



**KITCHEN CULTURE HOLDINGS LTD.**

(Company Registration No: 201107179D)

(the “**Company**”, and together with its subsidiaries, the “**Group**”)

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**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor (“**Sponsor**”), SAC Advisors Private Limited, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the 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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**CHANGE OF FINANCIAL YEAR END**

On 6 September 2016, the Company had announced a change of financial year end from 31 December to 30 June. Therefore, the financial statements presented for this results announcement will cover the 6-month financial period from 1 July 2016 to 31 December 2016 (“**2HY2017**”), and the comparative preceding financial period will cover the 6-month financial period from 1 July 2015 to 31 December 2015 (“**2HY2016**”).

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)	Group	
	Unaudited 2HY2017 \$	Unaudited 2HY2016 \$		Unaudited 12 months ended 31 December 2016 \$	Audited 12 months ended December 2015 \$
Revenue	20,201,701	12,377,730	63.2	33,010,072	26,609,899
Cost of sales	(14,317,832)	(6,395,159)	123.9	(21,386,401)	(13,945,575)
<b>Gross profit</b>	<b>5,883,869</b>	<b>5,982,571</b>	<b>(1.7)</b>	<b>11,623,671</b>	<b>12,664,324</b>
Other income	224,479	322,981	(30.5)	330,748	1,071,963
Selling and distribution expenses	(3,895,185)	(4,998,577)	(22.1)	(7,431,532)	(9,143,014)
General and administrative expenses	(3,000,953)	(2,862,065)	4.9	(6,209,167)	(5,159,140)
Other operating expenses	(13,245)	(4,613,286)	(99.7)	(202,018)	(5,098,375)
<b>Loss from operations</b>	<b>(801,035)</b>	<b>(6,168,376)</b>	<b>(87.0)</b>	<b>(1,888,298)</b>	<b>(5,664,242)</b>
Finance costs	(525,084)	(581,503)	(9.7)	(979,807)	(835,220)
<b>Loss before tax</b>	<b>(1,326,119)</b>	<b>(6,749,879)</b>	<b>(80.4)</b>	<b>(2,868,105)</b>	<b>(6,499,462)</b>
Tax credit	-	410,275	N.M.	-	452,433
<b>Loss for the period</b>	<b>(1,326,119)</b>	<b>(6,339,604)</b>	<b>(79.1)</b>	<b>(2,868,105)</b>	<b>(6,047,029)</b>
<b>Other comprehensive income for the period, net of tax</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Currency translation differences, arising from consolidation	(144,881)	226,821	N.M.	(46,029)	305,795
<b>Total comprehensive income for the period</b>	<b>(1,471,000)</b>	<b>(6,112,783)</b>	<b>(75.9)</b>	<b>(2,914,134)</b>	<b>(5,741,234)</b>
<b>Loss attributable to:</b>					
Owners of the Company	(1,256,917)	(5,834,438)	(78.5)	(2,703,518)	(5,344,324)
Non-controlling interests	(69,202)	(505,166)	(86.3)	(164,587)	(702,705)
	<b>(1,326,119)</b>	<b>(6,339,604)</b>	<b>(79.1)</b>	<b>(2,868,105)</b>	<b>(6,047,029)</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company	(1,366,891)	(5,627,180)	(75.7)	(2,734,064)	(5,058,092)
Non-controlling interests	(104,109)	(485,603)	(78.6)	(180,070)	(683,142)
	<b>(1,471,000)</b>	<b>(6,112,783)</b>	<b>(75.9)</b>	<b>(2,914,134)</b>	<b>(5,741,234)</b>

N.M.= Not Meaningful

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

	<b>Group</b>		<b>Group</b>		
	<b>Unaudited</b>	<b>Unaudited</b>	<b>% Change</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>2HY2017</b>	<b>2HY2016</b>	<b>Increase/(Decrease)</b>	<b>12 months</b>	<b>12 months</b>
	<b>\$</b>	<b>\$</b>		<b>ended 31</b>	<b>ended 31</b>
				<b>December 2016</b>	<b>December 2015</b>
				<b>\$</b>	<b>\$</b>
Allowance for doubtful receivables	(7,973)	(589,865)	(98.6)	(8,577)	(589,865)
Allowance for doubtful receivables written back	6,805	1,009	574.4	6,805	1,009
Bad debts recovered	10,496	31,971	(67.2)	10,496	31,971
Inventories written off	–	(601,786)	N.M.	–	(601,786)
Inventories written down to net realisable value	–	(238,528)	N.M.	–	(238,528)
Depreciation of property, plant and equipment	(428,183)	(619,496)	(30.9)	(826,412)	(860,857)
Property, plant and equipment written off	–	(33,720)	N.M.	–	(33,720)
Goodwill arising on consolidation written off	–	(2,728,943)	N.M.	–	(2,834,058)
Gain on re-measurement of previously held joint venture	–	2,393	N.M.	–	643,566
Loss on settlement of pre-existing loans upon obtaining control in a subsidiary	–	–	–	–	(112,157)
Interest expense	(525,084)	(581,503)	(9.7)	(979,807)	(835,220)
Interest income	366	137,274	(99.7)	2,762	146,958
Net gain/(loss) on foreign exchange difference	141,537	(380,824)	N.M.	(23,284)	(625,194)
Sundry income	82,576	183,314	(55.0)	186,449	281,439

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.

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited 31.12.2016</b>	<b>Audited 31.12.2015</b>	<b>Unaudited 31.12.2016</b>	<b>Audited 31.12.2015</b>
	\$	\$	\$	\$
<b>Current assets</b>				
Cash and cash equivalents	949,606	3,257,939	13,924	21,767
Trade receivables	19,783,911	11,139,910	–	–
Other receivables	3,078,640	1,841,741	4,133,389	4,090,881
Inventories	10,869,605	10,760,610	–	–
	<u>34,681,762</u>	<u>27,000,200</u>	<u>4,147,313</u>	<u>4,112,648</u>
<b>Non-current assets</b>				
Property, plant and equipment	1,341,578	1,687,517	–	–
Investment property	276,883	276,883	–	–
Subsidiaries	–	–	1,500,005	1,500,005
Trade receivables	944,860	674,385	–	–
Deferred tax assets	356,708	350,582	–	–
	<u>2,920,029</u>	<u>2,989,367</u>	<u>1,500,005</u>	<u>1,500,005</u>
<b>Total assets</b>	<u>37,601,791</u>	<u>29,989,567</u>	<u>5,647,318</u>	<u>5,612,653</u>
<b>Current liabilities</b>				
Trade payables	11,297,439	7,646,581	–	–
Other payables	8,836,573	2,353,435	461,100	297,931
Finance lease liabilities	55,342	58,058	–	–
Borrowings	10,085,606	8,414,731	–	–
Income tax payable	4,429	4,429	–	–
	<u>30,279,389</u>	<u>18,477,234</u>	<u>461,100</u>	<u>297,931</u>
<b>Non-current liabilities</b>				
Finance lease liabilities	61,014	114,563	–	–
Borrowings	3,027,752	4,250,000	–	–
	<u>3,088,766</u>	<u>4,364,563</u>	<u>–</u>	<u>–</u>
<b>Total liabilities</b>	<u>33,368,155</u>	<u>22,841,797</u>	<u>461,100</u>	<u>297,931</u>
<b>Equity</b>				
Share capital	6,231,259	6,231,259	6,231,259	6,231,259
Translation reserve	344,369	374,915	–	–
(Accumulated losses)/ Retained earnings	(1,969,428)	734,090	(1,045,041)	(916,537)
<b>Equity attributable to owners of the Company</b>	<u>4,606,200</u>	<u>7,340,264</u>	<u>5,186,218</u>	<u>5,314,722</u>
Non-controlling interests	(372,564)	(192,494)	–	–
<b>Total equity</b>	<u>4,233,636</u>	<u>7,147,770</u>	<u>5,186,218</u>	<u>5,314,722</u>
<b>Total liabilities and equity</b>	<u>37,601,791</u>	<u>29,989,567</u>	<u>5,647,318</u>	<u>5,612,653</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**

<b>Unaudited 31.12.2016</b>		<b>Audited 31.12.2015</b>	
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
10,140,948	4,457,620	8,472,789	–

**Amount repayable after one year**

<b>Unaudited 31.12.2016</b>		<b>Audited 31.12.2015</b>	
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
3,088,766	–	4,364,563	–

Details of collaterals are as follows:

**Borrowings from financial and non-financial institutions**

Borrowings from financial institutions comprised of term loans, short-term revolving loans, accounts receivable financing and bills payable. Borrowings from non-financial institutions comprised of loans from shareholders and third parties and advances from a Director.

Save for the advances from a Director, all borrowings from financial and non-financial institutions are secured by corporate guarantees from the Company.

**Finance lease liabilities**

The finance lease liabilities are secured on the property, plant and equipment purchased under the finance leases. As at 31 December 2016, finance lease liabilities amounting to \$116,356 (31 December 2015: \$172,621) was guaranteed by the Company's Director, namely Lim Wee Li.

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		Group	
	Unaudited	Unaudited	Unaudited	Audited
	2HY2017	2HY2016	12 months ended 31 December 2016	12 months ended 31 December 2015
	\$	\$	\$	\$
<b>Operating activities</b>				
Loss before tax	(1,326,119)	(6,749,879)	(2,868,105)	(6,499,462)
Adjustments for:				
Gain on re-measurement of previously held joint venture	–	(2,393)	–	(643,566)
Loss on settlement of pre-existing relationship	–	–	–	112,157
Goodwill arising on consolidation written off	–	2,728,943	–	2,834,058
Depreciation of property, plant and equipment	428,183	619,496	826,412	860,857
Property, plant and equipment written off	–	33,720	–	33,720
Gain on disposal of property, plant and equipment	–	–	(80)	–
Interest expense	525,084	581,503	979,807	835,220
Interest income	(366)	(137,274)	(2,762)	(146,958)
Unrealised foreign exchange (gain)/loss	(261,878)	287,135	(375,544)	234,728
Operating cash flows before movements in working capital	(635,096)	(2,638,749)	(1,440,272)	(2,379,246)
Inventories	663,858	1,385,080	(33,537)	3,937,817
Trade and other receivables	(5,007,313)	2,116,912	(10,009,636)	(2,133,919)
Trade and other payables	2,874,496	(1,048,817)	5,900,057	(1,130,928)
Cash used in operating activities	(2,104,055)	(185,574)	(5,583,388)	(1,706,276)
Income tax received	–	–	–	24,814
<b>Net cash used in operating activities</b>	(2,104,055)	(185,574)	(5,583,388)	(1,681,462)
<b>Investing activities</b>				
Net cash inflow on acquisition of a subsidiary	–	271,914	–	76,501
Interest received	366	573	2,762	10,257
Proceeds from disposal of property, plant and equipment	–	–	80	–
Payment for deferred consideration on acquisition of subsidiary	–	(332,438)	(123,579)	(332,438)
Purchases of property, plant and equipment	–	(418,346)	(451,588)	(859,265)
<b>Net cash generated from / (used in) investing activities</b>	366	(478,297)	(572,325)	(1,104,945)

	Group		Group	
	Unaudited	Unaudited	Unaudited 12 months ended	Audited 12 months ended
	2HY2017	2HY2016	31 December 2016	31 December 2015
	\$	\$	\$	\$
<b>Financing activities</b>				
Fixed deposit pledged to a bank	(28)	(418)	(462)	(418)
Advances from / (repayment to) a director	1,346,642	(250,000)	4,457,620	–
Proceeds from borrowings	8,807,863	6,092,327	14,491,192	14,760,421
Repayment of borrowings	(8,536,618)	(2,948,722)	(14,859,990)	(10,903,999)
Repayment of finance leases	(28,289)	(35,005)	(57,526)	(60,113)
Interest paid	(525,084)	(561,502)	(979,807)	(815,219)
<b>Net cash generated from financing activities</b>	<b>1,064,486</b>	<b>2,296,680</b>	<b>3,051,027</b>	<b>2,980,672</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,039,203)</b>	<b>1,632,809</b>	<b>(3,104,686)</b>	<b>194,265</b>
Cash and cash equivalents at the beginning of the financial period	1,003,500	1,448,248	3,090,434	2,900,063
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(83)	9,377	(21,534)	(3,894)
<b>Cash and cash equivalents at the end of the financial period</b>	<b>(35,786)</b>	<b>3,090,434</b>	<b>(35,786)</b>	<b>3,090,434</b>

Cash and cash equivalents on the statement of financial position comprises cash and bank balances, bank overdraft and fixed deposits. The fixed deposit of \$167,967 as at 31 December 2016 (31 December 2015: \$167,505) is pledged to banks to secure banking facilities. The Group has undertaken a bank overdraft of \$817,425 as at 31 December 2016 (31 December 2015: Nil)

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.

<b>Group</b>	<b>Share capital</b> \$	<b>Retained earnings/ (Accumulated losses)</b> \$	<b>Translation reserve</b> \$	<b>Attributable to owners of the Company</b> \$	<b>Non-controlling interest</b> \$	<b>Total equity</b> \$
<b>As at 1 January 2016</b>	6,231,259	734,090	374,915	7,340,264	(192,494)	7,147,770
Loss for the period	–	(1,446,601)	–	(1,446,601)	(95,385)	(1,541,986)
Other comprehensive income for the period, net of tax						
- Exchange differences on translation of foreign operations	–	–	79,428	79,428	19,424	98,852
Total comprehensive income for the period	–	(1,446,601)	79,428	(1,367,173)	(75,961)	(1,443,134)
<b>As at 30 June 2016 / 1 July 2016</b>	6,231,259	(712,511)	454,343	5,973,091	(268,455)	5,704,636
Loss for the period	–	(1,256,917)	–	(1,256,917)	(69,202)	(1,326,119)
Other comprehensive income for the period, net of tax						
- Exchange differences on translation of foreign operations	–	–	(109,974)	(109,974)	(34,907)	(144,881)
Total comprehensive income for the period	–	(1,256,917)	(109,974)	(1,366,891)	(104,109)	(1,471,000)
<b>As at 31 December 2016</b>	6,231,259	(1,969,428)	344,369	4,606,200	(372,564)	4,233,636



Group	Share capital \$	Retained earnings/ (Accumulated losses) \$	Translation reserve \$	Attributable to owners of the Company \$	Non- controlling interest \$	Total equity \$
<b>As at 1 January 2015</b>	6,231,259	6,078,414	88,683	12,398,356	(287)	12,398,069
Profit / (Loss) for the period	–	490,114	–	490,114	(197,539)	292,575
Other comprehensive income for the period, net of tax						
- Exchange differences on translation of foreign operations	–	–	78,974	78,974	–	78,974
Total comprehensive income for the period	–	490,114	78,974	569,088	(197,539)	371,549
Non-controlling interest arising from acquisition of subsidiary	–	–	–	–	489,132	489,132
<b>As at 30 June 2015 / 1 July 2015</b>	6,231,259	6,568,528	167,657	12,967,444	291,306	13,258,750
Loss for the period	–	(5,834,438)	–	(5,834,438)	(505,166)	(6,339,604)
Other comprehensive income for the period, net of tax						
- Exchange differences on translation of foreign operations	–	–	207,258	207,258	19,563	226,821
Total comprehensive income for the period	–	(5,834,438)	207,258	(5,627,180)	(485,603)	(6,112,783)
Non-controlling interest arising from acquisition of subsidiary	–	–	–	–	1,803	1,803
<b>As at 31 December 2015</b>	6,231,259	734,090	374,915	7,340,264	(192,494)	7,147,770

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 \$
<b>As at 1 January 2016</b>	6,231,259	(916,537)	5,314,722
Loss for the period, representing total comprehensive income for the period	–	(366,303)	(366,303)
<b>As at 30 June 2016 / 1 July 2016</b>	6,231,259	(1,282,840)	4,948,419
Profit for the period, representing total comprehensive income for the period	–	237,799	237,799
<b>As at 31 December 2016</b>	6,231,259	(1,045,041)	5,186,218
<b>As at 1 January 2015</b>	6,231,259	(128,659)	6,102,600
Loss for the period, representing total comprehensive income for the period	–	(79,644)	(79,644)
<b>As at 30 June 2015 / 1 July 2015</b>	6,231,259	(208,303)	6,022,956
Loss for the period, representing total comprehensive income for the period	–	(708,234)	(708,234)
<b>As at 31 December 2015</b>	6,231,259	(916,537)	5,314,722

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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

	As at 31 December 2016		As at 30 June 2016	
	Number of shares	\$	Number of shares	\$
<b>Issued and paid-up shares</b>	100,000,000	6,231,259	100,000,000	6,231,259

As at 31 December 2016 and 31 December 2015, the Company did not have outstanding options, convertibles and treasury shares.

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 2016	As at 31 December 2015
Total number of shares excluding treasury shares	100,000,000	100,000,000

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during the current financial period.

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 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 the financial year ended 31 December 2015 ("FY2015").

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.

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRSs") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2016, where applicable. The adoption of these new and revised FRSs and INT FRS is not expected to result in material adjustments to the financial position, results of operations or cash flows of the Group for 2HY2017.

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:

	<b>Group</b>			
			<b>12 months ended 31 December 2016</b>	<b>12 months ended 31 December 2015</b>
	<b>2HY2017</b>	<b>2HY2016</b>		
Basic and fully diluted (cents)	(1.3)	(5.8)	(2.7)	(5.3)
Weighted average number of ordinary shares	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

As at 31 December 2016 and 2015, the Company did not have any dilutive instruments. Hence, the basic and diluted earnings per share for both periods under review are the same. For illustrative and comparative purposes, the earnings per share for the respective periods have been computed by dividing the Group's profit/(loss) attributable to owners of the Company for the respective period by the aggregate number of ordinary shares of 100,000,000.

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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net asset value per ordinary share (cents)	4.6	7.3	5.2	5.3

Net asset value per ordinary share is calculated based on the aggregate number of ordinary shares of 100,000,000.

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 2HY2017, the Group recorded revenue of \$20.2 million, an increase of 63.2% or \$7.8 million as compared to \$12.4 million in 2HY2016. The increase was mainly attributable to higher revenue contribution from the Residential Projects segment by 110.7% or \$7.7 million and the Distribution and Retail segment by 2.6% or \$0.1 million.

#### **Residential Projects**

The Residential Projects segment accounted for 72.3% or \$14.6 million of the Group's revenue in 2HY2017, of which approximately \$13.1 million was attributable to revenue recognised from the commencement of 14 projects during the calendar year 2016, while \$1.5 million was derived from 11 ongoing projects carried forward from FY2015. Comparatively, revenue for Residential Projects in 2HY2016 amounted to \$6.9 million, of which approximately \$5.3 million was attributable to revenue recognised from 9 projects that commenced during calendar year 2015, while \$1.6 million was derived from 17 ongoing projects carried forward from FY2014.

#### **Distribution and Retail**

The Distribution and Retail segment accounted for 27.7% or \$5.6 million of the Group's revenue in 2HY2017. The increase in Distribution and Retail revenue of 2.6% or \$0.1 million, from \$5.5 million in 2HY2016 to \$5.6 million in 2HY2017, was attributable to improvement in sales of \$0.2 million and \$0.2 million in China and Singapore respectively, partially offset by lower retail sales of \$0.3 million in Malaysia.

#### ***Gross Profit***

Gross profit decreased by 1.7% or \$0.1 million, from \$6.0 million in 2HY2016 to \$5.9 million in 2HY2017. Overall gross profit margin decreased by 19.2 percentage points from 48.3% in 2HY2016 to 29.1% in 2HY2017 as a result of increased costs from the delivery of residential projects and lower margins from the Distribution and Retail segment as a result of promotional sale discounts.

### ***Other Income***

Other income decreased by 30.5% or \$0.1 million, from \$0.3 million in 2HY2016 to \$0.2 million in 2HY2017. This was mainly due to:

- a. an income of \$0.1 million arising from discounting of deferred consideration recognised on acquisition of the Hong Kong operations which was recorded as finance income in 2HY2016 and absent in 2HY2017;
- b. termination of licensing and dealership agreement for Indonesia in August 2015 which resulted in a decrease of \$0.1 million of income as compared to 2HY2016; and
- c. partially offset by a net foreign exchange gain of \$0.1 million recorded under other income in 2HY2017 as compared to a net foreign exchange loss of \$0.4 million which was recorded under other operating expenses in 2HY2016.

### ***Selling and Distribution Expenses***

Selling and distribution expenses decreased by 22.1% or \$1.1 million, from \$5.0 million in 2HY2016 to \$3.9 million in 2HY2017.

This was mainly attributable to a decrease in salaries and related costs, showroom rental expenses, entertainment and travelling expenses as a result of cost cutting measures adopted during 2HY2017.

### ***General and Administrative Expenses***

General and administrative expenses increased by 4.9% or \$0.1 million, from \$2.9 million in 2HY2016 to \$3.0 million in 2HY2017.

This was mainly attributable to:

- a. an increase in office rental expenses of \$0.3 million in Hong Kong and China; and
- b. partially offset by a decrease in depreciation expenses of \$0.2 million mainly due to a number of assets being fully depreciated during 2HY2017.

### ***Other Operating Expenses***

Other operating expenses decreased by 99.7% or \$4.6 million, from \$4.6 million in 2HY2016 to approximately \$13,000 in 2HY2017.

This was mainly attributable to:

- a. goodwill arising on consolidation written off amounting to \$2.7 million which was non-recurring in 2HY2017;
- b. lower net allowance of doubtful receivables and inventories by \$0.6 million and \$0.8 million respectively in 2HY2017 as compared to 2HY2016; and
- c. a net foreign exchange gain of \$0.1 million recorded under other income in 2HY2017 as compared to a net foreign exchange loss of \$0.4 million recorded under other operating expenses in 2HY2016.

### ***Finance Costs***

Finance costs decreased by 9.7% or \$0.1 million, from \$0.6 million in 2HY2016 to \$0.5 million in 2HY2017, mainly due to the repayment of bank borrowings in 2HY2017.

### ***Loss Before Tax***

The Group recorded loss before tax of \$1.3 million and \$6.7 million in 2HY2017 and 2HY2016 respectively due to the reasons explained above.

### ***Tax Expense***

There is no income tax expense in 2HY2017 as the Group is in a loss position in 2HY2017. There was a tax credit of \$0.4 million recorded in 2HY2016 arising mainly from unused tax losses and tax offsets being recognised as deferred tax asset.

## **Review of Statements of Financial Position of the Group**

### ***Assets***

The Group's total assets increased by \$7.6 million from \$30.0 million as at 31 December 2015 to \$37.6 million as at 31 December 2016. The increase in total assets was mainly attributable to:

- a. an increase in trade receivables of \$8.9 million, mainly contributed by the Group's subsidiary in Singapore of (i) \$2.9 million due to progressive claims billed to customers towards the end of December 2016, (ii) \$4.6 million due to increase in work completed in December 2016 but not billed as at 31 December 2016 and (iii) \$0.6 million due to increase in retention sums;
- b. an increase in other receivables of \$1.2 million, mainly contributed by advances to suppliers for purchases of project inventories during 2HY2017; and
- c. partially offset by a decrease in cash and bank balances and property, plant and equipment of \$2.3 million and \$0.3 million respectively.

### ***Liabilities***

The Group's total liabilities increased by \$10.6 million from \$22.8 million as at 31 December 2015 to \$33.4 million as at 31 December 2016. The increase in total liabilities was mainly attributable to:

- a. a net increase in bills payable to banks by \$4.4 million which were attributable to purchase of project and retail inventories;
- b. drawdown of bank overdraft of \$0.8 million during 2HY2017;
- c. an increase in trade payables of \$3.6 million mainly due to (i) a net increase in sales deposits received of \$2.3 million for works not yet completed and (ii) an increase in amount due to customers on projects of \$1.0 million;
- d. an increase in other payables of \$6.5 million due to (i) advances from a director of the Company of \$4.5 million and (ii) an increase in third party payables of \$2.0 million; and
- e. partially offset by a decrease in borrowings (excluding bills payable to banks) of \$4.8 million.

### ***Total Equity***

Total equity decreased by \$2.9 million from \$7.1 million as at 31 December 2015 to \$4.2 million as at 31 December 2016 mainly due to the loss after tax recorded in 2HY2017. The Group's net asset value per share stood at 4.6 cents as at 31 December 2016 as compared to 7.3 cents as at 31 December 2015.

## **Review of Consolidated Statement of Cash Flows**

In 2HY2017, the Group's operating cash flows before movements in working capital was cash outflow of \$0.6 million. The net cash used in working capital amounting to \$1.5 million was due mainly to an increase in trade and other receivables of \$5.0 million, partially offset by a decrease in inventories of \$0.7 million and a decrease in trade and other payables of \$2.9 million. The net cash used in operating activities amounted to \$2.1 million.

In 2HY2017, net cash generated from investing activities of \$366 was due to interest income received during the financial period.

Net cash generated from financing activities of \$1.1 million in 2HY2017 was due mainly to drawdown of borrowings of \$8.8 million and advances from a director of \$1.3 million for working capital purposes, partially offset by interest paid of \$0.5 million as well as repayment of borrowings of \$8.5 million.

As a result of the above, cash and cash equivalents (excluding fixed deposit pledged and bank overdraft received) decreased by \$1.0 million, from \$1.0 million as at 1 July 2016 to an overdrawn amount of approximately \$36,000 as at 31 December 2016.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement was previously disclosed.

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 business outlook in Singapore and in the regions where the Group operates are expected to remain challenging and competitive for the next 12 months given the present economic outlook and uncertainty in the global economy.

Notwithstanding the challenges, the Group is looking into various initiatives to improve its competitiveness and performance. This includes the following:

- a) To capitalise on its core competencies and to focus on the sale of imported kitchen systems, kitchen appliances, wardrobe systems, household furniture and accessories for residential projects and for distribution and retail in both local and regional markets;
- b) Continue efforts in controlling costs and reducing overheads and explore opportunities to streamline operations to improve overall efficiency.

As announced on 12 May 2016, the Group, through its wholly-owned subsidiary, Kitchen Culture (Sichuan) Co. Ltd has secured a contract amounting to approximately RMB5.55 million (approximately \$1.16 million) for the supply, delivery and installation of Liebherr wine refrigerators for Chengdu Courtesy Hotel Management Co. Ltd's M5 Member Apartment project in #300, 3-12, Jiaozi Road, Chengdu Sichuan, China (the "**Contract**"). The Contract is expected to be fulfilled by mid-2017. The Group does not expect the above contract to have a material impact on the earnings per share or net tangible assets per share of the Group for the current financial year ending 30 June 2017.

As announced on 27 October 2016, the Company has entered into a term sheet that is intended to be legally binding with a crowdfunding platform, to issue non-convertible bonds (the "**Bond Issue**") for a sum of S\$2.0 million. At the date of this announcement, the parties are still in the process of finalising the details of the definitive agreements pursuant to the Bond Issue. The Company will provide updates on the status of the Bond Issue and any documents that are being entered into, including and not limited to the definitive agreements and any security documents.

As announced on 3 January 2017, the Company entered into a subscription agreement ("**Subscription Agreement**") with Crede CG III Ltd. ("**Investor**"), pursuant to which the Company proposes to issue, and the Investor has agreed to subscribe for up to US\$20 million in principal amount of convertible senior notes ("**Notes**"), in up to four (4) tranches ("**Proposed Notes Issue**"). The Notes are convertible into fully paid-up new ordinary shares in the capital of the Company and will not be listed and quoted on Catalist or any other exchange. At the date of this announcement, the Company is still working towards meeting the conditions precedents set out in the Subscription Agreement and will make further announcements when there are material developments in respect of the Proposed Notes Issue.

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/rate %

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

- (b)(ii) Previous corresponding period/rate %

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.

No dividend has been declared or recommended for the current financial period ended 31 December 2016.

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). 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.

The Company has provided a corporate guarantee over the outstanding loan (together with the interest thereof) provided by Lim Wee Li, the Executive Chairman and CEO of the Company, to a subsidiary of the Company. The aggregate amount at risk as at 31 December 2016 was \$275,068. Further details on the loan and corporate guarantee can be found in pages 35 and 36 of the Company's Annual Report for FY2015.

Save as disclosed, there was no other interested person transaction entered into by the Group with value of \$100,000 or more during 2HY2017.



14. [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 the half year ended 31 December 2016 to be false or misleading in any material aspect.

15. [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 2017