

ST GROUP FOOD INDUSTRIES HOLDINGS LIMITED

(Incorporated in the Republic of Singapore on 11 January 2018)
(Company Registration Number: 201801590R)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

This announcement has been prepared by ST Group Food Industries Holdings Limited (the “Company”) and its contents have been reviewed by the Company’s sponsor, United Overseas Bank Limited (the “Sponsor”), for compliance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. 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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Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning ascribed to them in the offer document of ST Group Food Industries Holdings Limited dated 26 June 2019 (the “Offer Document”).

Background

ST Group Food Industries Holdings Limited (the “Company”, and together with its subsidiaries, “ST Group” or the “Group”) was incorporated in the Republic of Singapore on 11 January 2018 and was listed on the Catalist Board of the SGX-ST on 3 July 2019. ST Group was formed pursuant to a restructuring exercise (the “Restructuring Exercise”) undertaken as part of its corporate re-organisation, which involved the rationalisation of its corporate and shareholding structure for the purposes of the Company’s listing on Catalist. Please refer to the Company’s Offer Document for further details on the Restructuring Exercise.

Founded in 2011, ST Group holds the exclusive franchise and licence rights to six internationally popular F&B brands, namely, “PappaRich”, “NeNe Chicken”, “Gong Cha”, “Hokkaido Baked Cheese Tart”, “IPPUDO” and “iDarts”, in various territories. It has also developed two of its own brand concepts, “PAFU” and “KURIMU”. ST Group launched “PAFU” and “KURIMU” in Dec 2017 and July 2019 respectively. ST Group had also recently made headway into England, United Kingdom through the launch of its first “Gong Cha” outlet at City Tower, Manchester, England in June 2019.

ST Group operates in the key geographical markets of Australia, New Zealand, Malaysia and United Kingdom through four main business segments - F&B retail sales under the various brands through outlets owned and operated by the Group, the sub-franchising and sub-licensing of brands to sub-franchisees and sub-licensees, the sale of F&B ingredients and other supplies to its franchise network through its Central Kitchen, and receipt of machine income from electronic dart machines installed at sub-franchised “iDarts” outlets.

As at 30 June 2019, ST Group has a network of 106 outlets comprising 41 Group-owned outlets and 65 outlets owned and operated by its sub-franchisees and sub-licensees across its key geographical markets.

Number of outlets by brands (as at the end of the year)

	FY2018		FY2019	
	Owned	Sub-franchised/ sub-licensed	Owned	Sub-franchised/ sub-licensed
PappaRich				
- Australia	4	23	6	24
- New Zealand	-	4	-	3
NeNe Chicken				
- Australia	2	10	2	16
- Malaysia	2	-	5	3
Gong Cha				
- New Zealand	3	1	8	3
- United Kingdom	-	-	1	-
Hokkaido Baked Cheese Tart				
- Australia	9	6	10	7
- New Zealand	1	-	1	-
iDarts				
- Australia	-	4	-	5
PAFU				
- Australia	2	1	6	4
IPPUDO				
- Australia	1	-	2	-
Total	24	49	41	65

PART 1 – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	FY2019⁽¹⁾	FY2018⁽²⁾	Increase/ (Decrease)
	(AUD) (Unaudited)	(AUD) (Audited)	%
Revenue	52,144,689	36,478,590	42.9
Other income	1,457,871	1,780,582	(18.1)
Expenses			
Changes in inventories	442,652	275,595	60.6
Purchases of inventories	(14,181,939)	(10,004,136)	41.8
Franchise restaurants and stores related establishment costs	(2,353,868)	(1,040,793)	NM
Rental on operating leases	(5,459,454)	(3,852,479)	41.7
Staff costs	(16,328,477)	(11,151,513)	46.4
Depreciation expense	(2,365,052)	(1,516,953)	55.9
Amortisation expense	(255,632)	(88,797)	NM
Finance costs	(206,738)	(122,321)	69.0
IPO expense	(2,919,397)	-	NM
Other expenses	(5,674,293)	(5,240,113)	8.3
Share of results of associate	-	7,508	NM
Profit before tax	4,300,362	5,525,170	(22.2)
Tax expense	(1,313,668)	(1,606,823)	(18.2)
Profit for the year	2,986,694	3,918,347	(23.8)
Other comprehensive income/(loss)			
Item that is or may be reclassified subsequently to profit or loss:			
- Currency translation differences arising from consolidation	14,667	(4,995)	NM
Total comprehensive income for the year	3,001,361	3,913,352	(23.3)
Profit attributable to:			
Equity holders of the Company	1,953,979	2,728,113	(28.4)
Non-controlling interests	1,032,715	1,190,234	(13.2)
Profit for the year	2,986,694	3,918,347	(23.8)
Total comprehensive income attributable to:			
Equity holders of the Company	1,968,646	2,723,118	(27.7)
Non-controlling interests	1,032,715	1,190,234	(13.2)
Total comprehensive income for the year	3,001,361	3,913,352	(23.3)

NM: Not meaningful

Notes:

- (1) "FY2019": Financial year ended 30 June 2019
(2) "FY2018": Financial year ended 30 June 2018

1(a)(ii) Notes to combined statements of profit or loss and other comprehensive income

The Group's net profit was arrived after crediting / (charging) the following:

	Group		Increase/ (Decrease) %
	FY2019 (AUD) (Unaudited)	FY2018 AUD (Audited)	
Foreign exchange gain	42,345	14,691	NM
Interest income	54,341	26,152	NM
Property, plant and equipment written off	(184,975)	(104,540)	76.9
Professional fees	(448,006)	(523,796)	(14.5)
Rebates from suppliers	891,088	730,786	21.9
Royalty fees	(882,290)	(622,130)	41.8
Fair value gain on re-measurement of pre-existing equity interest in a subsidiary	73,266	-	NM
Advertising and marketing expense	(437,645)	(353,838)	23.7
Management fee expense	(638,907)	(957,419)	(33.3)
Utilities	(777,846)	(427,145)	82.1
Warehouse, office and outlet supplies	(348,558)	(260,071)	34.0
Gain on sale of a Group-owned store	-	617,095	NM
Gain on disposal of other investment	7,970	-	NM
Adjustment for over/(under) provision of tax in respect of prior years :-			
- Income tax	(69,997)	110,870	NM
- Deferred tax	218,889	-	NM

NM: 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	
	As at 30 June 2019 (AUD) (Unaudited)	As at 30 June 2018 (AUD) (Audited)	As at 30 June 2019 (AUD) (Unaudited)	As at 30 June 2018 (AUD) (Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	13,717,296	9,937,035	-	-
Intangible assets	3,541,376	1,965,615	-	-
Investment in subsidiaries	-	-	40,195,930	-
Investment in associated companies	-	21,267	-	-
Available-for-sale financial assets	-	110,150	-	-
Financial assets at fair value through other comprehensive income ("FVOCI")	88,120	-	-	-
Deferred tax asset	2,418,675	999,805	545,832	-
Restricted cash	1,856,293	1,011,620	-	-
Trade and other receivables	508,878	257,820	-	-
Total non-current assets	22,130,638	14,303,312	40,741,762	-
Current assets				
Contract assets	155,148	-	-	-
Inventories	1,886,739	1,422,821	-	-
Trade and other receivables	5,873,150	4,506,479	6,591,266	3,011,285
Cash and bank balances	4,197,272	7,652,772	561,134	4,502,211
Total current assets	12,112,309	13,582,072	7,152,400	7,513,496
Total assets	34,242,947	27,885,384	47,894,162	7,513,496
EQUITY AND LIABILITIES				
Equity				
Share capital	47,490,345	6,700,941	47,490,345	6,698,984
Other reserves	(39,522,749)	(219,043)	-	-
Retained earnings	4,585,647	3,641,668	(1,265,983)	7,624
Equity attributable to equity holders of the Company, total	12,553,243	10,123,566	46,224,362	6,706,608
Non-controlling interests	2,914,641	2,062,330	-	-
Total equity	15,467,884	12,185,896	46,224,362	6,706,608
Non-current liabilities				
Borrowings	1,771,022	1,326,921	-	-
Trade and other payables	1,745,790	1,420,216	-	-
Contract liabilities	1,158,776	606,910	-	-
Total non-current liabilities	4,675,588	3,354,047	-	-
Current liabilities				
Trade and other payables	9,885,628	9,210,000	1,669,800	806,888
Contract liabilities	621,513	653,475	-	-
Borrowings	1,201,153	1,022,457	-	-
Tax payable	2,391,181	1,459,509	-	-
Total current liabilities	14,099,475	12,345,441	1,669,800	806,888
Total liabilities	18,775,063	15,699,488	1,669,800	806,888
Total equity and liabilities	34,242,947	27,885,384	47,894,162	7,513,496

1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, specify the following as at the end of the current 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

As at 30 June 2019 (AUD)		As at 30 June 2018 (AUD)	
Secured	Unsecured	Secured	Unsecured
1,201,153	-	1,022,457	-

Amount repayable after one year

As at 30 June 2019 (AUD)		As at 30 June 2018 (AUD)	
Secured	Unsecured	Secured	Unsecured
1,771,022	-	1,326,921	-

Details of any collateral

As at the balance sheet date, the Group's borrowings were secured by way of:

- (i) general security over all assets of certain subsidiaries;
- (ii) goods security;
- (iii) legal charge on fixed deposit;
- (iv) corporate guarantees and guarantees provided by certain directors; and
- (v) renovation, fitting-out of our outlets, equipment and motor vehicles under finance leases.

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	
	FY2019 (AUD) (Unaudited)	FY2018 (AUD) (Audited)
Cash flows from operating activities		
Profit before tax	4,300,362	5,525,170
<u>Adjustments for:-</u>		
Depreciation	2,365,052	1,516,953
Amortisation	255,632	88,797
Gain on disposal of other investment	(7,970)	-
Fair value gain on re-measurement of pre-existing interest in a subsidiary	(73,266)	-
Non-trade advances to related parties written off	-	68,000
Interest income	(54,341)	(26,152)
Interest expenses	206,738	122,321
Gain on sale of a Group-owned store	-	(617,095)
Property, plant and equipment written off	184,899	104,540
Loss on disposal of property, plant and equipment	76	-
Share of result from associates	-	(7,508)
Unrealised foreign exchange loss/(gain)	30,188	(48,398)
Operating cash flow before working capital changes	7,207,370	6,726,628
Inventories	(426,378)	(275,596)
Receivables and contract assets	(1,770,685)	(592,422)
Payables and contract liabilities	2,674,091	1,361,639
Currency translation adjustments	(84,870)	(27,196)
Cash generated from operations	7,599,528	7,193,053
Income tax paid	(1,849,424)	(1,586,778)
Net cash generated from operating activities	5,750,104	5,606,275
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(199,470)	-
Proceeds from disposal of property, plant and equipment	200	-
Capital contributions from non-controlling interests in subsidiaries	-	70,121
Purchases of property, plant and equipment	(5,051,934)	(4,141,171)
Purchases of intangibles assets	(886,010)	(1,264,303)
Proceed from sale of a Group-owned store	-	912,000
Repayment from /(advances to) related parties	22,722	(16,110)
Proceeds from disposal of financial assets at FVOCI	30,000	-
Interest received	54,341	26,152
Acquisition of available-for-sale investment	-	(110,000)
Net cash used in investing activities	(6,030,151)	(4,523,311)

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.(continued)

	Group	
	FY2019 (AUD) (Unaudited)	FY2018 (AUD) (Audited)
Cash flow from financing activities		
Capital contributions from shareholders for subsidiaries accounted for on common control basis	-	120,000
Proceeds from borrowings	1,046,809	400,536
Repayment of borrowings	(890,831)	(611,414)
Advances from related parties	787,246	-
Repayment to shareholders/related parties	(1,914,972)	(130,899)
Dividends paid to shareholders	(1,015,823)	(1,081,000)
Dividends paid to non-controlling interests	(410,000)	(500,000)
Interest paid	(206,738)	(84,126)
Increase in fixed deposits pledged	(844,673)	(392,608)
Acquisition of non-controlling interests in subsidiaries	-	(158,819)
Capital contributions from non-controlling interests in subsidiaries	241,970	-
Proceeds from issuance of ordinary shares	-	9,960
Proceeds from issuance of non-redeemable convertible preference shares, net of share issue expenses	-	6,708,253
Subscription money received in advance	-	486,800
Net cash (used in)/generated from financing activities	(3,207,012)	4,766,683
Net (decrease)/increase in cash and cash equivalents	(3,487,059)	5,849,647
Cash and cash equivalents at beginning of the financial year	7,428,815	1,558,609
Effect of currency translation on cash and cash equivalents	17,512	20,559
Cash and cash equivalents at end of the financial year	3,959,268	7,428,815
For purpose of presenting the group's statements of cash flows, the cash and cash equivalents comprise the following:-		
Cash and bank balances	4,197,272	7,652,772
Less : Bank overdraft	(238,004)	(223,957)
Cash and cash equivalents	3,959,268	7,428,815

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 (AUD)	Other reserves (AUD)	Retained earnings (AUD)	Equity attributable to equity holders of the Company (AUD)	Non-controlling interests (AUD)	Total equity (AUD)
At 1 July 2018	6,700,941	(219,043)	3,641,668	10,123,566	2,062,330	12,185,896
Profit for the year	-	-	1,953,979	1,953,979	1,032,715	2,986,694
Other comprehensive income						
Currency translation differences on consolidation	-	14,667		14,667	-	14,667
Other comprehensive income for the financial year, net of tax	-	14,667		14,667	-	14,667
Total comprehensive income for the year	-	14,667	1,953,979	1,968,646	1,032,715	3,001,361
<i>Transactions with owners recognised directly in equity</i>						
Issuance of ordinary shares	10,693	-	-	10,693	-	10,693
Issuance of non-redeemable convertible preference shares	486,800	-	-	486,800	-	486,800
Issuance of ordinary shares pursuant to the call option	381,901	(380,230)	-	1,671	(12,484)	(10,813)
Issuance of ordinary shares pursuant to the conversion of non-redeemable convertible preference shares	7,176,221	-	-	7,176,221	-	7,176,221
Conversion of non-redeemable convertible preference shares	(7,176,221)	-	-	(7,176,221)	-	(7,176,221)
Capital contribution from non-controlling interests in subsidiaries	-	-	-	-	242,080	242,080
Adjustments pursuant to the Restructuring Exercise	39,910,010	(38,938,143)	-	971,867	-	971,867
Dividends	-	-	(1,010,000)	(1,010,000)	(410,000)	(1,420,000)
As at 30 June 2019	47,490,345	(39,522,749)	4,585,647	12,553,243	2,914,641	15,467,884

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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (continued)

Group	Share capital (AUD)	Other reserves (AUD)	Retained earnings (AUD)	Equity attributable to equity holders of the Company (AUD)	Non-controlling interests (AUD)	Total equity (AUD)
At 1 July 2017	1,560	(202,153)	1,963,555	1,762,962	1,330,541	3,093,503
Profit for the year	-	-	2,728,113	2,728,113	1,190,234	3,918,347
Other comprehensive loss						
Currency translation differences on consolidation	-	(4,995)	-	(4,995)	-	(4,995)
Other comprehensive loss for the financial year, net of tax	-	(4,995)	-	(4,995)	-	(4,995)
Total comprehensive (loss)/income for the year	-	(4,995)	2,728,113	2,723,118	1,190,234	3,913,352
<i>Transactions with owners recognised directly in equity</i>						
Issuance of ordinary shares	9,960	-	-	9,960	-	9,960
Issuance of non-redeemable convertible preference shares	6,823,294	-	-	6,823,294	-	6,823,294
Capitalisation of share issue expenses	(133,873)	-	-	(133,873)	-	(133,873)
Capital contributions from non-controlling interests in subsidiaries	-	-	-	-	70,121	70,121
Adjustment pursuant to the Restructuring Exercise	-	118,358	-	118,358	-	118,358
Dividends	-	-	(1,050,000)	(1,050,000)	(500,000)	(1,550,000)
<i>Changes in ownership interest in subsidiaries</i>						
Acquisition of non-controlling interests in subsidiaries without a change in control	-	(130,253)	-	(130,253)	(28,566)	(158,819)
At 30 June 2018	6,700,941	(219,043)	3,641,668	10,123,566	2,062,330	12,185,896

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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (continued)

Company	Share capital (AUD)	Retained Earnings (AUD)	Total Equity (AUD)
Issuance of ordinary shares at date of incorporation	96	-	96
Profit and total comprehensive income for the financial period	-	7,624	7,624
Issuance of ordinary shares	9,467	-	9,467
Issuance of non-redeemable convertible preference convertible shares	6,823,294	-	6,823,294
Capitalisation of share issue expense	(133,873)		(133,873)
At 30 June 2018	6,698,984	7,624	6,706,608
At 1 July 2018	6,698,984	7,624	6,706,608
Profit and total comprehensive income for the financial year	-	(1,273,607)	(1,273,607)
Issuance of ordinary shares	10,693	-	10,693
Issuance of non-redeemable convertible preference shares	486,800	-	486,800
Issuance of ordinary shares pursuant to the call option	381,901	-	381,901
Issuance of ordinary shares pursuant to the conversion of non-redeemable convertible preference shares	7,176,221	-	7,176,221
Conversion of non-redeemable convertible preference shares	(7,176,221)	-	(7,176,221)
Adjustments pursuant to the Restructuring Exercise	39,911,967		39,911,967
At 30 June 2019	47,490,345	(1,265,983)	46,224,362

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.

	Number of Shares	Issued and paid- up share capital (AUD)
<u>Ordinary Shares</u>		
As at 1 July 2018	1,000,000	9,563
Issuance of Shares	1,080,000	10,693
	<u>2,080,000</u>	<u>20,256</u>
Sub-division of Shares	10,483,200	20,256
Exercise of NNC Malaysia Call Options and TGR Call Option	373,791	381,901
Conversion of Preference Shares ⁽¹⁾	9,836,174	7,176,221
Acquisition of Brand Holding Companies	39,516,800	39,911,967
Issued and paid-up capital immediately after the Restructuring Exercise ⁽²⁾	<u>60,209,965</u>	<u>47,490,345</u>
Issued and paid-up capital immediately after the Share Split	209,000,000	47,490,345
As at 30 June 2019	<u>209,000,000</u>	<u>47,490,345</u>
<u>Preference Shares</u>		
As at 1 July 2018	6,755,737	6,689,421
Issuance of Preference Shares to Pre-IPO Investors	481,980	486,800
	<u>7,237,717</u>	<u>7,176,221</u>
Conversion of Preference Shares ⁽¹⁾	<u>(7,237,717)</u>	<u>(7,176,221)</u>
As at 30 June 2019	<u>-</u>	<u>-</u>

Notes:

- (1) The Company had an aggregate of 7,237,717 Preference Shares, each convertible into 1.359017 Shares. All Preference Shares were converted into Shares on 10 June 2019. There were no outstanding convertibles as at 30 June 2019.
- (2) Please refer to the Offer Document for further details on the Restructuring Exercise.

The Company did not have any treasury shares or subsidiary holdings as at 30 June 2019 and 30 June 2018.

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

	At 30 June 2019	At 30 June 2018
Total number of Shares	209,000,000	1,000,000
Total number of Preference Shares	<u>-</u>	<u>6,755,737</u>

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

A total of 30,077,000 Placement Shares and 6,923,000 Cornerstone Shares were issued and allotted on 1 July 2019 in connection with the IPO. As at the date this announcement, the enlarged share capital of the Company comprises 246,000,000 Shares.

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

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

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.

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

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 of the Company.

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.

Singapore-incorporated companies listed on the SGX-ST are required to apply a new financial reporting framework identical to the International Financial Reporting Standards known as Singapore Financial Reporting Standards (International) ("SFRS(I)"), for annual periods beginning on or after 1 January 2018. The Group has adopted SFRS(I) on 1 July 2018 and has prepared its first set of financial information under SFRS(I) for the financial year ended 30 June 2019.

Other than the adoption of the new framework and the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from the current financial year beginning on 1 July 2019, the Group has applied the same accounting policies and methods of computation as in the most recently audited financial statements for the financial year ended 30 June 2018. The adoption of the new financial reporting framework, new SFRS(I)s, amendments and interpretations of SFRS(I)s has no material impact on the financial performance and financial position of the Group.

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.**

Please refer to item 4 above.

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.**

	FY2019	FY2018
Profit attributable to owners of the Company (AUD)	1,953,979	2,728,113
Number of ordinary shares in issue ⁽¹⁾	<u>246,000,000</u>	<u>246,000,000</u>
Basic and diluted earnings per share (AUD cents)	<u>0.8</u>	<u>1.1</u>

Note:

- (1) For comparative purposes, the earnings per share for the respective financial years have been computed based on the profit attributable to owners of the Company and the enlarged share capital of 246,000,000 Shares, assuming that the Restructuring Exercise and the issuance of 30,077,000 Placement Shares and 6,923,000 Cornerstone Shares pursuant to the IPO had been completed as at the respective financial years.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital 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 asset value ("NAV") (AUD)	12,553,243	10,123,566	46,224,362	6,706,608
Number of ordinary shares ⁽¹⁾	<u>246,000,000</u>	<u>246,000,000</u>	<u>246,000,000</u>	<u>246,000,000</u>
NAV per ordinary share (AUD cents)	<u>5.1</u>	<u>4.1</u>	<u>18.8</u>	<u>2.7</u>

Note:

- (1) For comparative purposes, the NAV per share for the respective financial years have been computed based on the enlarged share capital of 246,000,000 Shares, assuming that the Restructuring Exercise and the issuance of 30,077,000 Placement Shares and 6,923,000 Cornerstone Shares pursuant to the IPO had been completed 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 THE GROUP'S PERFORMANCE

Revenue

Revenue increased by A\$15.6 million or 42.9%, from A\$36.5 million in FY2018 to A\$52.1 million in FY2019 mainly due to contributions from the following revenue segments.

- (i) revenue from F&B retail sales increased by A\$11.3 million or 48.1 % from A\$23.7 million in FY2018 to A\$35.0 million in FY2019 due to a general increase in revenue from Group-owned outlets from existing outlets, as well as revenue contributions from new outlets opened during the year. The total number of Group-owned outlets increased by 17, from 24 as at the end of FY2018 to 41 as at the end of FY2019;
- (ii) revenue from supply chain sales (comprising the sale of F&B ingredients and other supplies to our sub-franchisees and sub-licensees) increased by A\$1.6 million or 20.6% from A\$7.9 million in FY2018 to A\$9.5 million in FY2019, mainly due to growth in the total number of sub-franchised and sub-licensed outlets in FY2019. The total number of sub-franchised and sub-licensed outlets increased by 16, from 49 as at the end of FY2018 to 65 as at the end of FY2019; and
- (iii) franchise revenue increased by A\$2.6 million or 57.2% from A\$4.5 million in FY2018 to A\$7.1 million in FY2019 due mainly to a A\$2.3 increase in project income, which relates to the renovation and fitting-out of new outlets for sub-franchisees and sub-licensees. The increase in franchise revenue was also due to an increase in royalty income, in line with the increase in the number of sub-franchised and sub-licensed outlets.

The Group saw an increase in percentage of revenue contributed from outlets in Malaysia and United Kingdom in FY2019, in line with an increase in the number of "NeNe Chicken" outlets in Malaysia, as well as the launch of its first "Gong Cha" outlet in England, United Kingdom during the financial year.

Other Income

Other income declined by A\$0.3 million or 18.1%, due mainly to the absence of a gain of A\$0.6 million on the sale of Group-owned outlet which was recognised in FY2018. This was partially offset by a A\$0.2 million increase in rental income from the sub-lease of space at our outlet premises.

Changes in inventories

Changes in inventories amounted to an increase of A\$0.4 million in FY2019, as compared to an increase of A\$0.3 million in FY2018. The fluctuations in the balance of our inventories are mainly due to timing of purchases and consumption of inventories.

Purchases of inventories

Purchases of inventories increased by A\$4.2 million or 41.8%, from A\$10.0 million in FY2018 to A\$14.2 million in FY2019, in line with the overall increase in our aggregate revenue from F&B retail sales and supply chain sales as mentioned above.

Franchise restaurants and stores related establishment costs

Franchise restaurants and stores related establishment costs increased by A\$1.4 million or 126.2% from A\$1.0 million to A\$2.4 million, in line with the increase in project income in FY2019.

Rental on operating leases

The increase in rental on operating leases of A\$1.6 million or 41.7% from A\$3.9 million in FY2018 to A\$5.5 million in FY2019 is in line with the opening of new Group-owned outlets and also as a result of annual rental escalations.

Staff costs

Staff costs increased by A\$5.1 million or 46.4% from A\$11.2 million in FY2018 to A\$16.3 million in FY2019, due mainly to an increase in salaries as a result of an increase in the number of employees to cater to our business expansion.

Depreciation expense

Depreciation expense increased by A\$0.9 million or 55.9% from A\$1.5 million in FY2018 to A\$2.4 million in FY2019, due mainly to renovation of premises and addition of new equipment, furniture and fittings for new outlets opened by our Group during the year.

Amortisation expense

Amortisation expense increased by A\$0.2 million or 187.9% from A\$0.1 in FY2018 to A\$0.3 million in FY2019. This was due mainly to the amortisation of initial franchise fees in relation to the Gong Cha (NZ) Master Franchise Agreement and Gong Cha (England) Master Franchise Agreement, pursuant to which our Group was granted exclusive rights to the "Gong Cha" brand in New Zealand and England, United Kingdom.

Finance costs

Finance costs increased by A\$0.1 million or 69.0%, from A\$0.1 million in FY2018 to A\$0.2 million in FY2019, in line with an increase in the Group's level of borrowings.

IPO expense

IPO expense of A\$2.9 million was incurred in FY2019 in connection with the IPO.

Other expenses

Other expenses increased by A\$0.5 million or 8.3% from A\$5.2 million to A\$5.7 million due mainly to an increase in royalty fees paid to the Group's master franchisors and licensor; advertising and marketing expense; utilities; as well as warehouse, office and outlets supplies for FY2019, in line with the increase in the Group's revenue.

Share of result of associate

Following the Restructuring Exercise undertaken by the Group in connection with the IPO, JCT (Chadstone) Pty Ltd became a wholly-owned subsidiary of the Group. Accordingly, the Group did not recognise any share of result of associate for FY2019.

Profit before tax

Profit before tax decreased by A\$1.2 million or 22.2%, from A\$5.5 million in FY2018 to A\$4.3 million in FY2019. On a normalised basis and for illustrative purposes, excluding the impact of the gain of A\$0.6 million arising from the sale of a Group-owned outlet recognised in FY2018 and the one-off listing expenses of A\$2.9 million incurred in FY2019, the Group's profit before tax for FY2019 and FY2018 would have been A\$7.2 million and A\$4.9 million respectively, reflecting an increase of A\$2.3 million or 47.1%.

Tax expense

Tax expenses decreased by A\$0.3 million or 18.2%, from A\$1.6 million in FY2018 to A\$1.3 million in FY2019 in line with the decrease in the profit before tax.

Profit for the year

As a result of the significant IPO expense, profit for the year decreased by A\$0.9 million or 23.8%, from A\$3.9 million in FY2018 to A\$3.0 million in FY2019.

Profit attributable to equity holders of the Company

Consistently, profit attributable to equity holders of the Company has decreased by A\$0.8 million or 28.4% from A\$2.7 million in FY2018 to A\$2.0 million in FY2019. Excluding the impact of IPO expenses, profit attributable to equity holders of the Company would have increased by 46.5% from \$2.7 million to \$4.0 million.

REVIEW OF THE GROUP'S FINANCIAL POSITION

Non-current Assets

The Group's non-current assets increased by A\$7.8 million or 54.7% from A\$14.3 million as at 30 June 2018 to A\$22.1 million as at 30 June 2019, mainly attributable to the following:

- (i) an increase in property, plant and equipment of A\$3.8 million in line with the increase in the number of Group-owned outlets in FY2019;
- (ii) an increase in intangible assets of A\$1.6 million, due mainly to the recognition of A\$0.9 million of goodwill arising from the acquisition of subsidiaries under the Restructuring Exercise and initial franchise fees of A\$0.7 million paid by our Group in relation to the "Gong Cha" brand in England, United Kingdom;
- (iii) increase in trade and other receivables of A\$0.2 million is in line with the increase in the Group's revenue.
- (iv) increase in deferred tax assets of A\$1.4 million, which relates mainly to tax losses, and contract liabilities; and
- (v) increase in restricted cash of A\$0.8 million, mainly due to additional deposits pledged to financial institutions as guarantees provided to landlords for certain leased premises during the lease period.

Current Assets

Current assets decreased by A\$1.5 million or 10.8%, from A\$13.6 million as at 30 June 2018 to A\$12.1 million as at 30 June 2019, mainly due to a decrease in cash and bank balances of A\$3.5 million, partially offset by an increase in trade and other receivables of A\$1.4 million, an increase in inventories of A\$0.5 million and an increase in contract assets of A\$0.1 million.

The increase in trade and other receivables was due to a A\$1.4 million increase in trade receivables, consistent with the increase in our supply chain and franchise revenue.

Non-current Liabilities

The Group's non-current liabilities increased by A\$1.3 million or 39.4%, from A\$3.4 million as at 30 June 2018 to A\$4.7 million as at 30 June 2019, due to an increase in borrowings of A\$0.4 million, an increase in contract liabilities of A\$0.6 million and an increase in trade and other payables of A\$0.3 million.

Current Liabilities

The Group's current liabilities increased by A\$1.8 million or 14.2%, from A\$12.3 million as at 30 June 2018 to A\$14.1 million as at 30 June 2019, due mainly to an increase in trade and other payables of A\$0.7 million, an increase in borrowings of A\$0.2 million and an increase in tax payable of A\$0.9 million.

The increase in trade and other payables was mainly attributable to an increase in accrued expenses of A\$1.0 million mainly relating to listing expenses, other operating accruals of A\$0.3 million and provision for staff costs of A\$0.3 million. This was partially offset by the amortisation of lease incentives and straightline lease liabilities of A\$0.3 million, franchise deposit of A\$0.1 million and transfer of subscription monies received in advance from Pre-IPO Investors for Preference Shares of A\$0.5 million to share capital account upon issuance of the share certificates during the year.

Working Capital

The Group reported a negative net working capital of A\$2.0 million as at 30 June 2019, as compared to positive working capital of A\$1.2 million as at 30 June 2018. The negative working capital was mainly due to significant investments in property, plant and equipment which we have financed using our internal source of funds to support the rapid expansion of opening new outlets. In line with the aforesaid expansion, we have also pledged additional term deposits to financial institutions as bank guarantees given to landlords of our premises.

Management is of the opinion that, after taking into consideration the cash flows generated from operating activities, together with the existing cash and bank balances and credit facilities from financial institutions, the Group has adequate resources to pay its debts as and when they are due.

REVIEW OF THE GROUP'S CASH FLOW STATEMENT

We generated net cash from operating activities before changes in working capital of A\$7.2 million. Net cash generated from working capital amounted to A\$0.4 million, due mainly to an increase in payables and contract liabilities of A\$2.7 million, as a result of additional initial franchise fees received from sub-franchisees, increase in lease incentives and increase in accrued operating expenses. This was partially offset by (i) an increase in inventories of A\$0.4 million; and (ii) an increase in receivables and contract assets of A\$1.8 million. We also paid income tax of A\$1.8 million. As a result, net cash generated from operating activities amounted to A\$5.8 million.

Net cash used in investing activities amounted to A\$6.0 million, due mainly to (i) additions to property, plant and equipment of A\$5.0 million as we expanded our operations and increased our number of outlets; and (ii) additions to intangible assets of A\$0.9 million which mainly comprised the initial franchise fee paid by our Group in relation to the "Gong Cha" brand in England, United Kingdom.

Net cash used in financing activities amounted to A\$3.2 million, due mainly to (i) payment of dividends of A\$1.4 million, (ii) repayment of bank borrowings of A\$0.9 million; (iii) an increase in fixed deposits pledged of A\$0.8 million; and (iv) repayment by the Group of advances from related parties of A\$1.9 million. The above was partially offset by an increase in proceeds from bank borrowings of A\$1.0 million and advances from related parties of \$0.8 million.

As a result of the above, net cash and cash equivalents declined by A\$3.5 million in FY2019.

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

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

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 first "KURIMU" outlet was opened in July 2019 and has been well-received by consumers, and the Group is expecting to open the second outlet in November 2019. The Group will continue to strengthen its foothold in its key geographical markets as it forges ahead into new markets through the introduction of various brands and concepts.

In July 2019, the Group secured exclusive rights to the "NeNe Chicken" brand in New Zealand as part of its strategy to expand its business in the geographical market, where the Group already has businesses operating under the "PappaRich", "Gong Cha" and "Hokkaido Baked Cheese Tart" brands.

The Group's Central Kitchen in Australia continues to support the outlets in the Group's network across Australia and New Zealand. Through central production, the Group can achieve scalability and maintain a high standard of consistency and food quality. The Group will continue to invest in its Central Kitchen to explore opportunities to adopt new automation and technology to sharpen its competitive edge in the industry. Going forward, the Group has plans to establish a Central Kitchen and corporate office in Malaysia to support its business expansion strategies in the region.

As at 20 August 2019, the Group has a network of 113 outlets comprising 43 Group-owned outlets and 70 outlets owned by its sub-franchisees and sub-licensees. The Group has signed contracts to open another nine Group-owned and sub-franchised/sub-licensed outlets across four brands by December 2019, including the first "IPPUDO" outlet in New Zealand in October 2019.

11. Dividend

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

Nil.

(b) (i) Amount per share

(ii) Previous corresponding period

Nil. The Company was incorporated on 11 January 2018. It has not distributed any cash dividends on its Shares since incorporation.

(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) Date payable

Not applicable.

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

Not applicable.

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

No dividend has been declared or recommended for FY2019 in view of the listing expenses incurred in connection with the IPO, and as the board of directors of the Company deems it appropriate to conserve cash for the Group's business expansion.

13. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), 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 recurrent interested person transactions.

14. 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)

The Company confirms that all the required undertakings under Rule 720(1) of the Catalist Rules have been obtained from all its directors and executive officers in the format set out in Appendix 7H of the Catalist Rules.

15. Use of IPO proceeds

The Company received proceeds from the IPO of approximately S\$6.2 million (the "Net Proceeds"). As at the date of this announcement, the Net Proceeds have been utilised as follows:

	Allocation of Net Proceeds (as disclosed in the Offer Document) (S\$'000)	Net proceeds utilised as at the date of this announcement (S\$'000)	Balance of Net Proceeds (S\$'000)
Expansion of franchise network and introduction of new brands and concepts	4,000	(1,140)	2,860
Acquisition of new equipment and machinery and expansion of our existing Central Kitchen and corporate office in Australia	1,000	-	1,000
Establishing a new central kitchen and corporate office in Malaysia	600	-	600
General working capital purposes	600	-	600
Total	6,200	(1,140)	5,060

PART 2 – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR RESULTS ANNOUNCEMENT

16. 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.

a. Business segments

FY2019	Food and beverage retails AUD	Supply chain AUD	Franchise AUD	Others AUD	Eliminations AUD	Consolidation total AUD
Segment revenue						
Sales to external customers	35,048,950	9,504,595	7,109,398	481,746	-	52,144,689
Intersegment sales	-	4,394,303	855,933	-	(5,250,236)	-
Total revenue	35,048,950	13,898,898	7,965,331	481,746	(5,250,236)	52,144,689
Tax expense	(353,749)	(862,000)	(592,557)	494,638	-	(1,313,668)
Segment profit/(loss)	688,965	2,180,069	1,303,500	(1,185,840)	-	2,986,694
Other significant non-cash expense:						
Depreciation and amortisation	1,968,942	328,724	301,168	21,850	-	2,620,684
Property, plant and equipment written off	184,899	-	-	-	-	184,899
Segment assets	21,340,038	9,148,338	10,354,628	66,603,702	(74,376,210)	33,070,496
Unallocated assets						1,172,451
Total assets						34,242,947
Segment assets include:						
Additions to :-						
- Property, plant and equipment	5,101,052	80,938	261,994	-	-	5,443,984
- Intangible assets	1,071,801	-	845,822	-	(86,317)	1,831,306
Segment liabilities	20,353,850	2,220,841	6,386,008	12,848,647	(23,777,608)	18,031,738
Unallocated liabilities						743,325
Total liabilities						18,775,063

FY2018	Food and beverage retails AUD	Supply chain AUD	Franchise AUD	Others AUD	Eliminations AUD	Consolidation total AUD
Segment revenue						
Sales to external customers	23,664,799	7,882,307	4,523,343	408,141	-	36,478,590
Intersegment sales	-	3,520,789	871,960	-	(4,392,749)	-
Total revenue	23,664,799	11,403,096	5,395,303	408,141	(4,392,749)	36,478,590
Tax expense	(447,250)	(626,670)	(528,969)	(3,934)	-	(1,606,823)
Segment profit/(loss)	1,055,586	1,527,414	1,446,864	(111,517)	-	3,918,347
Other significant non-cash expense:						
Depreciation and amortisation	1,132,285	327,817	105,681	39,967	-	1,605,750
Gain on sale of a Group-owned store	617,095	-	-	-	-	617,095
Property, plant and equipment written off	104,540	-	-	-	-	104,540
Intangible assets written off	-	-	4,796	-	-	4,796
Share of results of associates	7,508	-	-	-	-	7,508
Non-trade advances to related parties written off	-	-	68,000	-	-	68,000
Segment assets	14,497,994	6,102,661	6,509,313	9,181,975	(9,223,566)	27,068,377
Unallocated assets						817,007
Total assets						27,885,384
Segment assets include:						
Investment in associated companies	131,267	-	-	-	-	131,267
Additions to :-						
- Property, plant and equipment	4,436,498	376,008	48,880	26,911	-	4,888,297
- Intangible assets	-	-	1,264,303	-	-	1,264,303
Segment liabilities	13,360,872	1,873,139	4,932,354	3,729,471	(8,413,738)	15,482,098
Unallocated liabilities						217,390
Total liabilities						15,699,488

b. Geographical segments

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:-

	FY2019	FY2018
	AUD	AUD
Sales to external customers		
Australia	43,722,938	32,725,288
Malaysia	3,271,832	660,009
New Zealand	5,052,653	3,093,293
United Kingdom	97,266	-
	<hr/>	<hr/>
	52,144,689	36,478,590

	FY2019	FY2018
	AUD	AUD
Non-current assets		
Australia	13,235,690	10,119,088
Malaysia	1,357,940	888,265
New Zealand	1,830,967	1,057,145
United Kingdom	1,019,995	-
	<hr/>	<hr/>
	17,444,592	12,064,498

Non-current assets information presented above are non-current assets as presented in the Group's statement of financial position excluding deferred assets and financial instrument.

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8 for details.

18. A breakdown of sales

	Group		Increase/ (Decrease) %
	FY2019 AUD	FY2018 AUD	
Sales reported for first half year	24,950,612	18,251,050	36.7
Operating profit after tax before deducting minority interests reported for first half year	2,768,102	2,183,517	26.8
Sales reported for second half year	27,194,077	18,227,540	49.2
Operating profit after tax before deducting minority interests reported for second half year	218,592	1,734,830	(87.4)

The significant decrease in operating profit after tax before deducting minority interests reported for the second half year of FY2019 was due mainly to listing expenses incurred in connection with the IPO.

19. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:**

	Group	
	FY2019 AUD	FY2018 AUD
Ordinary	-	-
Preference	-	-
Total	-	-

20. **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) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Tan Tee Ooi	44	Spouse of Saw Lee Ping, Executive Director and Chief Administrative Officer	Operations Manager, responsible for overall management and oversight of operations of outlet since the Group was founded in 2011.	Nil

BY ORDER OF THE BOARD

Saw Tatt Ghee
Executive Chairman and Chief Executive Officer

27 August 2019