative expenses	(4,474,537)	(4,785,056)	(6.5)
Finance cost	(432,176)	(701,702)	(38.4)
Loss before income tax	(3,692,865)	(4,014,557)	(8.0)
Income tax expense	-	-	-
Net loss for the year	(3,692,865)	(4,014,557)	(8.0)
Other comprehensive income/(loss) 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	245,206	(206,992)	N.M.
Total comprehensive loss for the year	(3,447,659)	(4,221,549)	(18.3)
Net (loss)/income attributable to:			
Equity holders of the Company	(3,690,923)	(4,026,018)	(8.3)
Non-controlling interests	(1,942)	11,461	N.M.
Net loss for the year	(3,692,865)	(4,014,557)	(8.0)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	(3,447,305)	(4,240,419)	(18.7)
Non-controlling interests	(354)	18,870	N.M.
Total comprehensive loss for the year	(3,447,659)	(4,221,549)	(18.3)

N.M. = Not Meaningful

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

	Group		
	Unaudited FY2019	Audited FY2018	% Change Increase/ (Decrease)
	\$	\$	
Amortisation of investment property	(12,777)	(12,823)	(0.4)
Allowance for doubtful receivables	-	(185,513)	N.M.
Allowance for doubtful trade receivables written back	-	14,076	N.M.
Bad debts written off	(3,035),	(459,793)	N.M.
Depreciation of property, plant and equipment	(351,045)	(713,253)	(50.8)
Inventories:			
- written off	-	(555,408)	N.M.
- written back	-	25,399	N.M.
Net (loss)/gain on foreign exchange difference	(244,476)	487,145	N.M.
Gain on disposal of property, plant and equipment	52,111	93,081	(44.0)
Property, plant and equipment written off	-	(36,198)	N.M.
Interest income	731	441	65.8
Accretion of interest on deferred consideration and loan	-	(189,055)	N.M.
Interest expense on loans and bills payables	(426,457)	(504,593)	(17.9)
Finance lease interest	(5,719)	(8,054)	(29.0)

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	Audited	Unaudited	Audited
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	\$	\$	\$	\$
Non-current assets				
Property, plant and equipment	427,907	615,442	-	-
Investment property	233,225	246,002	-	-
Subsidiary corporations	-	-	1,500,005	1,500,005
Trade receivables	618,250	618,250	-	-
Deferred tax assets	336,080	337,337	-	-
	<u>1,615,462</u>	<u>1,817,031</u>	<u>1,500,005</u>	<u>1,500,005</u>
Current assets				
Cash and cash equivalents	251,775	321,821	9,269	2,692
Trade receivables	3,710,103	5,597,816	-	-
Other receivables	1,432,941	2,025,242	9,801,464	8,752,843
Inventories	6,963,426	7,281,897	-	-
Tax recoverable	4,211	38,223	-	-
	<u>12,362,456</u>	<u>15,264,999</u>	<u>9,810,733</u>	<u>8,755,535</u>
Total assets	<u>13,977,918</u>	<u>17,082,030</u>	<u>11,310,738</u>	<u>10,255,540</u>
Non-current liabilities				
Finance lease liabilities	133,729	141,651	-	-
Borrowings	1,000,000	1,000,000	-	-
	<u>1,133,729</u>	<u>1,141,651</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	6,264,275	5,602,123	-	-
Other payables	8,693,337	8,291,859	4,973,184	3,005,535
Finance lease liabilities	55,393	42,889	-	-
Borrowings	2,710,000	3,450,655	-	375,000
Income tax payable	20,419	4,429	-	-
	<u>17,743,424</u>	<u>17,391,955</u>	<u>4,973,184</u>	<u>3,380,535</u>
Total liabilities	<u>18,877,153</u>	<u>18,533,606</u>	<u>4,973,184</u>	<u>3,380,535</u>
Net (liabilities)/assets	<u>(4,899,235)</u>	<u>(1,451,576)</u>	<u>6,337,554</u>	<u>6,875,005</u>
Equity				
Share capital	8,731,259	8,731,259	8,731,259	8,731,259
Translation reserve	433,480	189,862	-	-
Accumulated losses	(13,912,706)	(10,221,783)	(2,393,705)	(1,856,254)
Capital and reserves attributable to equity holders of the Company	<u>(4,747,967)</u>	<u>(1,300,662)</u>	<u>6,337,554</u>	<u>6,875,005</u>
Non-controlling interests	(151,268)	(150,914)	-	-
Total equity	<u>(4,899,235)</u>	<u>(1,451,576)</u>	<u>6,337,554</u>	<u>6,875,005</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 30.6.2019		Audited 30.6.2018	
	\$	\$	\$	\$
	Secured	Unsecured	Secured	Unsecured
Borrowings	2,710,000	-	3,450,655	-
Finance leases	55,393	-	42,889	-
Advances classified under other payables	-	2,575,837	-	3,078,281
Total	2,765,393	2,575,837	3,493,544	3,078,281

Amount repayable after one year

	Unaudited 30.6.2019		Audited 30.6.2018	
	\$	\$	\$	\$
	Secured	Unsecured	Secured	Unsecured
Borrowings	1,000,000	-	1,000,000	-
Finance leases	133,729	-	141,651	-
Total	1,133,729	-	1,141,651	-

Details of collateral are as follows:

Except for the non-convertible bond amounting to S\$375,000 as at 30 June 2018, all borrowings are secured by corporate guarantees from the Company. The non-convertible bond is secured by the Company's ordinary shares held by the controlling shareholder and Director of the Company, Mr. Lim Wee Li. The non-convertible bond was fully repaid in May 2019 and the share charge was released and discharged in June 2019.

Finance lease liabilities are secured on the property, plant and equipment purchased under the finance leases amounting to \$23,356 (30 June 2018: \$0). In addition, as at 30 June 2019, finance lease liabilities were guaranteed by the Company's Director, namely Mr. Lim Wee Li and the Company amounting to \$63,076 (30 June 2018: \$89,489) and \$102,690 (30 June 2018: \$95,051) 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 FY2019	Audited FY2018
	\$	\$
Operating activities		
Loss before tax	(3,692,865)	(4,014,557)
Adjustments for:		
Depreciation of property, plant and equipment	351,045	713,253
Amortisation of investment property	12,777	12,823
Gain on disposal of property, plant and equipment	(52,111)	(93,081)
Property, plant and equipment written off	-	36,198
Interest expense	432,176	701,702
Interest income	(731)	(441)
Unrealised foreign exchange differences	258,979	(178,058)
Operating cash flows before change in working capital	(2,690,730)	(2,822,161)
Inventories	318,471	2,082,472
Trade and other receivables	2,480,014	4,316,078
Trade and other payables	882,035	(2,603,017)
Cash generated from operations	989,790	973,372
Income tax refunded	34,012	51,151
Net cash provided by operating activities	1,023,802	1,024,523
Investing activities		
Interest received	731	441
Additions to property, plant and equipment	(109,700)	(172,592)
Disposal of property, plant and equipment	55,809	93,082
Net cash used in investing activities	(53,160)	(79,069)

	Group	
	Unaudited FY2019	Audited FY2018
	\$	\$
Financing activities		
Fixed deposit pledged to a bank	168,080	(85)
Proceeds from bank borrowings	-	197,337
Repayment of bank borrowings	(252,829)	(1,642,192)
Repayment of finance leases	(53,557)	(56,266)
Repayment of non-convertible loan	(375,000)	(375,000)
Drawdown of term loan from directors	-	1,630,011
Repayment of term loan from directors	(102,866)	(250,000)
Interest paid	(141,115)	(379,061)
Proceeds from term loan from external third parties	200,000	400,000
Repayment of term loan from external third parties	(90,000)	(50,000)
Repayment of term loan from shareholders	-	(250,000)
Net cash used in financing activities	(647,287)	(775,256)
Net increase in cash and cash equivalents	323,355	170,198
Cash and cash equivalents at beginning of the financial year	(69,085)	(229,845)
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(2,495)	(9,438)
Cash and cash equivalents at the end of the financial year (Note A)	251,775	(69,085)

Note A

	As at 30 June 2019	As at 30 June 2018
	\$	\$
Bank balances	251,775	153,741
Fixed deposit	-	168,080
Cash and cash equivalents	251,775	321,821
Less: pledged fixed deposit	-	(168,080)
Less: bank overdraft	-	(222,826)
Cash and cash equivalents in the consolidated statement of cash flows	251,775	(69,085)

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 2018	8,731,259	189,862	(10,221,783)	(1,300,662)	(150,914)	(1,451,576)
Loss for the year	-	-	(3,690,923)	(3,690,923)	(1,942)	(3,692,865)
<i>Other comprehensive income</i>						
- Exchange differences on translation of foreign operations	-	243,618	-	243,618	1,588	245,206
Total comprehensive income/(loss) for the year	-	243,618	(3,690,923)	(3,447,305)	(354)	(3,447,659)
As at 30 June 2019	8,731,259	433,480	(13,912,706)	(4,747,967)	(151,268)	(4,899,235)
As at 1 July 2017	6,231,259	404,263	(6,195,765)	439,757	(169,784)	269,973
Loss/(profit) for the year	-	-	(4,026,018)	(4,026,018)	11,461	(4,014,557)
<i>Other comprehensive income</i>						
- Exchange differences on translation of foreign operations	-	(214,401)	-	(214,401)	7,409	(206,992)
Total comprehensive (loss)/income for the year	-	(214,401)	(4,026,018)	(4,240,419)	18,870	(4,221,549)
Issuance of new ordinary shares	2,500,000	-	-	2,500,000	-	2,500,000
As at 30 June 2018	8,731,259	189,862	(10,221,783)	(1,300,662)	(150,914)	(1,451,576)

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 2018	8,731,259	(1,856,254)	6,875,005
Total comprehensive loss for the year	-	(347,451)	(347,451)
As at 30 June 2019	8,731,259	(2,203,705)	6,527,554
As at 1 July 2017	6,231,259	(1,428,693)	4,802,566
Issuance of new ordinary shares	2,500,000	-	2,500,000
Total comprehensive loss for the year	-	(427,561)	(427,561)
As at 30 June 2018	8,731,259	(1,856,254)	6,875,005

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, 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 2019</u>		<u>As at 31 December 2018</u>	
	No. of shares	\$	No. of shares	\$
Issued and paid-up share capital	118,477,000	8,731,259	118,477,000	8,731,259

There was no change in the Company's share capital since the end of the previous period reported on, being 31 December 2018 up till 30 June 2019.

As at 30 June 2019 and 30 June 2018, the Company did not have outstanding options, convertibles, treasury shares or subsidiary holdings.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 30 June 2019	As at 30 June 2018
Total number of shares excluding treasury shares	118,477,000	118,477,000

There were no treasury shares as at 30 June 2019 and 30 June 2018.

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 FY2019.

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 FY2019.

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 qualifications or emphasis of matter).

Not applicable.

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 FY2018.

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.

Singapore listed companies are required to apply a new financial reporting framework - Singapore Financial Reporting Framework (International) ("SFRS(I)") that is identical to the International Financial Reporting Standards for the financial year beginning or after 1 January 2018. The Group has adopted SFRS(I) on 1 July 2018, including Interpretations of SFRS(I). The adoption of these new / revised SFRS(I) and Interpretations of SFRS(I) is not expected to result in material changes to the accounting policies and material adjustments to the financial position, results of operations or cash flows of the Group for FY2019.

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	
	FY2019	FY2018
Weighted average number of ordinary shares	118,477,000	100,101,244
Basic and fully diluted loss per ordinary share (cents)	<u>(3.1)</u>	<u>(4.0)</u>

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 and FY2018 are the same as the Company did not have any dilutive equity instruments in the respective financial years.

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	
	As at 30 June 2019	As at 30 June 2018	As at 30 June 2019	As at 30 June 2018
Net (liabilities)/asset value per ordinary share (cents)	<u>(4.0)</u>	<u>(1.1)</u>	<u>5.3</u>	<u>5.8</u>

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:
- (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 FY2019, the Group recorded revenue of \$10.6 million, a decrease of 26.7% or \$3.8 million from \$14.4 million in FY2018. The decline in revenue occurred across the Group's operations in Singapore (\$3.2 million), Malaysia (\$0.2 million) and Hong Kong (\$0.7 million), partially offset by increases in revenue from China (\$0.3 million).

The decrease was attributable to lower revenue contribution from the Residential Projects segment by 40.5% or \$2.0 million and the Distribution and Retail segment by 19.2% or \$1.8 million.

Residential Projects

The Residential Projects segment accounted for 28.5% or \$3.0 million of the Group's revenue, derived from 7 ongoing projects carried over from FY2018. Residential Projects revenue declined 40.5% or \$2.1 million due to fewer projects on hand. Comparatively, revenue for Residential Projects in FY2018 was from 10 ongoing projects carried forward from the financial period ended 30 June 2017 and accounted for 35.2% or \$5.1 million of the Group's revenue. The decrease in revenue for this segment occurred in Singapore (\$0.7 million) and Hong Kong (\$1.4 million) partially offset by an increase in Malaysia (\$0.1 million).

Distribution and Retail

The Distribution and Retail segment accounted for 71.5% or \$7.5 million of the Group's revenue in FY2019. This is a decrease of 19.2% or \$1.8 million compared with FY2018 wherein the Distribution and Retail segment accounted for 64.8% or \$9.3 million of the Group's revenue. The decrease in revenue for this segment was in the Group's largest market Singapore (\$2.5 million), followed by Malaysia (\$0.3 million) partially offset by increases in Hong Kong (\$0.7 million) and China (\$0.3 million).

Gross Profit

Gross profit in FY2019 was \$4.4 million. This is a decrease of 30.4% or \$1.9 million from \$6.3 million in FY2018, in line with lower revenue. Overall gross profit margin was maintained at 41.4%, a marginal decrease from 43.6% in FY2018.

The Residential Projects segment recorded a decrease in gross profit margin as a result of increased costs incurred on projects in Hong Kong, while the Distribution and Retail segment recorded an increase in gross profit margin as a result of a curb on sales discounts given in Singapore.

Other Income

Other income decreased by \$0.4 million from \$0.5 million in FY2018 to \$0.1 million in FY2019, due to a decrease in government grant and service income \$0.1 million and non-recurrence of one-time receipts in FY2018, mainly proceeds from an insurance claim of \$0.2 million and reimbursement from supplier of \$0.1 million.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 33.0% or \$1.5 million, from \$4.5 million in FY2018 to \$3.0 million in FY2019. The decrease was due largely to cost cutting measures adopted during FY2019 resulting in decreases in staff costs (\$1.1 million) and showroom and warehouse rental expenses (\$0.4 million).

Other Operating Expenses

Other operating expenses decreased by \$0.6 million or 72.9% to \$0.2 million in FY2019, from \$0.8 million in FY2018.

The decrease was mainly attributable to:

- a. absence of bad debts written off of \$0.5 million that was present in FY2018;
- b. absence of allowance for doubtful receivables of \$0.2 million that was present in FY2018;
- c. absence of write-off of inventories amounting to \$0.6 million that was present in FY2018; and
- d. partially offset by a net loss in foreign exchange amounting to \$0.2 million recorded in FY2019 as compared with a gain of \$0.5 million recorded in FY2018. The net loss in foreign exchange arose from consolidation/elimination of amounts due from the Group's Malaysian subsidiary due to the weakening of the Malaysia Ringgit against the Singapore Dollar in FY2019.

General and Administrative Expenses

General and administrative expenses decreased by \$0.3 million in FY2019, from \$4.8 million in FY2018 to \$4.5 million in FY2019 due mainly to;

- a. a decrease in depreciation charges \$0.3 million due to a significant amount of property, plant and equipment being fully depreciated in prior year;
- b. a decrease in office rental in Singapore \$0.2 million as a result of cost cutting measures adopted during FY2019;
- c. partially offset by an increase in maintenance charges and reinstatement costs resulting from the termination of a showroom lease in China (\$0.1 million) and relocation costs arising from the relocation of warehouse in Singapore (\$0.1 million);

Finance Cost

Finance cost decreased by 38.4% or \$0.3 million, from \$0.7 million in FY2018 to \$0.4 million in FY2019, mainly due to a decrease in borrowings.

Loss Before Income Tax

The Group recorded loss before income tax of \$3.5 million in FY2019 as compared to loss of \$4.0 million in FY2018 due to the reasons explained above.

Review of Statements of Financial Position of the Group

Assets

The Group's total assets decreased by \$3.1 million from \$17.1 million as at 30 June 2018 to \$14.0 million as at 30 June 2019.

The decrease in total assets was mainly attributable to:

- a. a decrease in trade receivables of \$1.9 million, mainly due to collections from debtors;
- b. a decrease in other receivables of S\$0.6 million, mainly due to advances made to suppliers in FY2018 converted into purchases in FY2019;
- b. a decrease in inventories of \$0.3 million, mainly used in operations and included in cost of sales;
- c. a decrease in net carrying value of property, plant and equipment of \$0.2 million due mainly to depreciation charge (\$0.3 million), partially offset by additions during the year (\$0.1 million); and
- d. a decrease in cash and cash equivalents of \$0.1 million.

Liabilities

The Group's total liabilities increased by \$0.4 million from \$18.5 million as at 30 June 2018 to \$18.9 million as at 30 June 2019.

The increase in total liabilities was mainly attributable to:

- a. an increase in trade payables of \$0.7 million, mainly due to an increase in sales deposits received of \$0.8 million, from \$3.7 million as at 30 June 2018 to \$4.5 million as at 30 June 2019;
- b. an increase in other payables by \$0.4 million as a result of;

- i) increase in amount due to suppliers and vendors for services rendered by \$0.3 million,
 - ii) increase in accrued expenses \$0.4 million,
 - iii) increase in amount due to ex-directors of the Company amounting to S\$0.3 million to which a settlement agreement has been reached;
and partially offset by decreases in amount due to a director and shareholder of a subsidiary amounting to \$0.6 million
- c. partially offset by a decrease in borrowings of \$0.8 million, due to repayment of term loans to financial institutions and the full redemption of the non-convertible bond amounting to \$0.4 million as announced on 21 May 2019.

Total Equity

The Group recorded negative total equity of \$4.7 million as at 30 June 2019, compared with negative total equity of \$1.5 million as at 30 June 2018 due mainly to the loss after income tax recorded in FY2019.

Review of Consolidated Statement of Cash Flows

In FY2019, the Group's operating cash flows before movements in working capital was cash outflow of \$2.7 million. The net cash generated from working capital amounting to \$3.7 million was due mainly to a decrease in inventories of \$0.3 million, a decrease in trade and other receivables of \$2.5 million, and an increase in trade and other payables of \$0.9 million. The net cash generated from operating activities in FY2019 amounted to \$1.0 million.

In FY2019, the net cash used in investing activities of \$53K million was mainly due to net cash outflow on purchase of property, plant and equipment of \$110K, partially offset by the proceeds from disposal of property, plant and equipment of \$56K.

The net cash used in financing activities of \$0.6 million in FY2019 was due mainly to repayment of bank borrowings of \$0.3 million, repayment of non-convertible loan of \$0.4 million, repayment of term loans from external third parties of \$0.1 million, repayment of loan from directors of \$0.1 million, payment of finance leases and interest expenses of \$0.1 million, partially offset by proceeds from loans from an external third party of \$0.2 million and withdrawal of fixed deposit pledged to a bank \$0.2 million.

As a result of the above, cash and cash equivalents improved to \$252K as at 30 June 2019, from a deficit of \$70K as at 30 June 2018.

Going concern and working capital position

The Group is currently in a negative working capital position and a net liability position of \$5.4 million and \$4.9 million respectively as at 30 June 2019. 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 on the basis of the following management representations:

- (a) Management has obtained written commitments from a shareholder and other third party lenders not to demand payment for at least the next 12 months for an aggregate loans of \$2.6 million.
- (b) Mr. Lim Wee Li, who had extended an interest free loan of \$2.1 million to the Group for working capital purposes as at 30 June 2019, has undertaken not to call for repayment until the Group has sufficient additional working capital. Mr Lim Wee Li has undertaken to provide further financial support if the need arises to enable the Group to continue in operation.
- (c) The Group obtained a secured term loan amounting to approximately S\$1.3 million at an interest rate of 15% per annum in July 2019, repayable on 31 December 2019.
- (d) The Group is actively pursuing short-term financing to bridge temporary cash flow deficits to enable the Group to meet its future business plans.

- (e) An amount of \$4.5 million in the current trade payables relates to sales deposits collected from customers for kitchen systems purchased, which will be recognised as revenue subsequently upon delivery of the kitchen systems to the customers and do not represent a payment obligation by the Group.

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

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.”

For January 2019 to June 2019, the Group recorded positive cash balances as previously forecasted. For the months July 2019 to December 2019, the Group recorded 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. For the re-launch of Pureform, the Group’s house-brand for affordable kitchen and wardrobes, presently the Group is in the midst of finalising the design and specifications of the said products. The Hong Kong project and re-launch of Pureform is expected to commence in first half of the financial year ending 30 June 2020.

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 is expected to be recognised by end of December 2019. The delay in the recognition of sales was due to the delay in the readiness of customers’ sites which is beyond the Company’s control.

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

For item (e), no variance is noted.

Notwithstanding the above developments, the Board is of the opinion that the Group can continue as a going concern in view of the reasons set out in paragraph 8 above and that the Group has been showing progress in narrowing its losses since the financial period ended 30 June 2017 and cash generated from operations in FY2018 and FY2019.

10. [A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.](#)

The Group’s Retail and Distribution business had been slow in the past few years but we are seeing more orders in our overseas markets, despite the consolidation of our showrooms in Hong Kong. The Group’s order book for kitchen appliances and kitchen systems (based on deposits received from customers) currently stands at \$4.5 million. There are also plans to add new brands of appliances to the Group’s portfolio of products, in line with expansion of the Group’s businesses through KROOM, which retails premium kitchen appliances and accessories, and kitchen and wardrobe systems.

The Group’s Residential Projects business in the last three years had faced significant challenges due to the dearth of projects in the premium market, for which the Group has a proven track record and

competitive advantage in the design, supply and installation of international branded quality kitchen systems. However, due to the high numbers of en-bloc projects in Singapore in 2018, management has noted a surge in new project launches. The Group has managed to capitalise on this, and our order book pipeline (based on letters of award and intent) currently stands at \$19.1 million for 5 residential projects in Singapore, and \$3.4 million for a residential project in Hong Kong which are expected to be completed over the next 2 to 3 years. We have also seen a renewed interest in our house brand, Pureform, which accounts for approximately a third of our current order book. This bodes well for our strategy to capture a bigger share of the non-premium market segment.

Management expects more project launches in the coming year and is focused on capturing a sizeable proportion of these projects subject to available financing. In this regard, the Company is exploring various options to strengthen its balance sheet and working capital position, including *inter alia*, restructuring its current payment obligations, fundraising and other financing options. The Board will make further announcements as and when there are material developments.

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

11. If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended)

No.

(b)(i) Amount per share

Name of Dividend	
Dividend type	Not applicable
Dividend amount per ordinary share (cents)	Not applicable

(b)(ii) Previous corresponding period

Name of Dividend	
Dividend type	Not applicable
Dividend amount per ordinary share (cents)	Not applicable

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00pm) will be registered before entitlements to the dividend are determined

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for FY2019 as the Group is loss-making for the year and has accumulated losses of \$13.9 million as at 30 June 2019.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii) of the Catalist Rules. If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920(1)(a)(ii) of the Catalist Rules. There was no interested person transaction entered into by the Group with value of more than \$100,000 during FY2019.

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	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
	\$	\$	\$	\$	\$	\$	\$	\$
Reportable segment revenue	3,008,086	5,059,770	7,539,356	9,328,640	-	-	10,547,442	14,388,410
Reportable segment (losses)/profits	(1,551,827)	(660,989)	(1,622,430)	(2,843,748)	75,366	(774,316)	(3,098,891)	(4,143,240)
Reportable segment assets	4,769,560	5,160,016	8,975,133	11,871,632	233,225	50,382	13,977,918	17,082,030
Segment liabilities	3,615,799	3,403,847	10,036,836	7,643,304	2,596,257	3,461,862	15,248,892	14,509,013
Capital expenditure	42,699	67,213	115,586	188,179	-	-	158,285	255,392
Depreciation of property, plant and equipment	(99,668)	(209,946)	(249,803)	(501,733)	(1,574)	(1,574)	(351,045)	(713,252)
Depreciation of investment property	-	-	-	-	(12,777)	(12,823)	(12,823)	(12,823)
Allowance for doubtful trade receivables	-	(58,038)	-	(127,475)	-	-	-	(185,513)
Other receivables written off	-	-	-	-	-	-	-	-
Property, plant and equipment written off	-	(4,515)	-	(31,683)	-	-	-	(36,198)
Inventories written off	-	(26,274)	-	(529,134)	-	-	-	(555,408)
Bad debts written off	(1,175)	(143,847)	(1,860)	(315,946)	-	-	(3,035)	(459,793)

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

	Group	
	FY2019	FY2018
	\$	\$
Segment losses	(3,098,891)	(4,143,240)
Interest income	731	441
(Loss)/gain on foreign exchange difference	(244,476)	487,145
Interest on borrowings	(350,229)	(358,903)
Loss before tax	<u>(3,692,865)</u>	<u>(4,014,557)</u>

Geographical information

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

	Sales to external customers	
	FY2019	FY2018
	\$	\$
Singapore	3,766,381	6,954,367
Hong Kong	5,431,199	6,175,121
Malaysia	357,497	579,997
China	992,365	678,925
	<u>10,547,442</u>	<u>14,388,410</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		% Increase/ (Decrease)
	FY2019 \$	FY2018 \$	
(a) Sales reported for first 6-month period ⁽¹⁾	4,697,921	7,770,068	(39.5)
(b) Loss after tax before deducting non-controlling interests reported for first 6-month period ⁽¹⁾	(1,883,000)	(1,672,850)	12.6
(c) Sales reported for second 6-month period ⁽²⁾	5,849,521	6,618,342	(11.6)
(d) Loss after tax before deducting non-controlling interests reported for second 6-month period ⁽²⁾	(1,809,865)	(2,341,707)	(30.8)

Notes:

- (1) First 6-month period refers to 1 July 2017 to 31 December 2017 for FY2018 and 1 July 2018 to 31 December 2018 for FY2019.
(2) Second 6-month period refers to 1 January 2018 to 30 June 2018 for FY2018 and 1 January 2019 to 30 June 2019 for FY2019.

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 FY2019 and FY2018.

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

On behalf of the Board of Directors

Lim Wee Li
Executive Chairman and CEO

Date: 29 August 2019