



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 31 DECEMBER (“FY”) 2015**

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor (“Sponsor”), Canaccord Genuity Singapore Pte. Ltd., 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.

The contact person for the Sponsor is Ms. Leong Huey Miin, Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd., at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	Unaudited FY2015 \$	Audited FY2014 \$	% Change Increase/(Decrease)
Revenue	26,852,591	22,103,895	21.5
Cost of sales	(14,077,795)	(12,624,849)	11.5
Gross profit	12,774,796	9,479,046	34.8
Other income	504,938	134,304	276.0
Selling and distribution expenses	(9,169,297)	(7,285,714)	25.9
General and administrative expenses	(5,159,140)	(3,234,523)	59.5
Finance costs	(822,129)	(298,650)	175.3
Other expenses	(4,289,065)	(147,661)	2,804.7
Share of results of joint venture	-	-	-
Loss before tax	(6,159,897)	(1,353,198)	355.2
Tax incentive / (expense)	303,306	(41,174)	N.M.
Net loss for the year	(5,856,591)	(1,394,372)	320.0
Other comprehensive income for the year, net of tax			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising from consolidation	52,691	47,993	9.8
Total comprehensive loss for the year	(5,803,900)	(1,346,379)	331.1
Loss attributable to:			
Equity holders of the Company	(4,913,152)	(1,327,699)	270.1
Non-controlling interest	(943,439)	(66,673)	1,349.3
Net loss for the year	(5,856,591)	(1,394,372)	314.6
Total comprehensive loss attributable to:			
Equity holders of the Company	(4,836,638)	(1,279,639)	278.0
Non-controlling interest	(967,262)	(66,740)	1,349.3
Total comprehensive loss for the year	(5,803,900)	(1,346,379)	329.3

N.M. = Not Meaningful

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

	Unaudited FY2015 \$	Group Audited FY2014 \$	% Change Increase/(Decrease)
Allowance for doubtful receivables	503,815	15,707	3,107.6
Allowance for doubtful receivables written back	(341,725)	(658)	N.M.
Bad debts recovered	(32,638)	(1,570)	1,978.9
Amortisation of intangible assets	231,253	-	N.M.
Depreciation of property, plant and equipment	860,858	428,743	100.8
Impairment of goodwill	1,028,171	-	N.M.
Impairment of intangible assets	1,760,302	-	N.M.
Interest expense	822,129	298,650	175.3
Inventories:			
- written down	677,434	51,341	1,219.5
- written off	601,786	118,537	407.7
- reversal of written down	(661,252)	(2,865)	N.M.
Loss on settlement of pre-existing loans upon obtaining control in a subsidiary	112,157	-	N.M.
Re-measurement gain on previously held joint venture	(641,173)	-	N.M.
Net loss/(gain) on foreign exchange difference	399,501	(117,162)	N.M.
Interest income	(10,257)	(2,869)	257.5
Other income	(494,681)	(131,435)	276.4
Under provision of tax expense in respect of prior years	-	14,174	N.M.
Property, plant and equipment written off	33,720	7,794	332.6

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
	As at 31 December 2015 \$	As at 31 December 2014 \$	As at 31 December 2015 \$	As at 31 December 2014 \$
Non-current assets				
Investment Property	276,883	-	-	-
Property, plant and equipment	1,687,517	1,719,513	-	-
Provisional goodwill on consolidation	-	-	-	-
Investment in subsidiaries	-	-	1,500,005	1,500,005
Trade and other receivables	606,073	1,472,211	-	-
	<u>2,570,473</u>	<u>3,191,724</u>	<u>1,500,005</u>	<u>1,500,005</u>
Current assets				
Inventories	13,931,731	13,292,426	-	-
Trade and other receivables	10,198,850	8,987,752	4,800,161	4,803,648
Cash and cash equivalents	3,257,939	3,067,150	21,767	31,910
	<u>27,388,520</u>	<u>25,347,328</u>	<u>4,821,928</u>	<u>4,835,558</u>
Total assets	<u>29,958,993</u>	<u>28,539,052</u>	<u>6,321,933</u>	<u>6,335,563</u>
Non-current liabilities				
Borrowings	4,250,000	2,083,333	-	-
Finance lease liabilities	32,728	69,658	-	-
Deferred tax liabilities	-	85,000	-	-
	<u>4,282,728</u>	<u>2,237,991</u>	<u>-</u>	<u>-</u>
Current liabilities				
Borrowings	8,369,075	6,724,976	-	-
Finance lease liabilities	36,931	50,216	-	-
Trade and other payables	10,182,303	7,123,371	293,542	232,963
Tax payable	4,647	4,429	-	-
	<u>18,592,956</u>	<u>13,902,992</u>	<u>293,542</u>	<u>232,963</u>
Total liabilities	<u>22,875,684</u>	<u>16,140,983</u>	<u>293,542</u>	<u>232,963</u>
Net assets	<u>7,083,309</u>	<u>12,398,069</u>	<u>6,028,391</u>	<u>6,102,600</u>
Share capital and reserves				
Share capital	6,231,259	6,231,259	6,231,259	6,231,259
Accumulated profits/(losses)	1,165,262	6,078,414	(202,868)	(128,659)
Currency translation reserve	165,197	88,683	-	-
Equity attributable to equity holders of the Company	<u>7,561,718</u>	<u>12,398,356</u>	<u>6,028,391</u>	<u>6,102,600</u>
Non-controlling interest	(478,409)	(287)	-	-
Total equity	<u>7,083,309</u>	<u>12,398,069</u>	<u>6,028,391</u>	<u>6,102,600</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 As at 31 December 2015		Audited As at 31 December 2014	
\$	\$	\$	\$
Secured	Unsecured	Secured	Unsecured
8,406,006	-	6,775,192	-

Amount repayable after one year

Unaudited As at 31 December 2015		Audited As at 31 December 2014	
\$	\$	\$	\$
Secured	Unsecured	Secured	Unsecured
4,282,728	-	2,152,991	-

Details of collateral are as follows:

Revolving short-term loans

The revolving short-term loans are secured by corporate guarantees from the Company.

Bills payable to banks

The bills payable to banks are secured by corporate guarantees from the Company.

Term loans

The term loans are from banks, financial institutions, director, shareholders and third parties and are secured by corporate guarantees from the Company.

Finance lease liabilities

As at 31 December 2015, the finance lease liabilities of \$69,659 (as at 31 December 2014: \$119,874) are secured on the property, plant and equipment purchased under the finance leases and guaranteed by the Company's Director, namely Lim Wee Li.

Breach of bank covenants

As at 31 December 2015, the Group has breached certain bank covenants in relation to bank facilities from a principal bank ("Breach") and the amount outstanding for the bank facilities (classified under current liabilities) was approximately S\$0.7 million. In this regard, the Group did not fulfill the bank's requirements to maintain the prescribed gearing ratio and tangible net worth. The bank is contractually entitled to, *inter alia*, request immediate repayment of the outstanding facility amount. The Group is currently in discussion with the bank to, *inter alia*, obtain a waiver letter in relation to the Breach.

Further, the Breach may trigger the cross-default clauses of loans and facilities from other banks and financial institutions. Consequent to the potential cross-default of other loans and facilities, approximately S\$1.3 million of non-current bank borrowings were classified as current borrowings as at 31 December 2015. Where required, the Group intends to discuss and seek waivers with the relevant banks and financial institutions.

Going concern assumption

Audit of the consolidated financial statements of the Group is still ongoing. The Breach and the potential cross-default of the other loans and facilities, *inter alia*, could potentially have a material impact on the going concern assumption used in the preparation of the Group's consolidated financial statements for FY2015.

The Company will make further announcement(s) to update its shareholders on the aforesaid matters, as and when appropriate.

Shareholders are advised to exercise caution in dealings with the shares of the Company. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

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 FY2015	Audited FY2014
	\$	\$
Cash flows from operating activities		
Loss before tax	(6,159,897)	(1,353,198)
Adjustments for:		
Amortisation of intangibles assets	231,253	-
Depreciation of property, plant and equipment	860,858	428,743
Impairment of goodwill	1,028,171	-
Impairment of intangibles assets	1,760,302	-
Property, plant and equipment written off	33,720	7,794
Interest expense	822,129	298,650
Interest income	(10,257)	(2,869)
Loss on settlement of pre-existing loans upon obtaining control in a subsidiary	112,157	-
Re-measurement gain on previously held joint venture	(641,173)	-
Unrealised foreign exchanges (gains)/losses	(131,253)	28,887
Operating loss before working capital changes	(2,093,990)	(591,993)
Inventories	284,941	(981,352)
Receivables	928,626	2,705,613
Payables	(642,558)	(1,002,455)
Cash (used in)/generated from operations	(1,522,981)	129,813
Tax received/(paid)	24,814	(536,369)
Net cash used in operating activities	(1,498,167)	(406,556)
Cash flows from investing activities		
Interest received	10,257	2,869
Net cash outflow from acquisition of a subsidiary	(265,950)	(2,000)
Purchase of property, plant and equipment	(962,404)	(603,247)
Net cash used in investing activities	(1,218,097)	(602,378)
Cash flows from financing activities		
Drawdown of bank borrowings	11,701,769	7,704,976
Drawdown of term loan from a director	250,000	-
Drawdown of term loan from external third parties	2,500,000	-
Drawdown of term loan from shareholders	1,500,000	-
Interest paid	(822,129)	(298,650)
Proceeds from issuance of new shares by a subsidiary	-	1,279
Repayment of advances from directors	-	(846,820)
Repayment of bank borrowings	(12,141,003)	(6,352,402)
Repayment of finance leases	(50,216)	(50,216)
Net cash from financing activities	2,938,421	158,167

Consolidated Statement of Cash Flows (cont'd)

	Group	
	Unaudited FY2015	Audited FY2014
	\$	\$
Net increase/(decrease) in cash and cash equivalents	222,157	(850,767)
Cash and cash equivalents at the beginning of the financial year	3,067,150	3,919,654
Effect of exchange rate changes on cash and cash equivalents	(31,368)	(1,737)
Cash and cash equivalents at the end of the financial year	<u>3,257,939</u>	<u>3,067,150</u>

Cash and cash equivalents comprise cash and bank balances on the statement of financial position.

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.

Equity attributable to equity holders of the Company

Group	Share capital	Accumulated profits	Currency translation reserve	Sub-total	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$
As at 1 January 2015	6,231,259	6,078,414	88,683	12,398,356	(287)	12,398,069
Loss for the year	-	(4,913,152)	-	(4,913,152)	(943,439)	(5,856,591)
<i>Other comprehensive income for the year, net of tax</i>						
- Currency translation differences arising from consolidation	-	-	76,514	76,514	(23,823)	52,691
Total comprehensive (loss)/income for the year	-	(4,913,152)	76,514	(4,836,638)	(967,262)	(5,803,900)
Acquisition of non-controlling interest without a change in control	-	-	-	-	489,140	489,140
As at 31 December 2015	6,231,259	1,165,262	165,197	7,561,718	(478,409)	7,083,309
As at 1 January 2014	6,231,259	7,547,815	40,623	13,819,697	(74,528)	13,745,169
Loss for the year	-	(1,327,699)	-	(1,327,699)	(66,673)	(1,394,379)
<i>Other comprehensive income for the year, net of tax</i>						
- Currency translation differences arising from consolidation	-	-	48,060	48,060	(67)	47,993
Total comprehensive (loss)/income for the year	-	(1,327,699)	48,060	(1,279,639)	(66,740)	(1,346,379)
Issuance of shares in a subsidiary	-	-	-	-	1,279	1,279
Acquisition of non-controlling interest without a change in control	-	(141,702)	-	(141,702)	139,702	(2,000)
As at 31 December 2014	6,231,259	6,708,414	88,683	12,398,356	(287)	12,398,069

1(d)(i)

Statements of Changes in Equity

Company	Share capital \$	Accumulated losses \$	Total equity \$
As at 1 January 2015	6,231,259	(128,659)	6,102,600
Net loss and total comprehensive loss for the year	-	(74,209)	(74,209)
As at 31 December 2015	<u>6,231,259</u>	<u>(202,868)</u>	<u>6,028,391</u>
As at 1 January 2014	6,231,259	55,723	6,286,982
Net loss and total comprehensive loss for the year	-	(184,382)	(184,382)
As at 31 December 2014	<u>6,231,259</u>	<u>(128,659)</u>	<u>6,102,600</u>

- 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 2015		As at 31 December 2014	
	No. of shares	\$	No. of shares	\$
Issued and paid-up share capital	100,000,000	6,231,259	100,000,000	6,231,259

There was no change in the Company's share capital during FY2015. There were no outstanding convertibles or treasury shares held by the Company as at 31 December 2014 and 31 December 2015.

- 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 2015	As at 31 December 2014
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.

There were no sales, transfers, disposals, cancellation and/or use of treasury shares in FY2015.

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 the financial year ended 31 December 2014 ("FY2014").

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 2015, where applicable. The adoption of these standards from the effective date did not result in material adjustments to the financial position, results of operations or cash flows of the Group for FY2015.

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	
	FY2015	FY2014
Basic and fully diluted loss per ordinary share (cents)	(4.9)	(1.3)

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 of 100,000,000. The basic and fully diluted loss per share in each FY2015 and FY2014 are the same as the Company does not have any dilutive equity instruments in the respective periods.

7. Net asset value (for the Issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	Group		Company	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Net asset value per ordinary share (cents)	7.6	12.4	6.0	6.1

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:
- 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
 - any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

As announced by the Company on 5 February 2015, the Company had, through the Group's wholly-owned subsidiary, KHL (Hong Kong) Limited (“KHLHK”), completed the acquisition (“Acquisition”) of an additional 30% of the issued and paid-up share capital of Kitchen Culture (Hong Kong) Limited (“KCHK”). KCHK was a 40% joint venture of the Group which was equity accounted for, and subsequent to completion of the Acquisition, KCHK became a 70%-owned subsidiary of the Group (through KHLHK). As such, the 11 months financial results of KCHK, from February 2015 to December 2015, had been consolidated into the Group's financial results in FY2015.

Review of Consolidated Statement of Comprehensive Income

Revenue

In FY2015, the Group recorded revenue of \$26.9 million, an increase of 21.5% or \$4.8 million as compared to \$22.1 million in FY2014. The increase was attributable to higher revenue contribution from the Residential Projects and Distribution and Retail segments by 8.4% or \$1.2 million and 46.4% or \$3.5 million respectively.

Residential Projects

In FY2015, the Residential Projects segment accounted for 58.4% or \$15.7 million of the Group's revenue, of which \$3.7 million, \$6.8 million and \$2.2 million was attributable to revenue recognised from 10, 2 and 3 new projects from Singapore, Malaysia and Hong Kong respectively, while \$3.0 million was derived from 18 ongoing projects in Singapore from the previous financial years. Comparatively, in FY2014, the Residential Projects segment accounted for 65.5% or \$14.5 million of the Group's revenue, of which \$5.0 million was attributable to revenue recognised from 7 new projects, while \$9.5 million was derived from 25 ongoing projects from the previous financial years, all from Singapore.

Distribution and Retail

In FY2015, the Distribution and Retail segment accounted for 41.6% or \$11.2 million of the Group's revenue. Revenue from the Distribution and Retail segment increased by 46.4% or \$3.5 million, attributable to an improvement of \$8.2 million, \$3.3 million and \$0.2 million recorded by the Group's operations in Singapore, Hong Kong and Macau respectively, partially offset by a decrease of \$0.5 million from operations in Malaysia. The improvement is mainly due to the various promotional and sales initiatives carried out in those countries in FY2015.

Gross Profit

In tandem with the higher revenue recorded in FY2015, gross profit increased by 34.8% or \$3.3 million, from \$9.5 million in FY2014 to \$12.8 million in FY2015. Overall, gross profit margin increased by 4.6 percentage points from 42.9% in FY2014 to 47.5% in FY2015 mainly due to improved performance of the Group's operations in Singapore for the Distribution and Retail segment.

Other Income

Other income increased by \$0.4 million, from approximately \$0.1 million in FY2014 to \$0.5 million in FY2015.

This was mainly due to a re-measurement gain of \$0.6 million arising from the acquisition of 40% equity shares in KCHK in FY2015.

Selling and Distribution Expenses

Selling and distribution expenses rose by 25.9% or \$1.9 million, from \$7.3 million in FY2014 to \$9.2 million in FY2015.

This was mainly attributable to the first year consolidation of KCHK's showroom rental and salaries of \$1.2 million and \$0.7 million respectively in FY2015.

General and Administrative Expenses

General and administrative expenses increased by 59.5% or \$1.9 million, from \$3.2 million in FY2014 to \$5.1 million in FY2015.

This was mainly attributable to:

- a. an increase in rental and repairs and maintenance expenses of \$0.2 million;
- b. an increase in audit and professional fee of \$0.2 million; and
- c. an increase in salaries and related costs, depreciation and general expenses of \$1.4 million.

Finance Costs

Finance costs increased by \$0.5 million, from \$0.3 million in FY2014 to \$0.8 million in FY2015, mainly due to a rise in interest rates as well as additional borrowings.

Other Expenses

Other expenses increased by \$4.2 million, from \$0.1 million in FY2014 to \$4.3 million in FY2015.

This was mainly attributable to:

- a. impairment of goodwill and intangible assets of \$1.0 million and \$1.8 million, respectively, attributable to KCHK;
- b. a net increase in allowance for doubtful receivables of \$0.1 million;
- c. a net increase in write down and write off of inventories of \$0.4 million in FY2015; and
- d. a foreign exchange loss of \$0.4 million recorded in FY2015 as compared to a foreign exchange gain of \$0.1 million recorded in FY2014;
- e. an amortisation of intangible assets of \$0.2 million in FY2015; and
- f. loss on settlement of pre-existing loans upon obtaining control in KCHK pursuant to the Acquisition of \$0.1 million.

Profit Before Tax

In FY2015, the Group recorded a loss before tax of \$6.2 million, as compared to a loss before tax of \$1.4 million in FY2014, representing an increase of \$4.8 million. The loss in FY2015 was mainly attributable to (i) the impairment of goodwill and intangible assets; (ii) losses arising from its wholly-owned subsidiary in Singapore, KHL Marketing Asia-Pacific Pte Ltd, due to lower revenue recognised from projects and higher operating costs; (iii) losses arising from wholly-owned subsidiary in China, Kitchen Culture (Sichuan) Co. Ltd., due to business operations not taking off as anticipated and higher operating costs incurred; and (iv) losses incurred in its wholly-owned subsidiary in Malaysia, Kitchen Culture Sdn. Bhd., due to exchange losses arising from the weaker currency exchange rates coupled with lower margins achieved in the current financial year.

Operating Segment's Results

Losses from the Residential Projects segment increased by \$2.8 million, from \$27,000 in FY2014 to \$2.8 million in FY2015 due to higher operating costs despite a higher revenue recorded by Group in this segment in 2015.

Profits from the Distribution and Retail segment increased by \$1.6 million, from a loss of \$0.9 million in FY2014 to a profit of \$0.7 million in FY2015. This was a result of various promotional and sales initiatives carried out in this segment in FY2015.

Tax Expense

There was a tax discharge of approximately \$25,000 received from Inland Revenue of Singapore and a reversal of deferred tax of approximately \$278,000 in FY2015 as compared to an under-provision of tax expense and a deferred tax provision of approximately \$14,000 and \$27,000 respectively in FY2014.

Review of Statements of Financial Position of the Group

Assets

The Group's total assets as at 31 December 2015 increased by \$1.5 million from \$28.5 million as at 31 December 2014 to \$30.0 million as at 31 December 2015.

The increase in total assets was mainly attributable to:

- a. addition of \$0.3 million due to consolidation of the carrying value of investment property of KCHK;
- b. an increase in net carrying value of property, plant and equipment of \$0.1 million due mainly to consolidation of the carrying value of property, plant and equipment of KCHK;
- c. an increase in trade and other receivables of \$0.3 million was mainly contributed by the Group's subsidiary in Malaysia of \$2.0 million due to projects recognition in FY2015, partially offset by a decrease of (i) \$1.3 million from the Singapore operations due mainly lower project recognition and an increase in allowance for doubtful trade receivables and (ii) \$0.4 million from subsidiary in Hong Kong;
- d. an increase in inventories of \$0.6 million due mainly to increased purchases during FY2015 for project inventories; and
- e. an increase in cash and cash equivalents of \$0.2 million.

Liabilities

The Group's total liabilities as at 31 December 2015 increased by \$6.7 million from \$16.2 million as at 31 December 2014 to \$22.9 million as at 31 December 2015.

The increase in total liabilities was mainly attributable to:

- a. an increase in borrowings of \$3.8 million; and
- b. an increase in trade and other payables of \$3.0 million due mainly to increase in (i) trade payable of \$1.0 million (\$0.1 million related to KCHK), (ii) sales deposits received of \$0.5 million (\$0.7 million related to KCHK), (iii) other payables of \$1.3 million (\$0.7 million related to KCHK) and (iv) accrued expenses of \$0.3 million.

The increase was offset by a decrease in deferred tax liability of \$0.1 million.

Total Equity

Total equity decreased by \$5.3 million from \$12.4 million as at 31 December 2014 to \$7.1 million as at 31 December 2015. The Group's net asset value per ordinary share stood at 7.6 cents as at 31 December 2015 as compared to 12.4 cents as at 31 December 2014.

Review of Consolidated Statement of Cash Flows

In FY2015, the Group's operating loss before working capital changes was \$2.1 million. The net cash used in working capital amounting to \$0.6 million was due mainly to a decrease in inventories of \$0.3 million and a decrease in receivables of \$0.9 million, partially offset by a decrease in payables of \$0.6 million. The net cash used in operating activities in FY2015 amounted to \$1.5 million.

In FY2015, the net cash used in investing activities of \$1.2 million was mainly due to net cash outflow on acquisition of a subsidiary of \$0.3 million and purchase of property, plant and equipment of \$1.0 million.

The net cash generated from financing activities of \$2.9 million in FY2015 was due mainly to drawdown of bank borrowings and terms loans of \$15.9 million, partially offset by repayment of bank borrowings and finance leases of \$12.2 million and interest expenses of \$0.8 million paid in FY2015.

As a result of the above, cash and cash equivalents increased by \$0.2 million, from \$3.1 million as at 31 December 2014 to \$3.3 million as at 31 December 2015.

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

The unaudited financial results for the financial year ended 31 December 2015 set out in this announcement are in line with the profit warning released by the Company on 17 February 2016.

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.](#)

For the next 12 months, the Group will continue 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. The Group will also explore opportunities to streamline its operational costs moving forward.

Given the present economic outlook and uncertainty in the global economy, the business conditions in Singapore, Malaysia, Hong Kong and China are expected to remain challenging and competitive for the next 12 months.

The Group's project order book for Singapore, Malaysia and Hong Kong as at 31 January 2016 was approximately \$43.9 million. This is expected to be fulfilled over the next 1 to 3 years. The order book may not be reflective or indicative of the Group's overall financial results and performance as it may be subject to variation, modification and cancellation by customers.

As of the date of announcement, the Group is currently in discussions with a principal bank to, *inter alia*, obtain a waiver letter in relation to the Breach. Please refer to Section 1(b)(ii) for further details.

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 FY2015.

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).

14. 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	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
	\$	\$	\$	\$	\$	\$	\$	\$
Segment revenue	15,692,335	14,473,016	11,160,256	7,621,174	-	9,705	26,852,591	22,103,895
Segment profits/(losses)	(2,812,893)	(27,380)	732,103	(878,242)	(93,841)	(453,180)	(2,174,631)	(1,358,802)
Segment assets	13,712,192	12,658,308	16,194,916	13,769,753	51,885	2,110,991	29,958,993	28,539,052
Segment liabilities	4,935,104	3,326,725	6,427,510	4,688,254	684,921	250,241	12,047,535	8,265,220
Unallocated liabilities							10,828,149	7,875,763
Total liabilities							22,875,684	16,140,983
<i>Other segments items</i>								
Capital expenditure of property, plant and equipment	461,810	145,455	500,594	457,792	-	-	962,404	603,247
Depreciation of property, plant and equipment	426,945	240,451	433,913	188,292	-	-	860,858	428,743
Allowance for doubtful receivables								
- trade	149,313	-	354,502	9,038	-	6,669	503,815	(15,707)
- non-trade	-	-	-	-	-	-	-	-
Property, plant and equipment written off	12,146	-	21,574	-	-	7,794	33,720	(7,794)

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

	Group	
	FY2015	FY2014
	\$	\$
Segment losses	(2,174,631)	(1,358,802)
Amortisation of intangible assets	(231,253)	-
Interest income	10,257	2,869
Net (loss)/gain on foreign exchange difference	(399,501)	117,162
Interest on borrowings	(576,296)	(114,427)
Impairment of goodwill	(1,028,171)	-
Impairment of intangible assets	(1,760,302)	-
Loss before tax	<u>(5,856,591)</u>	<u>(1,353,198)</u>

Geographical information

Revenue based on the geographical location of customers and assets respectively are as follows:

	Sales to external customers	
	FY2015	FY2014
	\$	\$
Singapore	13,204,371	19,916,986
Malaysia	7,316,193	1,293,907
Seychelles	13,590	63,729
Indonesia	-	742,052
China	197,957	-
Hong Kong	5,891,822	83,609
Macau	202,566	-
Others	26,092	3,612
	<u>26,852,591</u>	<u>22,103,895</u>

15. 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.

16. A breakdown of sales as follows:

	Group		% increase/ (decrease)
	FY2015	FY2014	
	\$	\$	
(a) Sales reported for first half year	14,232,169	13,544,783	5.1
(b) Profit/(loss) after tax before deducting non-controlling interest reported for first half year	292,575	(383,773)	N.M.
(c) Sales reported for second half year	12,620,422	8,559,112	47.5
(d) Loss after tax before deducting non-controlling interest reported for second half year	(6,149,166)	(1,010,599)	500.9

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

	Company	
	FY2015 \$	FY2014 \$
(a) Ordinary	-	-
(b) Preference	-	-
(c) Total	-	-

18. 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.

The Company confirms that there is no person occupying a managerial position in the Company and its subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company pursuant to Rule 704(10).

On behalf of the Board of Directors

Lim Wee Li
Executive Chairman and CEO

Date: 29 February 2016