

kitchen
culture

BRIGHT IDEAS FOR A FRESH START



2017
/18
ANNUAL REPORT



CORPORATE INFORMATION

BOARD OF DIRECTORS

LIM WEE LI
Executive Chairman and
Chief Executive Officer

ONG BENG CHYE
Lead Independent Director

KESAVAN NAIR
Independent Director

JOANNE KHOO SU NEE
Independent Director

AUDIT COMMITTEE

ONG BENG CHYE – Chairman
KESAVAN NAIR
JOANNE KHOO SU NEE

NOMINATING COMMITTEE

KESAVAN NAIR – Chairman
ONG BENG CHYE
JOANNE KHOO SU NEE

REMUNERATION COMMITTEE

JOANNE KHOO SU NEE – Chairman
KESAVAN NAIR
ONG BENG CHYE

COMPANY SECRETARY

WEE WOON HONG, LLB (Hons)

REGISTERED OFFICE

2 Leng Kee Road
#01-08 Thye Hong Centre
Singapore 159086
Tel: +65 6661 9580
Fax: +65 6475 6776
Website:
www.kitchencultureholdings.com

SPONSOR

SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542

INDEPENDENT AUDITORS

Nexia TS Public Accounting Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702

Loh Ji Kin, Audit Partner
(With effect from financial period
ended 30 June 2017)

SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place
#29-01 Republic Plaza Tower 1
Singapore 048619

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made, or reports contained in this annual report.

The contact person for the Sponsor is Ms. Lee Khai Yinn (telephone no.: (65) 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.



OUR MISSION

To create well-designed, highly functional and premium quality kitchens which are perfectly suited to the lifestyle of modern and cosmopolitan living.

PHILOSOPHY

The kitchen is the heart of the home. It is a sanctuary where family members congregate, and where one plays host or hostess to their guests – displaying their culinary skills while entertaining and interacting as they go about their tasks in a beautifully designed and appointed kitchen.

At Kitchen Culture, we go beyond the basic culinary functions to introduce and integrate the kitchen as part of the modern dweller's lifestyle and culture. Our products and services are driven by three main factors – Design, Function and Form. Each aspect is conscientiously considered and meticulously fused to create high quality kitchens that are both strikingly beautiful and perfect in function.

CONTENTS

01

OUR MISSION

02

CORPORATE PROFILE

03

MILESTONES

04

BRANDS

07

OUR BUSINESS

08

RESIDENTIAL PROJECTS

09

OUR CORPORATE STRUCTURE

10

KITCHEN CULTURE PRESENCE

12

FINANCIAL HIGHLIGHTS

13

CHAIRMAN AND CEO STATEMENT

15

OPERATIONS AND FINANCIAL REVIEW

17

BOARD OF DIRECTORS

19

KEY MANAGEMENT

CORPORATE PROFILE



Listed on the SGX-Catalist in 2011, Kitchen Culture Holdings Ltd. (“**Kitchen Culture**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) ranks among Singapore’s leading distributors of high-end kitchen systems, kitchen appliances, wardrobe systems, bathroom furniture, household furniture and kitchen accessories from Europe. Backed by more than 27 years of experience and track record in the business, Kitchen Culture has established itself as a premier kitchen solutions provider for discerning and well-heeled consumers in Singapore, China, Hong Kong and Malaysia.

Over the past few years, Kitchen Culture has established its presence in Hong Kong and also entered the China markets by opening showrooms in Chengdu, Sichuan province. The Company now has showroom locations in Singapore, China, Hong Kong and Malaysia.

In 2016, the Company had re-fitted some of the showrooms in Hong Kong and revamped its Singapore flagship showroom for a brand new look. 2016 also marks its 25th anniversary. In 2017, the Company relocated its Malaysia showroom to its own standalone showroom. The Company has also brought in a new brand, BORA, from Europe into the Singapore market, which specialises in downdraft hoods.

While Kitchen Culture engages in distribution and retail sales, much of its success can be attributed to its collaborations with property developers. The Company first supplied kitchen appliances for a luxury development along Cuscaden Walk in 1991. This notable project provided the platform for forging strong working relationships with major property developers, and consequently paved the way for Kitchen Culture’s business diversification into residential projects.

As a testament to its success, Kitchen Culture has received several accolades and a few of the recent ones were “Singapore 1000 Company – Public Listed Companies 2017” given out by DP Information Group, “Singapore Tatler - Best Kitchen (Fitted) 2015” from Singapore Tatler and “1000 High-Growth Companies in Asia-Pacific” awarded by Financial Times.

MILESTONES



2018

- Relaunching of our own brand, Pureform, for kitchen and wardrobe systems
- Relocated the Corporate Office to a site nearer to Singapore flagship showroom
- Awarded 1000 High-Growth Companies in Asia-Pacific by Financial Times

2017

- Relocated to a standalone showroom in Kuala Lumpur, Malaysia
- Awarded Singapore 1000 Company – Public Listed Companies 2017 by DP Information Group



2016

- Total revamp of existing Singapore flagship showroom
- Re-fitted showrooms in Hong Kong
- Commemorated 25th anniversary

2015

- Launched and commenced operations of two new mono brand showrooms in Hong Kong
- Launched and commenced operations of KROOM and KCUBE in Singapore
- Commenced operations of additional showrooms in Chengdu, Sichuan
- Awarded Singapore Tatler – Best Kitchen (Fitted) 2015 by Singapore Tatler and Singapore 1000 Company – Public Listed Companies 2015 by DP Information Group

2014

- Launched and commenced operations of two showrooms in Chengdu, Sichuan
- Awarded Singapore Prestige Brand Award – Maybank Regional Brands and voted the Most Popular Brand within the category



2012

- Incorporated KHL (Hong Kong) Limited in Hong Kong
- Entered into a joint venture with 40% interest as part of expansion plans into Hong Kong
- Opened two showrooms in Hong Kong totalling about 10,000 sq. ft.

2011

- Listed on SGX-Catalist
- Incorporated Kitchen Culture (Hong Kong) Limited and Kitchen Culture (China) Limited in Hong Kong

2013

- Entered into a licensing and dealership agreement with an Indonesian business partner in Jakarta, Indonesia

BRANDS KITCHEN SYSTEMS

poggen
pohl

LA CORNUE

eggersmann

rational

Häcker
kitchen.germanMade.

Pureform

snaidero
CUCINE PER LA VITA



POGGENPOHL

S M

With a history of over 120 years and associated with luxury kitchens and quality living, Poggenpohl is the first renowned kitchen system in Germany and each piece is an artful creation that speaks of sheer function in today's modern kitchen.

LA CORNUE

S M HK C

La Cornue is determined to preserve the noble values traditionally associated with hand-craft production. The products are individually hand-made with patience and pride till today and use modern technology for its cooking purposes.

EGGERSMANN

S M HK

Eggersmann prides itself on producing individually tailored luxury kitchens for more than a century, of which the designs can hardly be matched by others for its timelessness and minimalism.

RATIONAL

S M

A trusted brand name for more than 40 years, Rational ensures high quality fitted kitchens that have been rigorously tested in every detail, and has devoted itself to consistently develop and produce kitchens by people for people.



HÄCKER

S M

Having produced modern fitted kitchens that fulfil the highest claims in terms of quality, functionality, durability and design since 1938, Häcker is the reliable partner of this specialist trade both today and in the future.

PUREFORM

S M

A customised solution offered only to Kitchen Culture's corporate clientele for their project requirements, Pureform represents a service that we are confident will be synonymous with quality, functionality and technology over time.

SNAIDERO

HK C

Snaidero has been producing tailor-made kitchens for 70 years. With a wealth of experience built up over a long history of both tradition and innovation. Craftsmanship and technological research are the solid guarantees of quality and long life that have always distinguished Snaidero kitchens.



BRANDS

KITCHEN APPLIANCES AND ACCESSORIES



BORA

S M HK

Intent and focused on developing the market's most efficient cooktop extraction system and the cooktops to go with it. BORA's product range offers different products for different customer groups, all tailored to their desires and requirements.

INVENTUM

S

A traditional Dutch company, founded in the early 20th century by responding to opportunities in electric power as a source of energy for devices. They are known for their revolutionary solution to prevent loss of heat in homes, the Ecolution ventilation heat pump and the safest boiling water tap, the HotSpot Titanium.

KÜPPERSBUSCH

S

Award-winning cooking appliances that indulge your culinary pleasures, Küppersbusch has stood for innovation and tradition more than 135 years, using expertise, creative ideas and stimuli to develop trend-setting technologies that set new standards for modern built-in kitchen appliances.



LIEBHERR

S HK

Producing the largest range of freezers, refrigerators and multi-temperature wine storages worldwide, Liebherr boasts cutting edge features and winning benefits that are ergonomically designed to guarantee absolute freshness of sundries and perishables while providing optimum cooling for prized wines.

STEEL

S M

Steel, a forefront Italian manufacturer of cooking ranges originally for professional use, is now in its third generation and has expanded its range for the domestic market to include cookers, hoods and outdoor cooking equipment. Innovation and functionality are the bywords for Steel's aesthetic designs and professional approach to kitchen products.

BORA



Küppersbusch
FÜR KÜCHEN MIT STIL

LIEBHERR



BRANDS

HOUSEHOLD FURNITURE

ARTANOVA
of Switzerland
Bluform

DRAENERT
falper.
FIMES
Fusital
Memphis d'Interni
KFF®
MATSUOKA
ARTIFACTS FOR CHARACTERISTIC LIVING
MGS
Teckell
COLLECTION
Tisettanta
contemporary home
Valli & Valli
ASSA ABLOY

ARTANOVA
S

The successful combination of design, quality and practicality makes seating by Artanova so special. The designer upholstered furniture is manufactured in Switzerland and is intended for people who give no chance to mediocrity.

BLUFORM
M HK

Bluform introduces an outstanding combination of technical and refined focus on the latest and most sophisticated design for vanities. The stylistic research made by Pininfarina excels and comes branded with the renowned Italian manufacturing process for a new Bath Concept.

DRAENERT
S

High-quality design furniture that is developed and individually crafted using 150 natural stones with seven avenues of colour, Draenert is world-renowned for designer furniture, traditional craftsmanship, quality and first-class workmanship.

FALPER
S

Elegant, modern, designed with a unique, original touch, to reflect individual lifestyle. It is made up of furniture, washbasins, bathtubs and accessories, designed and created one by one, lacquered, sized and layouts arranged according to individual needs.

FIMES
S M HK

Today, Fimes has become the point of reference for the bedroom furniture district with their new collection of wardrobes, chests, night closets and walk-in closets.

FUSITAL
S

Each Fusital handle is culture of design, author signature, and it is entirely drafted, created by a world famous designers or by a rising stars architects on the way to become archistars. Fusital became synonymous of elegance and research applied to design, and each single Fusital piece has achieved a high value due to its uniqueness.


KFF
S HK

KFF aims to provide characteristic, high quality, comfortable designer seating solutions for everyone all over the world that has a taste for modern furniture, of the highest quality standards, in a domestic or a commercial setting made in Lemgo, Germany.

MATSUOKA
S

For more than 145 years, Matsuoka has been producing furniture artefacts for gracious living. Like sculptured art, each artefact is an evocative package of rich creativity that meets the utilitarian and the aesthetic intention, while demonstrating a holistic expression of the synergy between geometry, materials, craft and finish in the true spirit of Gestalt.

MGS
HK

To achieve superior results and exclusive products, MGS has set a new standard in using stainless steel in this industry. The strong brand identity of the company has been focused in making desired faucets for the most exclusive homes in the world.

TECKELL
S

Giving a new life to the game foosball, Teckell introduces an elegant design piece in our formal living spaces which is characterised by its pure design and essential forms, its crystal transparency, and its elegant statuettes in aluminum.

TISETTANTA
S

The range of Tisettanta, from the living area to the wardrobes, from the kitchen to the child's bedrooms, from the bedroom and its accessories. A large variety of choices to personalise every area of the home, following individual likes and needs.

VALLI & VALLI
S

With a heritage spanning over 80 years, the Valli & Valli name has established itself as a market leader and a brand synonymous with world leading architects and inspirational cutting edge designs.

OUR BUSINESS

The demand for quality residences is expected to rise, not only in Singapore but also in the region as these economies develop. Today's homeowner does not only consider the choice of location, but also the presence of quality residential infrastructure, all woven in a lifestyle expression of individuality. Developers are responding to this evolution by providing more inspired architecture, sound engineering, better lifestyle facilities and high quality finishes, while leaving no detail to chance. Today's modern home is not only a residential symbol of what the owners have achieved, but also a reflection of the lifestyle they aspire to live in.

It is this trend that inspires Kitchen Culture to continue to bring to market the best available brands of kitchen systems, kitchen appliances, wardrobe systems, bathroom furniture, household furniture and kitchen accessories, while at the same time, providing a premier service that starts from consultation and goes beyond the sale of products. Kitchen Culture will continue to maintain its excellent working relationships with its brand partners and suppliers, while continually bringing new brands and products to market so as to provide customers with more lifestyle choice options.

At Kitchen Culture, our business is organised into **Residential Projects** and **Distribution and Retail**.

RESIDENTIAL PROJECTS

Since starting our business in 1991, we have over the years forged close working relationships with major property developers operating in Singapore for luxury residential projects. Today, Kitchen Culture is seen as the go-to company for branded and sophisticated kitchen systems and kitchen appliances by developers and construction companies. We have developed a reputation among our customers for meticulous attention and precision lavished on the finest details and the installation of kitchen systems and appliances of quality, sophistication and elegance.

In the recent years, the Group's kitchen solutions have been presented in various iconic luxury residential projects such as "Marina One", "New Futura", "V on Shenton", "Spottiswoode Suites", "Greenwood Mews", "South Beach" in Singapore as well as "8 Mount Nicholson" in Hong Kong and "M5 Private Hotel" in China.

DISTRIBUTION AND RETAIL

Under our "kitchen culture" brand, we brand manage, sell and distribute a wide range of premium imported kitchen systems, kitchen appliances, wardrobe systems, bathroom furniture, household furniture and kitchen accessories mainly from Europe. We reach our discerning individual customers through our "kitchen culture" retail showrooms. We also have a wide network of dealers and licensees in Singapore and Malaysia. Our "kitchen culture" stores in Singapore, Malaysia, Hong Kong and China offer renowned brands of kitchen systems, appliances and accessories and make the shopping and planning for a kitchen more pleasurable.

At Kitchen Culture, we believe in understanding and appreciating our customers. That's why we have an in-house design team supporting our two business segments. The design team considers individual customers' psyches, tastes and preferences for the sole purpose of customising space and product solutions to complement their style and needs. This subtle partnership of design, product and consumer understanding adds an entirely new dimension to our business. Beyond that, we also provide value added services such as installation and carpentry through our pre-qualified third party contractors and after-sales maintenance services for our products under warranty.

RESIDENTIAL PROJECTS

PROJECT NAME

The Vanadium
Platinum Edge
East Galleria
Arthur 118
Bluwater
Radix @ Jalan Wakaff
Cairnhill Residences
Coral Island
Martia Residences
Paradise Island
Handy Road
The Fernhill
Hillcrest Villa
Leonie Parc View
Waterfall Gardens
Rivergate
Paterson Suites
Scotts High Park
Sui Generis
Ritz Residences
Grange Infinite
D'Pavillion
The Lumos
Hamilton Scotts
Sandy Island
Volari
Trillight
Ardmore Residences
119 Keng Lee Road
The Orange Grove
iLiv @ Grange
The Glyndebourne
The Meyerise
Hana @ Tomlinson
The Nassim
Nathan Suites
Boutiq @ Killiney
D'Leedon
South Beach
Spottiswoode Suites
Eden Residences Capitol
V on Shenton
Marina One
Clermont Residence
Link (THM) HQ
New Futura
Victoria Street
Setia Residences
Gallop Road
Ritz Carlton Residences
The Orchard Residences
Swettenham Road
Harlyn Road
Bishopgate
Ardmore 3
Paterson II
Corals at Keppel Bay
Vida Residences
36 & 38 Armenian
Resort World Sentosa
Chepstow Ville
Goodman Crescent
Lynwood Eight
Amber Residences
The Greenwood
Miro Residence

DEVELOPER

Novelty Group
Novelty Land
Fortune Development
Fortune Development
Novelty Group
Novelty Group
Allgreen Properties
Ho Bee Land
Roxy Development
Ho Bee Land
JBE Properties
MCL Land
MCL Land
Soilbuild Group
MCL Land
CapitaLand
Bukit Sembawang Estates
CapitaLand
Kajima Overseas Asia
Hayden Properties
CEL Development
MCL Land
Koh Brothers/Heeton Holdings
Reignwood Holding
YTL Corporation
City Development
Ho Bee Land
Pontiac Land
Khian Heng Construction
Ho Bee Land
Heeton Holdings
City Development
Hong Leong Holdings
Pontiac Land
CapitaLand
TID
Heeton Holdings
CapitaLand
South Beach Consortium
Centurion Properties & Lian Beng Group
Capitol Investment Holdings
UIC Investment (Properties)
MS Residential
Guocoland
Link (THM) Group
City Sunshine Holdings
Perennial Real Estate
Setia
Elevation Developments
Royce Properties
Orchard Turn Development & CapitaLand
LCD Property Management
Elevation Developments
Kajima Overseas Asia
Wheelock Properties
Keong Hong Properties
Keppel Bay
Far East Organization
Space
Resort World
Uni-Global Enterprises
Uni-Global Enterprises
Uni-Global Enterprises
Voda Land
Far East Organization
Far East Organization

PROJECT NAME

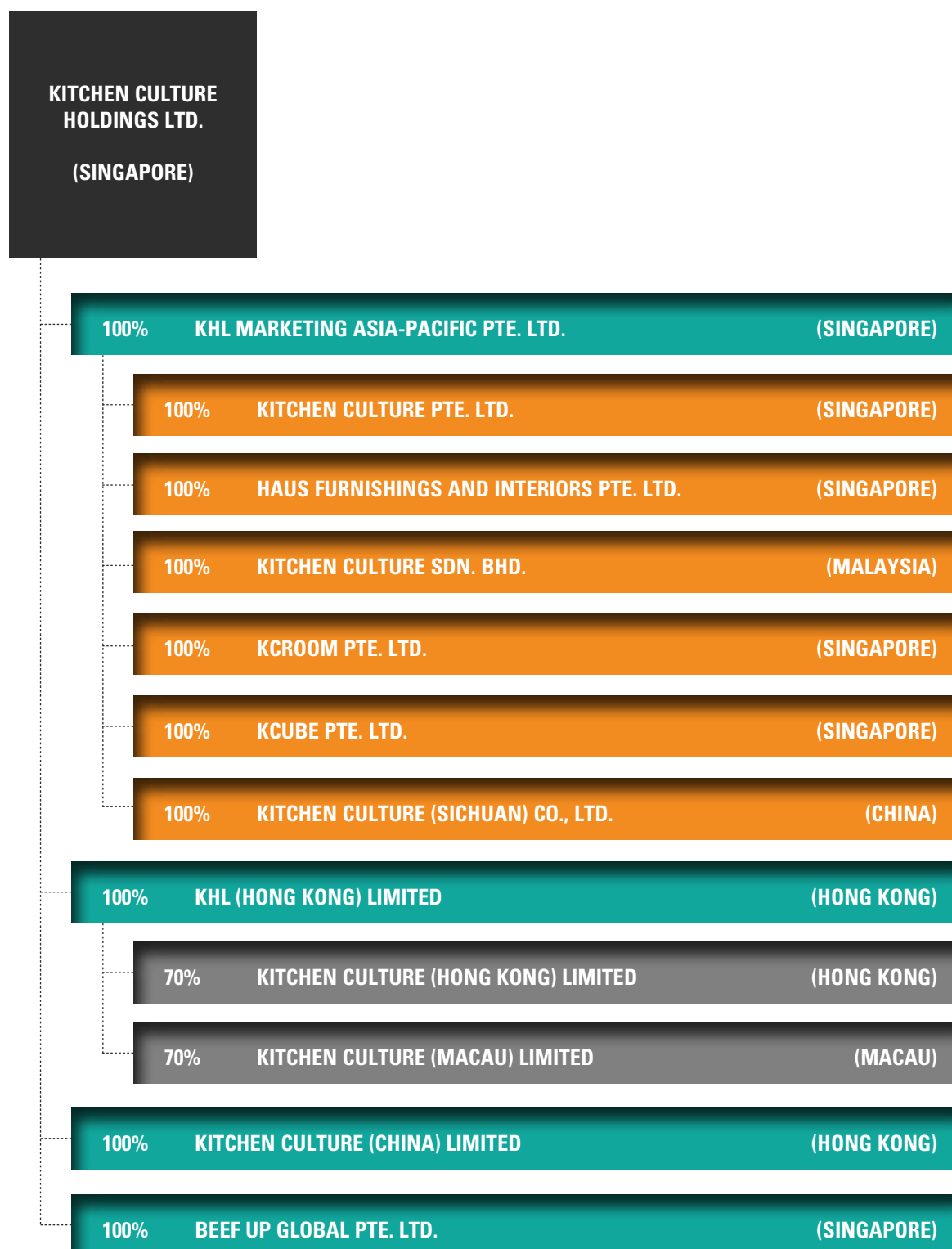
Green Collection
Mustafa
Ardmore 7
Silversea
Hana
Ardmore 8
Jardin
Vista Residences
Floridian
Sound
Altez
Horizon
Cyan
Seawind
Greenwood Mews
Holland Suites
Peirce Village
Charleston
Fernhill Cottage
The Loft
The Tomlinson
Bvld Super Penthouses
Sentosa Dev – Penthouses
Andrew Road Cluster Houses
Namly Garden
8 Nassim Hill
Elevation
Swettenham
Anguilla Park
Lakeshore Drive
Jalan Unggas
Ocean Drive
The Marq
The Hilltop
Reflections By The Bay
Cable Road
16 Greendale Avenue
7 Namly View
Greenleaf View
Rua do Padre João Clímaco
Deep Water Bay Drive
Wing Hing Street
8 Mount Nicholson Road
Wing Hing Street
Prince Edward West
Kadoorie Avenue
Mount Kellett Road
Deep Water Bay Road
Stanley Village Road
Tavistock, Mid-Level
Kam Sheung Road
Winfield Building
Anderson Road
M5 Private Hotel
Binjai on the Park
Beringin Residences
One Menerung
Damansara City
Le Nouvel
Water Villas
Emerald Bay

DEVELOPER

Elevation Developments
Khian Heng Construction
Pontiac Land
Far East Organization
Pontiac Land
SC Global Developments
Far East Organization
Far East Organization
Far East Organization
Far East Organization
Far East Organization
Far East Organization
Far East Organization
Far East Organization
Kiny Investment
City Development
Cosland Development
SB Development
CapitaLand
Wing Tai Properties
SC Global Developments
Nobel Design
Koh Brothers
Novelty Group
Tennessee
Elevation Developments
LCD Developments
Elevation Developments
Elevation Developments
Elevation Developments
Elevation Developments
SC Global Developments
SC Global Developments
Keppel Land
Straits Developments
Link (THM) Group
Link (THM) Group
Link (THM) Group
Vember (Macau) LIMITADA
Nan Fung Group
Wu Yi (Holdings)
Wheelock Properties
F&M Builders
Trump Elegant
Kadoorie Estates
Nam Fung Group/Chun Yip Construction
Kadoorie Estates
WMKY
Kerry Properties
Hui Bao International Investment
Nam Fung Group
Alpha Building Construction
Chengdu Chongwen Hotel Management
Layar Intan
Beringin Terrace
Bandar Raya Developments
GLM Property Development
Wing Tai Malaysia
IJM Land
Bandar Raya Developments



OUR CORPORATE STRUCTURE



KITCHEN CULTURE PRESENCE

■ SINGAPORE

CORPORATE OFFICE

2 Leng Kee Road
#01-08 Thye Hong Centre
Singapore 159086

KITCHEN CULTURE SHOWROOM

2 Leng Kee Road
#01-02/05 Thye Hong Centre
Singapore 159086

KCROOM SHOWROOM

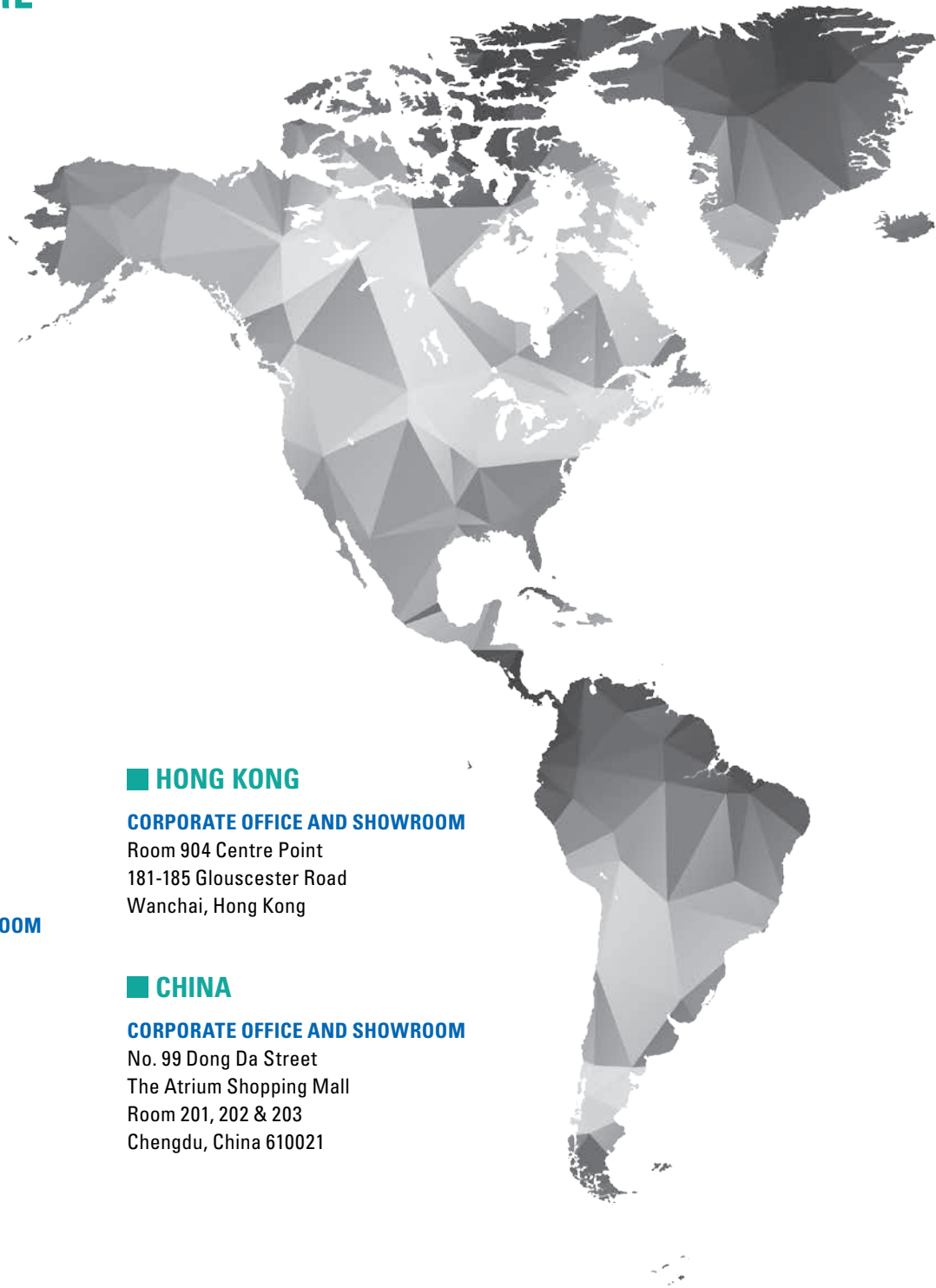
2 Leng Kee Road
#01-07 Thye Hong Centre
Singapore 159086

301 Upper Thomson Road
#03-33A Thomson Plaza
Singapore 574408

■ MALAYSIA

CORPORATE OFFICE AND SHOWROOM

154 Jalan Maarof
Bukit Bandaraya
59000 Kuala Lumpur
Malaysia



■ HONG KONG

CORPORATE OFFICE AND SHOWROOM

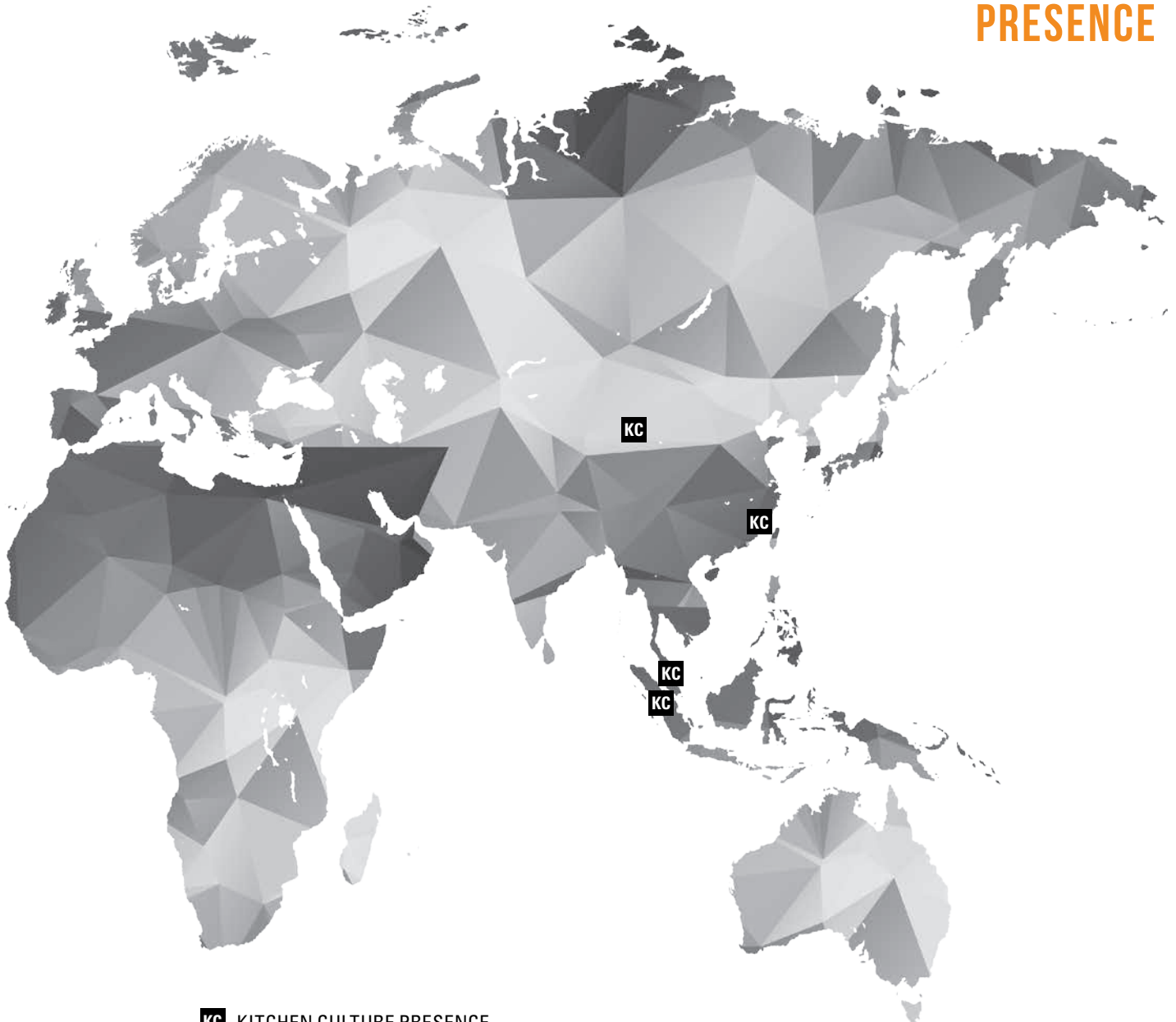
Room 904 Centre Point
181-185 Gloucester Road
Wanchai, Hong Kong

■ CHINA

CORPORATE OFFICE AND SHOWROOM

No. 99 Dong Da Street
The Atrium Shopping Mall
Room 201, 202 & 203
Chengdu, China 610021

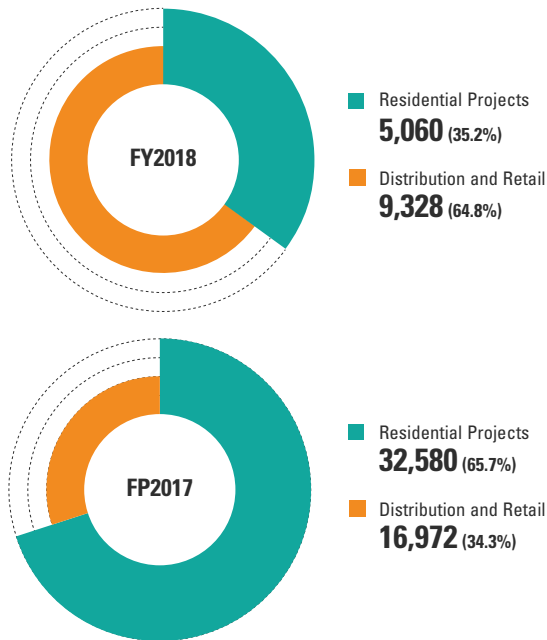
KITCHEN CULTURE PRESENCE



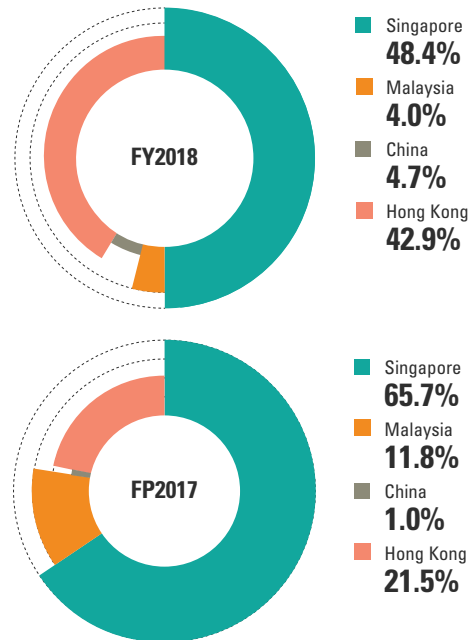
KC KITCHEN CULTURE PRESENCE

FINANCIAL HIGHLIGHTS

REVENUE BY BUSINESS SEGMENT (S\$'000)



REVENUE BY GEOGRAPHICAL REGION (%)



S\$'000	FY2018	FP2017	FY2015	FY2014	FY2013
Revenue	14,388	49,552	26,610	22,104	32,952
Cost of sales	(8,111)	(34,895)	(13,946)	(12,625)	(18,624)
Gross profit	6,277	14,657	12,664	9,479	14,328
Other income	485	247	1,072	134	111
Selling and distribution expenses	(4,510)	(10,028)	(9,143)	(7,286)	(7,808)
Other operating expenses	(780)	(561)	(5,098)	(148)	(1,339)
General and administrative expenses	(4,785)	(9,901)	(5,159)	(3,234)	(3,063)
Finance costs	(702)	(1,332)	(835)	(298)	(294)
Share of results of joint venture	—	—	—	—	(196)
(Loss)/Profit before tax	(4,015)	(6,918)	(6,499)	(1,353)	1,739
Tax credit/(expense)	—	—	452	(41)	(507)
(Loss)/Profit for the year	(4,015)	(6,918)	(6,047)	(1,394)	1,232
Other comprehensive (loss)/income:					
Exchange differences on translation of foreign operations	(207)	40	317	48	14
Exchange differences transferred to profit or loss upon remeasurement of investment	—	—	(11)	—	—
Total comprehensive (loss)/income for the year	(4,222)	(6,878)	(5,741)	(1,346)	1,246
(Loss)/Profit attributable to:					
Owners of the Company	(4,026)	(6,930)	(5,344)	(1,328)	1,307
Non-controlling interests	11	12	(703)	(66)	(75)
	(4,015)	(6,918)	(6,047)	(1,394)	1,232
Total comprehensive (loss)/income attributable to:					
Owners of the Company	(4,241)	(6,901)	(5,058)	(1,279)	1,321
Non-controlling interests	19	23	(683)	(67)	(75)
	(4,222)	(6,878)	(5,741)	(1,346)	1,246

CHAIRMAN AND CEO STATEMENT

I wish to especially thank every single member of our staff for their hard work and dedication in making Kitchen Culture what it is today. I am confident that together, we are more than able to rise up to meet the challenges, to capture exciting opportunities, and to further raise the Kitchen Culture flag higher.



Dear Shareholders,

On 6 September 2016, we announced a change of financial year end from 31 December to 30 June. As a result, this annual report will cover the 12-month financial period from 1 July 2017 to 30 June 2018 (“FY2018”) and the comparative preceding financial period will cover the 18-month financial period from 1 January 2016 to 30 June 2017 (“FP2017”)

On behalf of the Board of Directors of Kitchen Culture Holdings Ltd. (“Kitchen Culture” or the “Company” and together with its subsidiaries, the “Group”), I am pleased to present to you the annual report for the Company for FY2018.

FY2018 was another challenging year for the Group due to prolonged economic uncertainties in the markets that we operated in which had negatively affected our industry and business. We were also embattled with operational issues during the financial year but continued to strive to maintain our brand name and reputation for quality and service, together with the portfolio of quality brands that we carry.

As the operating environment became more and more challenging, cost management has become a critical issue that the Company is focusing on with the aim of eventually reducing cost to an optimal level. Therefore, despite an overall decrease of 71.0% in revenue to S\$14.4 million in FY2018 (FP2017: S\$49.6 million), the Group recorded a lower overall net loss of S\$4.0 million in FY2018 (FP2017: S\$6.9 million).

In Singapore, the government’s property cooling measures continued to affect our residential projects segment. However, we continue to see pockets of opportunity in new market segments that we can leverage on our brand name and reputation to achieve.

The rebalancing residential housing market in Malaysia on the other hand, remains attractive in the longer term, but is affected by the weakened Malaysian ringgit. In response, we have streamlined our Malaysian operations to reduce operating costs. We have also moved in

to our own standalone showroom after building up our market presence.

In Hong Kong and China, we had mixed results. Revenue in Hong Kong decreased by 42.0%, while China’s revenue grew by 38.7%. Our sales and promotional initiatives in our showrooms in Chengdu, China have seen a steady growth in interest in high-end products especially for property developments.

MEETING NEW CHALLENGES

As our business was adversely affected in FY2018, the Group has had to restructure and streamline some of its operations, mainly in Singapore, Malaysia and Hong Kong, in order to manage increasing operating expenses. Kitchen Culture will continue to explore new business opportunities despite these challenges and aims to grow its traditional core Singapore and Malaysia markets while being supported by regional businesses.

In Singapore, the Group continues to face labour issues such as higher foreign labour

CHAIRMAN AND CEO STATEMENT

levies and a local labour shortage. One of our strategies to meet our challenging environment in Singapore was the creation of a new concept store at Thye Hong Centre for the mass market.

Our KCRoom full kitchen appliances store that showcases brands like Küppersbusch, Liebherr, Steel and BORA to home owners, is getting more established. We added a KCRoom store at Thomson Plaza in December 2017 and will continue to look for opportunities to expand KCRoom as the market improves.

As for our KCUBE in-house designed kitchen cabinetry line, we have decided to re-strategise the KCUBE brand as we are planning the re-launch of our revitalised Pureform brand for kitchen and wardrobe systems in the fourth quarter of 2018. Targeted at the Singapore HDB and BTO market, Pureform cabinetry aims to provide good quality kitchen and wardrobe systems at affordable prices.

MOVING FORWARD

The next 12 months for the Group will continue to be challenging. However, we are actively seeking out opportunities that will allow us to capitalise on our core competencies while streamlining costs. We will continue to focus on the



sale of imported kitchen systems, kitchen appliances and accessories for both residential projects and for distribution and retail in local and regional markets. At the same time, we intend to grow our presence in the interior fit-out market with the aim of providing a broader suite of products and solutions to customers.

With the present economic outlook and uncertainty in the global economy, we expect business conditions in Singapore, Malaysia, Hong Kong and China to remain challenging and competitive over the next 12 months. Notwithstanding this, we will continue to secure new projects to bolster our order book.

IN APPRECIATION

In closing, I would like to thank the Board of Directors for their guidance and stewardship during these challenging times and would also like to thank our customers, principals, business partners, and shareholders for their support.

Whilst Kitchen Culture faces its share of challenges, there are also opportunities for growth and the team that you have at the end of the day is paramount. That is why I wish to especially thank every single member of staff for their hard work and dedication in making Kitchen Culture what it is today. I am confident that together, we are more than able to rise up to meet the challenges, to capture exiting opportunities, and to further raise the Kitchen Culture flag higher.

LIM WEE LI

Executive Chairman and
Chief Executive Officer



OPERATIONS AND FINANCIAL REVIEW



OPERATIONS REVIEW

REVENUE

Group revenue in FY2018 amounted to S\$14.4 million, a decrease of 71.0% or S\$35.2 million from S\$49.6 million in FP2017. The decrease was attributable to lower revenue contribution from the Residential Projects segment by 84.5% or S\$27.5 million and the Distribution and Retail segment by 45.0% or S\$7.6 million.

The Residential Projects segment accounted for 35.2% or S\$5.1 million of the Group's revenue, derived from 10 ongoing projects carried over from FP2017. Residential Projects revenue declined 84.5% due to fewer projects on hand. Comparatively, revenue for Residential Projects in FP2017 was from commencement of 14 projects during the calendar year 2016 and 11 ongoing projects carried forward from the financial year ended 31 December 2015 and accounted for 65.7% or S\$32.6 million of the Group's revenue. The decrease in revenue for this segment occurred in Singapore (S\$18.5 million), Malaysia (S\$5.0 million), and Hong Kong (S\$4.0 million).

The Distribution and Retail segment accounted for 64.8% or S\$9.3 million of the Group's revenue in FY2018 compared with FP2017 wherein the Distribution and Retail segment accounted for 34.3% or S\$17.0 million of the Group's revenue. The decrease in revenue for this segment was in the Group's largest market Singapore (S\$7.0 million), followed by Malaysia (S\$0.3 million) and Hong Kong (S\$0.5 million), partially offset by a gain in China (S\$0.2 million) due mainly to slowdown in retail sales and the shorter 12-month period for FY2018 compared to 18-month period for FP2017.

GROSS PROFIT

Gross profit in FY2018 was S\$6.3 million. This is a decrease of 57.2% or S\$8.4 million from S\$14.7 million in FP2017, in line with lower revenue and a shorter 12-month period for FY2018. Overall gross profit margin increased by 14.0 percentage points from 29.6% in FP2017 to 43.6% in FY2018 as a result of decreased costs incurred from the completion of Residential Projects.

OTHER INCOME

Other income increased by S\$0.3 million from S\$0.2 million in FP2017 to S\$0.5 million in FY2018, due mainly to reimbursement from a supplier S\$0.1 million and proceeds from an insurance claim of S\$0.2 million, by the Company's subsidiary, Kitchen Culture Sdn. Bhd.

OPERATING EXPENSES

Selling and Distribution Expenses decreased by 55.0% or S\$5.5 million, from S\$10.0 million in FP2017 to S\$4.5 million in FY2018. The decrease was due largely to cost cutting measures adopted during FY2018 resulting in decreases in staff costs (S\$1.8 million), rental expenses (S\$3.1 million), advertisement (S\$0.3 million) and sales commission (S\$0.3 million).

Other Operating Expenses increased by S\$0.2 million to S\$0.8 million in FY2018, compared with S\$0.6 million in FP2017.

The increase was mainly attributable to:

- increase in bad debts written off by S\$0.5 million in FY2018;

OPERATIONS AND FINANCIAL REVIEW



- b. increase in allowance for doubtful receivables of S\$0.1 million in FY2018;
- c. increase in write off/write down of inventories by S\$0.3 million due to mainly to damages; partially offset by;
- d. a net gain in foreign exchange amounting to S\$0.5 million in FY2018 compared with a net loss of S\$0.2 million in FP2017.

General and Administrative Expenses decreased by 51.7% or S\$5.1 million, from S\$9.9 million in FP2017 to S\$4.8 million in FY2018 mainly due to cost cutting measures adopted during FY2018 resulting in decreases in staff costs (S\$1.7 million), rental expenses (S\$0.8 million) and depreciation (S\$0.5 million). The decrease in depreciation charge was due to lower carrying values of property, plant and equipment resulting from asset disposals.

FINANCE COST

Finance cost decreased by 47.3% or S\$0.6 million, from S\$1.3 million in FP2017 to S\$0.7 million in FY2018, mainly due to a decrease in borrowings.

RESULTS FOR THE FINANCIAL PERIOD

The Group recorded a loss before tax of S\$4.0 million in FY2018, compared with a loss before tax of S\$6.9 million in FP2017.

ASSETS

The Group's total assets decreased by S\$7.4 million from S\$24.5 million as at 30 June 2017 to S\$17.1 million as at 30 June 2018.

The decrease in total assets was mainly attributable to:

- a. decrease in trade receivables of S\$4.6 million, mainly from collections;
- b. decrease in inventories of S\$2.1 million, mainly used in operations and included in cost of sales;
- c. decrease in net carrying value of property, plant and equipment of S\$0.5 million due mainly to depreciation charge (S\$0.7 million), partially offset by a gain on disposal of equipment (S\$0.1 million); and
- d. decrease in cash and cash equivalents of S\$0.4 million.

LIABILITIES

The Group's total liabilities decreased by S\$5.7 million from S\$24.2 million as at 30 June 2017 to S\$18.5 million as at 30 June 2018.

The decrease in total liabilities was mainly attributable to:

- a. decrease in borrowings of S\$2.6 million mainly due to repayment of loans to financial institutions and redemption of non-convertible bond; and
- b. decrease in trade and other payables of S\$3.1 million, attributable mainly to:
 - (i) a decrease of S\$1.6 million in aggregate due to settlement of accounts;
 - (ii) amount due to director decreased by S\$0.9 million due to debt conversion of Mr. Lim Wee Li's loan amounting to S\$2.5 million, partially offset by an additional loan S\$1.6 million;
 - (iii) decrease in loan from a shareholder of a subsidiary corporation of S\$1.3 million partially offset by;
 - (iv) increase in other payables in relation to legal and professional fees amounting to S\$0.4 million;
 - (v) increase in accrued operating expenses in relation to interest on borrowings amounting to S\$0.2 million.

SHAREHOLDER'S EQUITY

Total equity decreased to negative S\$1.5 million as at 30 June 2018, compared with positive S\$0.3 million as at 30 June 2017 due mainly to the loss after tax recorded in FY2018. The Group's net asset value per share as at 30 June 2018 decreased to (1.5) cents compared with 0.3 cents as at 30 June 2017.



BOARD OF DIRECTORS



MR LIM WEE LI Executive Chairman and CEO

Mr Lim Wee Li is the Executive Chairman and CEO of the Company and is responsible for the formulation of the Group's strategic directions and expansion plans. He established and founded the Group in 1991 and has spearheaded the business and operation. He oversees the sales, marketing and business development of the Group and liaises with brand principals for securing distribution rights for the Group. Mr Lim graduated with a Bachelor of Business Administration, majoring in Corporate Finance from University of North Texas, USA in 1988. He was awarded Top Entrepreneur of the Year 2008 by the Association of Small and Medium Enterprise and Rotary Club of Singapore. He is a member of the Singapore Chinese Chamber of Commerce. In 2012, Mr Lim was presented another prestigious entrepreneurial award, the Outstanding Entrepreneurship Award, by Enterprise Asia. He was conferred the Darjah Indera Mahkota Pahang (DIMP) award which carries the title 'Dato' by State Secretary of Pahang in April 2012.

BOARD OF DIRECTORS



MR ONG BENG CHYE Lead Independent Director

Mr Ong Beng Chye is the Lead Independent Director of the Company and was appointed to the Board on 27 June 2011. He has more than 26 years of experience in areas such as accounting, auditing, public listings, due diligence, mergers and acquisitions, and business advisory. Mr Ong is currently a director of Appleton Global Pte Ltd, a business management and consultancy services firm. He is also serving as an independent director of other listed companies in Singapore. He is a shareholder and a director of a few private limited companies. He is a Fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a non-practising member of the Institute of Singapore Chartered Accountants. Mr Ong obtained a Bachelor of Science (Honours) from City, University of London in 1990.



MR KESAVAN NAIR Independent Director

Mr Kesavan Nair is an Independent Director of the Company and was appointed to the Board on 27 June 2011. Mr Nair is an Advocate and Solicitor and commenced his practice with M.P.D. Nair & Co., in 1992. He is presently a Director with Bayfront Law LLC. Mr Nair graduated with a Bachelor of Laws (Honours) from The University College of Wales. He was admitted as a Barrister-at Law, Middle Temple in 1990, a Barrister and Solicitor of the Supreme Court of the Australian Capital Territory in 1991 and an Advocate & Solicitor of the Supreme Court of Singapore in 1992. Mr Nair also serves as an independent director of other listed companies in Singapore.



MS JOANNE KHOO SU NEE Independent Director

Ms Joanne Khoo Su Nee was appointed as an Independent Director of the Company on 3 October 2012. She is currently a director of Bowmen Capital Private Limited, a company that provides business and management consultancy services. She also serves as an Independent Director of TEHO International Inc Ltd. and Excelpoint Technology Ltd., companies listed on the Singapore Exchange Securities Trading Limited. In addition, she serves as an Independent Non-Executive Director of Netccentric Limited, a company listed on the Australian Securities Exchange Ltd. Ms Khoo has more than 21 years of experience in corporate finance and business advisory services. From 2008 to 2012, she was a director of corporate finance at Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited). Prior to this, she was involved in a wide range of corporate finance activities in the employment of Phillip Securities Pte Ltd and Hong Leong Finance Limited. From 2000 to 2004, she was with Stone Forest Consulting Pte Ltd where she was involved in providing consultancy services to companies seeking public listings in Singapore. From 1997 to 2000, she was with PricewaterhouseCoopers. Ms Khoo graduated with a Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology University in 1996. She was admitted as a Certified Public Accountant by the CPA Australia in 1999 and a Chartered Accountant under the Malaysian Institute of Accountants in 2000. She is also a member of the Women Corporate Directors, the world's largest membership organization and community of women corporate board directors.

KEY MANAGEMENT

MR MATHEW SIM SIANG PING General Manager (Appliances Division)

Mr Mathew Sim Siang Ping has been with the Group since 2002. During his 15 years with the Group, he has covered various positions from Retail Manager, Account Manager, Senior Manager (Appliances Division) to presently General Manager (Appliances Division). Mr Sim is fully responsible for the day-to-day running of the Appliances Division, focusing on sales, marketing, after-sales, logistics and product training. Prior to joining Kitchen Culture, he was a store manager for HMV Pte Ltd from 1997 to 2002. From 1992 to 1997, he was a retail sales executive with Kim Hup Lee & Co. (Private) Limited.

MR LEE FOO TUCK Financial Controller

Mr Lee Foo Tuck was appointed as Financial Controller on 19 September 2017. Mr Lee is responsible for the Group's financial and accounting related matters and other corporate and regulatory matters. Mr Lee is a Certified Accountant and is a Fellow of the Association of Chartered Certified Accountants (UK). He has more than 40 years of experience in accounting and finance and has held various managerial positions in several companies prior to joining the Group.



FINANCIAL CONTENTS

21

CORPORATE
GOVERNANCE
REPORT

39

DIRECTORS'
STATEMENT

42

INDEPENDENT
AUDITOR'S
REPORT

47

STATEMENTS
OF FINANCIAL
POSITION

48

CONSOLIDATED
STATEMENT OF
COMPREHENSIVE
INCOME

49

CONSOLIDATED
STATEMENT OF
CHANGES IN
EQUITY

50

STATEMENT OF
CHANGES IN
EQUITY

51

CONSOLIDATED
STATEMENT OF
CASH FLOWS

53

NOTES TO THE
FINANCIAL
STATEMENTS

109

STATISTICS OF
SHAREHOLDINGS

111

NOTICE OF
ANNUAL GENERAL
MEETING

PROXY FORM

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**” or “**Directors**”) of Kitchen Culture Holdings Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) is committed to maintaining a high standard of corporate governance within the Group to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company believes that the Singapore Code of Corporate Governance 2012 (the “**Code**”) serves as a practical guide in defining duties and responsibilities of the Board.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the requirements of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

The Board confirms that for the financial year ended 30 June 2018 (“**FY2018**”), the Company has generally adhered to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: *Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the long-term success of the company. The board works with management to achieve this objective and management remains accountable to the board.*

The Board currently comprises one Executive Director and three Independent Directors, who have the appropriate core competencies and diversity of experience to enable them, in their collective wisdom, to contribute effectively to the Group. The Independent Directors make up more than half of the Board and there is a strong independent element in the Board.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group and to protect and enhance long-term shareholders’ value.

Besides carrying out its statutory responsibilities, the Board’s role is to:

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and Company’s assets;
- review the performance of the Company’s management (the “**Management**”);
- identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- set the Company’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- consider sustainability issues as part of its strategic formulation.

CORPORATE GOVERNANCE REPORT

Every Director, in the course of carrying out his or her duties, acts in good faith and considers at all times, the interest of the Group.

Board committees, namely the Audit Committee (“**AC**”), Nominating Committee (“**NC**”) and Remuneration Committee (“**RC**”), have been established to assist the Board in the discharge of specific responsibilities. These committees are chaired by Independent Directors and function within clearly defined terms of reference and operating procedures.

The Board meets at least twice a year at regular intervals. Telephonic attendance at Board meetings is allowed under the Company’s Constitution. The Board and Board committees may also make decisions by way of circulating resolutions. Besides the scheduled Board meetings, the Board meets on an ad hoc basis as warranted by particular circumstances.

Matters which specifically require the Board’s decision or approval are those involving, but not limited to:

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nominations of Directors for appointment or re-appointment to the Board and appointment of key personnel;
- announcement of half-year and full-year results, the annual report and audited financial statements;
- material acquisitions and disposal of assets;
- major corporate actions;
- declaration of dividends;
- all matters of strategic importance; and
- corporate governance matters including interested person transactions.

There was no new Director appointed in FY2018. When a new Director is to be appointed, he will receive appropriate orientation to familiarise himself with the business and organisation structure of the Group. To get a better understanding of the Group’s business, the newly appointed Director will also be given the opportunity to visit the Group’s operational facilities and meet with the Management. Newly appointed Directors will also be provided with a formal letter setting out their duties and obligations. For newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore, they will attend training courses organised by the Singapore Institute of Directors (“**SID**”) or any other training institution in areas such as director’s obligations and responsibilities, accounting, legal and industry specific knowledge, where appropriate, in connection with their duties.

CORPORATE GOVERNANCE REPORT

When necessary, the existing Directors are provided with updates on changes to the relevant new rules and regulations to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. As part of training for the Board, the Directors are briefed either during Board and Board committee meetings or at specially convened sessions on changes to regulations and accounting standards, as well as industry related matters. During AC meetings, the independent auditor, Nexia TS Public Accounting Corporation, will brief the Directors on the changes in accounting standards as well as key audit matters. The Directors are also encouraged to keep themselves updated on changes to the financial, legal and regulatory requirements or framework and the business environment through reading relevant literature, and may attend appropriate courses, conferences and seminars conducted by bodies such as the SGX-ST and SID, at the Company's expense.

During FY2018, the number of meetings held and attended by each member of the Board is as follows:

Types of Meetings Names of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Lim Wee Li	2	2 [#]	2	2 [*]	1	1 [*]	1	1 [*]
Ong Beng Chye	2	2	2	2 [#]	1	1	1	1
Kesavan Nair	2	2	2	2	1	1 [#]	1	1
Joanne Khoo Su Nee	2	2	2	2	1	1	1	1 [#]

Notes:

Chairman

* By invitation

Board Composition and Guidance

Principle 2: *There should be a strong and independent element on the board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the board's decision making.*

The Board currently consists of four members, three of whom are Independent Directors. This composition complies with the Code's guideline that at least half of the Board should be made up of Independent Directors, where the Chairman of the Board and the Chief Executive Officer (the "CEO") is the same person. The Board includes one female Director in recognition of the value of gender diversity.

Executive Director

Mr Lim Wee Li (Executive Chairman and CEO)

Independent Directors

Mr Ong Beng Chye (Lead Independent Director)

Mr Kesavan Nair

Ms Joanne Khoo Su Nee

CORPORATE GOVERNANCE REPORT

The independence of each Director is subject to annual review by the NC. The NC adopts the definition in the Code as to what constitutes an independent director in its review to ensure the Board consists of persons who, together, will provide core competencies and independent business judgements and perspectives which are necessary to meet the Company's objectives. The Independent Directors have confirmed that they do not have any relationship with the Company or its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company. In this regard, the NC is of the view that Mr Ong Beng Chye, Mr Kesavan Nair and Ms Joanne Khoo Su Nee are independent.

In view that at least half of the Board is made up of Independent Directors, the Board and the NC are satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs.

There was no Director who has served on the Board beyond nine years from the date of his or her first appointment. Should there be any Director who has served on the Board beyond nine years, his or her independence will be subject to more rigorous review, taking into account the need for progressive refreshing of the Board.

The Board, through the NC, has examined its size and composition and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group. The Board and the NC are of the view that no individual or small group of individuals dominates the Board's decision-making process.

There is adequate relevant competence on the part of the Directors, who, as a group, carry specialist backgrounds in law, accounting, finance, business and management as well as strategic planning. The Independent Directors participate actively in Board meetings and provide, amongst other things, strategic guidelines to the Company based on their professional knowledge and experience. They constructively challenge and help develop directions on strategy and review the performance of the Management in achieving agreed targets and objectives. Where necessary, the Independent Directors meet and discuss the Group's affairs without the presence of the Management.

Chairman and Chief Executive Officer

Principle 3: *There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

Mr Lim Wee Li currently assumes the roles of both the Executive Chairman and CEO. As the Executive Chairman, he is responsible for leading the Board to ensure its effectiveness on all respects of its role, ensuring effective communication with shareholders, encouraging constructive relations within the Board and between the Board and the Management, and promoting high standards of corporate governance. With the assistance of the Company Secretary, he also ensures Board meetings are held as required, sets the agenda for the Board meetings and ensures that all members of the Board receive timely and adequate information. As the CEO, he is responsible for the formulation of the Group's strategic directions and expansion plans, and managing the Group's overall business development.

Taking into account the current corporate structure, size, nature and scope of the Group's operations, the Board is of the view that it is not necessary to separate the roles of the Executive Chairman and CEO.

CORPORATE GOVERNANCE REPORT

To promote a high standard of corporate governance, Mr Ong Beng Chye has been appointed as the Lead Independent Director. In accordance with the Code, Mr Ong Beng Chye is available to shareholders when they have concerns where contact through the normal channels of the Executive Chairman and CEO, and/or Financial Controller (or its equivalent role) has failed to resolve or for which such contact is inappropriate. The Independent Directors, led by the Lead Independent Director, discuss or meet amongst themselves without the presence of the Executive Chairman and CEO where necessary. The Lead Independent Director will also provide feedback to the Executive Chairman and CEO after such discussions or meetings.

Board Membership

Principle 4: *There should be a formal and transparent process for the appointment and re-appointment of directors to the board.*

The NC consists of three Independent Directors, namely Mr Kesavan Nair, Mr Ong Beng Chye and Ms Joanne Khoo Su Nee. The Chairman of the NC is Mr Kesavan Nair. The NC has written terms of reference that describe the responsibilities of its members.

The principal functions of the NC are as follows:

- (a) to review and recommend to the Board appointments and re-appointments of the Directors having regard to the Director's contribution and performance;
- (b) to determine, on an annual basis, if a Director is independent, guided by the independence guidelines contained in the Code;
- (c) to decide whether or not a Director is able to and has been adequately carrying out his or her duties as a Director;
- (d) to assess the effectiveness of the Board as a whole and the Board committees as well as the contribution of each Director to the effectiveness of the Board;
- (e) to make plans for succession, in particular for the Chairman of the Board and CEO; and
- (f) to recommend to the Board comprehensive induction training programmes for new Directors and review the training and professional development programmes for the Board.

The NC has reviewed the independence of each Director in accordance with the Code's definition of independence and is satisfied that more than half of the Board is made up of Independent Directors.

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new Directors through the business network of the Board. The NC will generally assess suitable candidates for appointment to the Board based on the requisite qualification, expertise and experience. If the NC decides that the candidate is suitable, the NC then recommends its choice to the Board. Meetings with such candidates may be arranged to facilitate open discussion and the NC's assessment of the candidates.

CORPORATE GOVERNANCE REPORT

The Constitution of the Company provides that at least one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company (“AGM”), and all Directors shall retire from office at least once every three years. A retiring Director is eligible for re-election by shareholders at the AGM.

The NC assesses and recommends to the Board whether retiring Directors are suitable for re-election. The NC, in considering the re-appointment of a Director, evaluates such Director’s contributions in terms of experience, business perspective and attendance at meetings of the Board and/or Board committees and pro-activeness of participation in meetings. Each member of the NC shall abstain from recommending his or her own re-election. The NC has recommended the re-election of two retiring Directors, namely Mr Kesavan Nair and Ms Joanne Khoo Su Nee at the forthcoming AGM. The Board has accepted the NC’s recommendation.

The dates of initial appointment and re-election of the Directors as well as the Directors’ directorships in other listed companies are set out below:

Name of Director	Date of Initial Appointment	Date of Last Re-election	Directorships in Other Listed Companies	
			Present	Past (Last three years)
Lim Wee Li	25 March 2011	27 October 2017	Nil	Nil
Ong Beng Chye	27 June 2011	27 October 2017	• CWX Global Limited (formerly known as Loyz Energy Limited) • Geo Energy Resources Limited • Hafary Holdings Limited • IPS Securex Holdings Limited	• Heatec Jietong Holdings Ltd.
Kesavan Nair	27 June 2011	28 July 2016	• Arion Entertainment Singapore Limited • Artivision Technologies Ltd. • HG Metal Manufacturing Limited • IEV Holdings Limited	Nil
Joanne Khoo Su Nee	3 October 2012	28 July 2016	• Excelpoint Technology Ltd. • Netccentric Limited • TEHO International Inc Ltd.	Nil

Notwithstanding that some of the Directors have multiple board representations, the Board is satisfied that each Director is able to and has been adequately carrying out his or her duties as a Director of the Company. As such, the Board does not propose to set the maximum number of listed company board representations which Directors may hold until such need arises. There is no alternate Director on the Board.

Key information regarding the Directors and information on shareholdings in the Company held by each Director are set out in the “Board of Directors” and “Directors’ Statement” sections of this annual report respectively.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: *There should be a formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board.*

The NC decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which address how the Directors have, individually or collectively, enhanced long-term shareholders' value and contributed to the overall performance of the Group. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and the Board committees and for assessing the contribution of each Director to the effectiveness of the Board on an annual basis. The performance criteria do not change from year to year.

The evaluation of the Board's and Board committee's performance include factors such as Board composition and structure, conduct of meetings, corporate strategy and planning, risk management and internal control, measuring and monitoring performance, training and recruitment, compensation, financial reporting and communicating with shareholders. The individual performance criteria for Directors include qualitative and quantitative factors such as the performance of principal functions and fiduciary duties, level of participation at meetings and attendance record.

Assessment checklists are disseminated to each Director for completion and the assessment results are collated and discussed at the NC meeting. The Executive Chairman will, in consultation with the NC, act on the results of the performance evaluations and where appropriate, propose new members be appointed to the Board or seek the resignation of Directors. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his or her performance or re-nomination as a Director. No external facilitator had been engaged by the Board for this purpose.

Access to Information

Principle 6: *In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

Directors are furnished regularly with information from the Management about the Group as well as the relevant background information relating to the business to be discussed at Board and Board committee meetings. In respect of budgets or internal forecasts, any material variance between the projections and the actual results should be disclosed to and explained to the Board. The Directors are also provided with the contact details of the Management and the Company Secretary to facilitate separate and independent access. The Directors are entitled to request from the Management and should be provided with such additional information as needed to make informed decisions and the Management shall provide the same in a timely manner.

The Company Secretary and/or her representatives attend Board and Board committee meetings. Together with the Management, the Company Secretary is responsible for ensuring that appropriate procedures are followed and that the requirements of the Companies Act, Chapter 50 (the "**Companies Act**") and the provisions in the Catalist Rules are complied with. The appointment and the removal of the Company Secretary is a matter for the Board as a whole. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his or her duties and responsibilities as a Director.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

The RC consists of three Independent Directors, namely Ms Joanne Khoo Su Nee, Mr Ong Beng Chye and Mr Kesavan Nair. The Chairman of the RC is Ms Joanne Khoo Su Nee. The RC has written terms of reference that describe the responsibilities of its members.

The principal functions of the RC are as follows:

- (a) to review and recommend to the Board a general framework of remuneration for the Board and key management personnel and the specific remuneration packages and terms of employment (where applicable) for each Director, key management personnel and employees related to the Directors and substantial shareholders of the Company; and
- (b) to review all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.

The RC reviews the Company's obligations arising from termination clauses and termination processes in relation to the Executive Chairman and CEO, and key management personnel's contracts of service to ensure that such clauses and processes are fair and reasonable.

The RC did not seek any external professional advice on remuneration of the Directors in FY2018. When necessary, the RC would seek independent professional advice on remuneration matters at the expense of the Company, and shall ensure that any relationship between the appointed consultant and the Company or any of its Directors will not affect the independence and objectivity of the remuneration consultant.

Each member of the RC shall abstain from voting on any resolutions in respect of his or her remuneration package.

Level and Mix of Remuneration

Principle 8: *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

The Company has a remuneration policy for its Executive Chairman and CEO, which consists of a fixed component and a variable component. The fixed and variable components are in the form of a base salary and a variable bonus respectively, which takes into account the performance of the Group and the performance of the Executive Chairman and CEO, as well as market rates. The performance-related elements of remuneration are designed to align the Executive Chairman and CEO's interest with those of shareholders and link rewards to corporate and individual performance. In structuring the compensation framework, the Company also takes into account its risk policies, the need for the compensation to be symmetrical with the risk outcomes and the time horizon of risks.

CORPORATE GOVERNANCE REPORT

Mr Lim Wee Li (Executive Chairman and CEO) is paid based on his service agreement with the Company. Under the service agreement, Mr Lim Wee Li will be paid an annual fixed bonus of one month of his last drawn salary. He is also entitled to receive an annual performance bonus based on the audited profit before tax of the Group when it exceeds S\$1,000,000 for the financial year. No annual performance bonus has been paid for FY2018. The service agreement provides that the Company shall be entitled to recover from Mr Lim Wee Li the relevant portion of the bonus and any sum paid under the service agreement in the event that there is a restatement of the financial statements of the Company made to reflect the correction of a misstatement due to error or fraud (not change in accounting principle) during the financial year of the Company, or misconduct of Mr Lim Wee Li resulting in financial loss to the Company. The service agreement is automatically renewed upon expiry on such terms and conditions as the parties may agree, and provided for, *inter alia*, termination by either party upon giving not less than six months' notice in writing.

The Independent Directors do not have service agreements with the Company. They are paid fixed Directors' fees, which are recommended by the RC and determined by the Board, appropriate to the level of their contributions, taking into account factors such as the effort and time spent and the responsibilities of each Independent Director. The Directors' fees are subject to approval by shareholders at the AGM. Except as disclosed, the Independent Directors do not receive any other remuneration from the Company.

The Company currently does not have any employee share option scheme or long-term incentive scheme. The RC will consider recommending the implementation of such scheme for the Directors as well as key management personnel as and when it considers appropriate.

Save for the Executive Chairman and CEO, the RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company. The RC will review such contractual provisions as and when necessary.

Disclosure on Remuneration

Principle 9: *Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

A breakdown, showing the level and mix of each Director's remuneration for FY2018 is as follows:

Remuneration Band and Name of Director	Fee (%)	Salary (%)	Bonus (%)	Benefits (%)	Total (%)
<u>S\$250,000 to below S\$500,000</u>					
Lim Wee Li	—	100	—	—	100
<u>Below S\$250,000</u>					
Ong Beng Chye	100	—	—	—	100
Kesavan Nair	100	—	—	—	100
Joanne Khoo Su Nee	100	—	—	—	100

CORPORATE GOVERNANCE REPORT

A breakdown, showing the level and mix of each key management personnel's remuneration for FY2018 is as follows:

Remuneration Band and Name of Key Management Personnel	Salary (%)	Bonus (%)	Benefits (%)	Total (%)
Below S\$250,000				
Mathew Sim Siang Ping	93	—	7	100
Lee Foo Tuck ⁽¹⁾	100	—	—	100
Tan Cheong Hwai ⁽²⁾	96	—	4	100
Terrence Liew Fook Siong ⁽³⁾	95	—	5	100

Notes:

- (1) Mr Lee Foo Tuck was appointed as Financial Controller on 19 September 2017.
 (2) Mr Tan Cheong Hwai was appointed as Financial Controller and Company Secretary on 1 April 2017 and ceased his employment on 4 September 2017.
 (3) Mr Terrence Liew Fook Siong ceased his employment as General Manager (Appliances Division) on 2 August 2017.

Given the general sensitivity and confidentiality of remuneration matters, the Company is not disclosing in full the remuneration of each Director and key management personnel of the Group. However, the Company adopts the disclosure of remuneration in bands of S\$250,000 which would provide a good overview and is informative of the remuneration of each Director and key management personnel.

The aggregate total remuneration paid to the above key management personnel (excluding the Executive Chairman and CEO) amounted to approximately S\$216,858 for FY2018.

There are no termination, retirement and post-employment benefits that may be granted to Directors, the Executive Chairman and CEO, and key management personnel of the Group. Currently, the Company has not implemented any employee share schemes.

Save for Mrs Nancy Lim, the wife of Mr Lim Wee Li, whose remuneration as Sales Manager was in the range of S\$50,000 to below S\$100,000, there was no employee of the Group who is an immediate family member of the Directors or the Executive Chairman and CEO, and whose remuneration exceeded S\$50,000 in FY2018.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: *The board should present a balanced and understandable assessment of the company's performance, position and prospects.*

For the financial performance reporting via SGXNET, and the annual report to the shareholders, the Board has a responsibility to present a fair assessment of the Group's financial position, including the prospects of the Group. The Board also takes adequate steps to ensure compliance with legislative and regulatory requirements and observes obligations of continuing disclosure under the Catalist Rules.

CORPORATE GOVERNANCE REPORT

The Board reviews compliance requirements with the Management to ensure that the Group complies with the relevant requirements. In line with the requirements of the Catalist Rules, the Board provides a negative assurance statement to the shareholders in its half-year results announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. In addition, the Company had, pursuant to Rule 720(1) of the Catalist Rules, received undertakings from all the Directors and executive officers that they each shall, in the exercise of their powers and duties as directors or executive officers of the Group, use their best endeavours to comply with the provisions of the Catalist Rules and will also procure the Company to do so.

The Management will provide all members of the Board with management accounts of the Group's performance, with explanatory details on its operations on a half-yearly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. Board papers are given prior to any Board meeting to facilitate effective discussion and decision-making.

Risk Management and Internal Controls

Principle 11: *The board is responsible for the governance of risk. The board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.*

The Board is responsible for governance of risk management, and determining the Company's level of risk tolerance and risk policies. The Board consults the independent auditor and internal auditor to determine the risk tolerance level and sets the corresponding risk policies which are implemented by the Management. The Board also oversees the Management in implementing and monitoring the risk management and internal control systems.

The Company has a risk management committee made up of the Executive Chairman and CEO as well as key management personnel. The Management regularly reviews and improves the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate such risks. The Management reviews significant control policies and procedures and highlights significant matters to the Board and the AC.

To enhance the Group's system of internal controls, the Board has appointed an international professional services firm, Wensen Consulting Asia (S) Pte. Ltd., to annually review, recommend and have subsequent rectifications follow-up on the Group's internal control system, and to expand and enhance on its policies and procedures manual. Wensen Consulting Asia (S) Pte. Ltd. and the independent auditor are two separate entities and are independent of each other.

The Board has received assurance from the Executive Chairman and CEO as well as the Financial Controller that (a) the financial records have been properly maintained and the financial statements for FY2018 give a true and fair view of the Group's operations and finances; and (b) the Group has put in place and will continue to maintain a reasonably adequate and effective system of risk management and internal controls.

Based on the internal controls established and maintained by the Group, work performed by the independent auditor and internal auditor within the scope of their audits, and reviews performed by the risk management committee, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal control systems in place are adequate and

CORPORATE GOVERNANCE REPORT

effective in addressing the financial, operational, compliance and information technology risks of the Group as at 30 June 2018. The Board and the AC note that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Group's internal control system.

Audit Committee

Principle 12: *The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.*

The AC consists of three Independent Directors, namely Mr Ong Beng Chye, Mr Kesavan Nair and Ms Joanne Khoo Su Nee. The Chairman of the AC is Mr Ong Beng Chye. The AC has written terms of reference that describe the responsibilities of its members. As Mr Ong Beng Chye and Ms Joanne Khoo Su Nee are trained in accounting and financial management, the Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

The AC shall meet periodically to perform, *inter alia*, the following functions:

- (a) to review the audit plans of the independent auditor and internal auditor, including the results of the independent auditor and internal auditor's review and evaluation of the system of internal controls of the Group;
- (b) to review the annual consolidated financial statements and the independent auditor's report on the financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from their audits including any matters which the independent auditor may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;
- (c) to review the periodic consolidated financial statements comprising the statement of comprehensive income of the Group, statement of cash flows of the Group, statements of financial position of the Group and the Company and statements of changes in equity of the Group and the Company and such other information required by the Catalist Rules before submission to the Board for approval;
- (d) to review and discuss with the independent auditor and internal auditor, any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;
- (e) to review the co-operation given by the Management to the independent auditor;
- (f) to consider the appointment or re-appointment of the independent auditor;
- (g) to review and ratify any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules;
- (h) to review any potential conflicts of interests;

CORPORATE GOVERNANCE REPORT

- (i) to review the procedures by which employees of the Group may, in confidence, report to the chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;
- (j) to undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (k) to undertake generally such other functions and duties as may be required by law or the Catalist Rules, and by such amendments made thereto from time to time.

Apart from the duties listed above, the AC is given the task to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he or she is interested.

The AC has full access to and co-operation from the Management and full discretion to invite any Director and/or key management personnel to attend its meetings, and has reasonable resources to enable it to discharge its functions properly.

The AC had met with the independent auditor and internal auditor, without the presence of the Management to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, and to discuss the observations of the independent auditor and internal auditor on the Management or on processes and procedures of the Group.

The AC constantly bears in mind the need to maintain a balance between the independence and objectivity of the independent auditor and the cost effectiveness of the audit. In the AC's opinion, the independent auditor, Nexia TS Public Accounting Corporation, is suitable for re-appointment and it has accordingly recommended to the Board that Nexia TS Public Accounting Corporation be nominated for re-appointment as auditor of the Company at the forthcoming AGM. During FY2018, the aggregate amount of fees paid or payable to the independent auditor for the audit services is reflected in Note 23 to the audited financial statements of the Group for FY2018. There are no non-audit fees paid or payable to the independent auditor for non-audit services for FY2018.

The Company has complied with Rules 712 and 715 of the Catalist Rules in appointing the audit firms for the Group for FY2018.

The Board has, on the recommendation of the AC, implemented a whistle blowing policy for the Group, with the objective of providing an avenue for the staff of the Group to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware. Details of the whistle blowing policies and arrangements have been made available to the staff of the Group. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action, and provides assurance to the whistle blowers that all actions in good faith will not affect them in their work and staff appraisal. No such whistle blowing letter was received in FY2018.

The AC considered the report from the external auditors, including their findings on the significant risks and audit focus areas. Significant matters that were discussed with Management and the external auditors have been included as Key Audit Matters ("KAM") in the audit report for the financial year ended 30 June 2018 in pages 42 to 45 of this Annual Report.

In assessing the KAM, the AC took into consideration the approach and methodology applied as well as the reasonableness of the estimates and key assumptions used. The AC concluded that Management's accounting treatment and estimates in the KAM were appropriate.

CORPORATE GOVERNANCE REPORT

It is the Company's practice for the independent auditor to present to the AC its audit plan and with updates relating to any change in accounting standards impacting the financial statements. During FY2018, the changes in accounting standards did not have any material impact on the Group's financial statements.

None of the AC members was a previous director or has any financial interest in the Company's existing auditing firm.

Internal Audit

Principle 13: *The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

The AC is aware of the need to establish a system of internal controls within the Group to safeguard the shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of business risks.

The size of the operations of the Group does not warrant the Group having an in-house internal audit function at this juncture. The Company has therefore appointed Wensen Consulting Asia (S) Pte. Ltd., an international professional services firm, to undertake the functions of an internal auditor for the Group. The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The internal auditor reports directly to the AC and administratively to the Executive Chairman and CEO.

Wensen Consulting Asia (S) Pte. Ltd. is an international professional services firm and performs its work based on its internal audit methodology and knowledge base in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

The AC has met with Wensen Consulting Asia (S) Pte. Ltd., without the presence of the Management, to discuss its findings on the Group's observance of internal control measures that are in place.

The AC has reviewed the adequacy and effectiveness of the internal audit function on an annual basis and is satisfied that the internal audit team from Wensen Consulting Asia (S) Pte. Ltd. is adequately resourced and has appropriate qualifications and experience to perform its duties effectively. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including the access to the AC.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: *Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

The Group's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Group ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET. The Group recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company.

CORPORATE GOVERNANCE REPORT

All shareholders are entitled to attend the general meetings of the Company and are afforded the opportunity to participate effectively at such meetings. All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducts poll voting for all resolutions tabled at the general meetings. The rules, including the voting procedures, will be clearly explained by the scrutineers at such general meetings.

Communication with Shareholders

Principle 15: *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. In line with the continuous disclosure obligations of the Company pursuant to the Catalyst Rules, it is the Board's policy to ensure that all shareholders are informed on a timely basis of every significant development that has an impact on the Group. Such information is disclosed in an accurate and comprehensive manner via SGXNET.

The Company does not practise selective disclosure. Results and annual reports are announced or issued within the mandatory period.

The Company conducts its investor relations on the following principles:

- (a) Information deemed to be price-sensitive is disseminated without delay via announcements via SGXNET;
- (b) Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions; and
- (c) Operate an open policy with regard to investors' enquiries, such as through encouraging the active participation of shareholders during AGMs or any other general meetings of the Company.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirement, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. No dividend was paid or proposed for FY2018 as the Group was making a loss in FY2018.

Conduct of Shareholder Meetings

Principle 16: *Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

All shareholders will receive the Company's annual report, circulars and notice of AGM or general meetings. Shareholders will be given the opportunity and time to voice their views and ask Directors or the Management questions regarding the Company at the AGM or any general meetings. Resolutions at general meetings are on each substantially separate issue.

The Chairman of the Board and of each Board committee are required to be present to address questions at the AGM or any general meetings. The independent auditor will also be present at such meetings to assist the Directors to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report. All minutes of AGM or general meetings that include substantial and relevant comments or queries from the shareholders and responses from the Board and the Management are made available to the shareholders upon their request.

CORPORATE GOVERNANCE REPORT

The Constitution of the Company allows any member of the Company, if he is unable to attend a general meeting, to appoint not more than two proxies to attend and vote on his behalf at the meeting through proxy form sent in advance. Pursuant to the provisions of the Companies Act, corporate shareholders of the Company which provide nominee or custodial services are entitled to appoint more than two proxies to attend and vote on their behalf at general meetings provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such corporate shareholders. As the authentication of members' identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

The Board adheres to the requirements of the Catalist Rule where all resolutions are to be voted by way of poll for general meetings. An announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be made after any general meetings. The Company will employ electronic polling if necessary.

ADDITIONAL INFORMATION

Dealing in Securities

The Company has adopted policies in line with the requirements of the Catalist Rules on dealings in the Company's securities.

The Company and its officers are prohibited from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing one month before the date of the announcement of the full-year or half-year results and ending on the date of the announcement of the relevant results.

In addition, Directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

Interested Person Transaction

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such transaction. All interested person transactions will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms, and are not prejudicial to the interests of the Company and its minority shareholders.

Details of the interested person transaction entered into by the Group for FY2018 as required for disclosure pursuant to Rule 1204(17) of the Catalist Rules are set out below:

Name of interested person	Aggregate value of all interested person transactions during FY2018 (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S\$100,000)
Lim Wee Li – Allotment and issuance of 18,477,000 new ordinary shares in the capital of the Company pursuant to the conversion of shareholder's loans of S\$2,500,000 extended by Mr Lim Wee Li to the Company. Shareholders' approval for the conversion have been obtained on 26 June 2018.	S\$2,500,000	Nil

CORPORATE GOVERNANCE REPORT

The Board confirms that the above interested person transaction was entered into on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders.

Non-Sponsor Fees

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's sponsor, SAC Capital Private Limited, for FY2018.

Material Contracts and Loans

With reference to Rule 1204(8) of the Catalist Rules, save as disclosed below, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the Executive Chairman and CEO or any Director or controlling shareholder of the Company, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

Loan Agreement dated 29 April 2015

Mr Lim Wee Li (the "**Lender**"), the Executive Chairman and CEO as well as a controlling shareholder of the Company, had entered into a loan agreement dated 29 April 2015 (the "**Loan Agreement**") with KHL Marketing Asia-Pacific Pte Ltd (the "**Borrower**"), a wholly-owned subsidiary of the Company in relation to the grant of a loan of S\$250,000 (the "**Loan**").

By way of a letter agreement dated 28 April 2017 (the "**Letter Agreement**"), the parties to the Loan Agreement have agreed by mutual agreement in writing to extend the term of the Loan for a further five years. The maturity date of the Loan shall be the date falling five years from the Letter Agreement, being 28 April 2022 (the "**Maturity Date**"). The Maturity Date may be extended by mutual agreement in writing. The quantum of the Loan actually disbursed (the "**Aggregate Indebtedness**") shall be repaid in the following manner:

- (i) Any outstanding Aggregate Indebtedness and Interest (as defined below) shall be repaid by the Borrower to the Lender free from withholding or any form of deduction on the Maturity Date.
- (ii) The Aggregate Indebtedness and Interest may be repaid or prepaid by the Borrower (or any other person on its behalf) whether in full or part thereof at any time prior to the Maturity Date (without incurring any additional penalty) at any time after 1 May 2016 upon giving seven days' notice to the Lender prior to the repayment of the Aggregate Indebtedness and Interest.
- (iii) Upon the occurrence of an event of default provided in the Loan Agreement, the Borrower shall be obliged at the option of the Lender serving seven days' prior written notice on the Borrower to repay the entire Aggregate Indebtedness and Interest in full.

The Loan shall be interest bearing at a simple interest rate of 10% per annum (the "**Interest**") during the term accruing from the date of disbursement of the Loan to the actual repayment of the Loan and calculated on the basis of a 365-day calendar year. Interest shall be payable by the Borrower to the Lender on a monthly basis in arrears on the last day of each month commencing from the date of disbursement of the Loan in such manner as may be requested by the Lender until full repayment or settlement of the Aggregate Indebtedness by the Borrower to the Lender.

Under the Letter Agreement, the parties have also agreed by mutual agreement in writing to remove the corporate guarantee provided by the Company for securing the Loan.

CORPORATE GOVERNANCE REPORT

On 12 February 2018, a deed of novation was entered into between Mr Lim Wee Li and Mr Lim Hon Sean, pursuant to which Mr Lim Wee Li transferred and novated to Mr Lim Hon Sean all of his rights, interests and obligations in respect of the Loan, with effect from 12 February 2018. Mr Lim Hon Sean is currently the Company's Human Resources and Administration Officer and a relative of Mr Lim Wee Li. The deed of novation was entered into for commercial reason. Pursuant to a letter dated 13 February 2018 from Mr Lim Wee Li to the Company, Mr Lim Wee Li has also agreed to waive the interest accrued on the Loan payable for the period from 1 October 2017 to 11 February 2018 which amounted to approximately S\$10,342.

**DIRECTORS'
STATEMENT**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

The directors present their statement to the members together with the audited financial statements of the Group and statement of changes in equity of the Company for the financial year ended 30 June 2018 and the statement of financial position of the Company as at 30 June 2018.

In the opinion of the directors,

- (a) the statement of financial position and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on the pages 47 to 108 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2018 and the changes in equity of the Company and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, based on the assumptions and measures undertaken as described in Note 2 of the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Lim Wee Li
Ong Beng Chye
Kesavan Nair
Joanne Khoo Su Nee

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 30.06.18	At 01.07.17	At 30.06.18	At 01.07.17
The Company				
(No. of ordinary shares)				
Lim Wee Li	93,177,000	74,700,000	—	—
Subsidiary Corporations				
– Kitchen Culture (Hong Kong) Limited				
(No. of ordinary shares)				
Lim Wee Li	—	—	7,000,000	7,000,000
– Kitchen Culture (Macau) Limited				
(No. of ordinary shares)				
Lim Wee Li	—	—	MOP17,500	MOP17,500

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONT'D)

Mr Lim Wee Li, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have interests in the shares of all the subsidiary corporations of the Company.

The directors' interest in the ordinary shares of the Company as at 21 July 2018 were the same as those as at 30 June 2018.

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company or its subsidiary corporations.

As at the end of financial year, there were no unissued shares of the Company under option.

AUDIT COMMITTEE

The members of the Audit Committee at the end of the financial year were as follows:

Mr Ong Beng Chye (Chairman)

Mr Kesavan Nair

Ms Joanne Khoo Su Nee

All members of the Audit Committee were independent and non-executive directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act and the Code of Corporate Governance (the "Code"). The Audit Committee has met 2 times during the financial year ended 30 June 2018 and has reviewed the following, where relevant, with the executive director and external and internal auditors of the Company:

- (a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Company's and the Group's financial and operating results and accounting policies;
- (c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the directors of the Company;
- (d) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Group's internal and external auditors; and
- (f) the re-appointment of the external auditors of the Group.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

AUDIT COMMITTEE (CONT'D)

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors that the independent auditor, Nexia TS Public Accounting Corporation be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

INDEPENDENT AUDITOR

The independent auditor, Nexia TS Public Accounting Corporation has expressed its willingness to accept re-appointment.

On behalf of the directors

Lim Wee Li

Director

8 October 2018

Ong Beng Chye

Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KITCHEN CULTURE HOLDINGS LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Kitchen Culture Holdings Ltd. (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 47 to 108.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 30 June 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KITCHEN CULTURE HOLDINGS LTD.

Key Audit Matters (cont'd)

(1) Accounting for construction contracts in residential projects segment

Refer to Notes 3.16 and 4

Area of focus

For the financial year ended 30 June 2018, revenue from residential projects segment recognised based on percentage-of-completion ("POC") method amounted to \$5,059,770. We focused on revenue recognition for this segment during the year to ensure that revenue was recorded appropriately, as described below.

Contract revenue is recognised by reference to the stage of completion of the project, which in turn is measured by reference to the proportion of value of work certified compared to the total project value. As these contracts are usually long-term, sometimes spanning a number of reporting dates, changes in conditions and circumstances over time can result in variations to the original contract terms or cost overruns. Therefore, the exercise of judgement is required to estimate the stage of completion and the resultant profit margins to be recognised that is recorded in each reporting period.

In the event when it is probable that the total contract costs will exceed the total contract revenue, a provision for all foreseeable losses would be recognised as an expense immediately. This could result from, *inter alia*, disputes over variation works, claims that may be recoverable from customers and cost overruns which require further negotiation and settlements.

As a result of the judgements required to determine the stage of completion and profit margins to be recognised and the adequacy of provision for foreseeable losses that could arise from the on-going contracts, this is a key focus area in our audit.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, we:

- understood and evaluated the effectiveness of the internal controls over revenue recognition and tested, on sample basis, the identified key controls.
- verified the contract amounts to customer contracts and variation orders. Our testing also included evaluating customer acceptance of the work (particularly for variation orders) performed to establish whether contractual milestones had been achieved, assessing the impact of any ongoing disputes, and reviewing the reasonableness of management's estimates of budgeted project costs and cost to complete the contract.
- reviewed journal entries posted to revenue accounts to identify if there are any unusual or irregular items recognised for those significant projects.
- evaluated management's sensitivity analysis to assess the impact on the amount of revenue and contract costs of uncompleted contracts by reasonable possible changes to these estimates.
- assessed the adequacy of provision for foreseeable losses on the projects by analysis of the estimated total costs exceeding the total contract revenue, and identified any major delays and/or cost overruns which might result in loss-making contracts.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KITCHEN CULTURE HOLDINGS LTD.

Key Audit Matters (cont'd)

(2) Valuation of inventories

Refer to Notes 3.10 and 4

Area of focus

For the financial year ended 30 June 2018, the carrying amount of inventories was \$7,281,897. The Group's inventories mainly consist of kitchen appliances and systems, wardrobe systems, household furniture and accessories which are subject to changing consumer demands due to product design, trends and market conditions.

Inventories are measured at the lower of cost (weighted average method) and net realisable value ("NRV"). A review is made periodically by management on excess or obsolete inventories and inventories sold below cost as a result of reduction in customer demand. We focused on this area because significant judgement was involved in management's assessment to estimate the write down of inventories required.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, we:

- tested the reliability of the inventory ageing report through sampling selection.
- discussed the basis of writing down the inventories with the management and assessed the reasonableness of the assumptions used in the estimation of write down of inventories.
- ensured that the write down of inventories is consistent with Group policy.
- identified any obsolete or slow-moving inventories during the physical count observation.
- checked and tested inventories costing and NRV through sampling selection.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KITCHEN CULTURE HOLDINGS LTD.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KITCHEN CULTURE HOLDINGS LTD.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Loh Ji Kin.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
8 October 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Group		Company	
		2018 \$	2017 \$	2018 \$	2017 \$
Assets					
Cash and cash equivalents	5	321,821	755,017	2,692	9,539
Trade receivables	6	5,597,816	10,149,234	—	—
Other receivables	7	2,025,242	1,679,287	8,752,843	4,520,289
Inventories	8	7,281,897	9,364,369	—	—
Tax recoverable		38,223	89,374	—	—
Current assets		15,264,999	22,037,281	8,755,535	4,529,828
Property, plant and equipment	9	615,442	1,114,564	—	—
Investment property	10	246,002	258,825	—	—
Subsidiary corporations	11	—	—	1,500,005	1,500,005
Trade receivables	6	618,250	728,865	—	—
Deferred tax assets	12	337,337	342,926	—	—
Non-current assets		1,817,031	2,445,180	1,500,005	1,500,005
Total assets		17,082,030	24,482,461	10,255,540	6,029,833
Liabilities					
Trade payables	13	5,602,123	7,196,421	—	—
Other payables	14	8,291,859	9,838,534	3,005,535	477,267
Finance lease liabilities	16	42,889	48,093	—	—
Borrowings	17	3,450,655	3,889,551	375,000	375,000
Income tax payable		4,429	4,429	—	—
Current liabilities		17,391,955	20,977,028	3,380,535	852,267
Finance lease liabilities	16	141,651	110,460	—	—
Borrowings	17	1,000,000	3,125,000	—	375,000
Non-current liabilities		1,141,651	3,235,460	—	375,000
Total liabilities		18,533,606	24,212,488	3,380,535	1,227,267
Equity					
Share capital	18	8,731,259	6,231,259	8,731,259	6,231,259
Translation reserve	19	189,862	404,263	—	—
Accumulated losses		(10,221,783)	(6,195,765)	(1,856,254)	(1,428,693)
Capital and reserves attributable to equity holders of the Company		(1,300,662)	439,757	6,875,005	4,802,566
Non-controlling interests		(150,914)	(169,784)	—	—
Total equity		(1,451,576)	269,973	6,875,005	4,802,566
Total liabilities and equity		17,082,030	24,482,461	10,255,540	6,029,833

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Group	
		For the financial year from 1 July 2017 to 30 June 2018 (12 months) \$	For the financial period from 1 January 2016 to 30 June 2017 (18 months) \$
Note			
	20	14,388,410	49,551,428
		(8,111,158)	(34,894,726)
		6,277,252	14,656,702
	21	485,264	247,063
		(4,510,422)	(10,027,887)
		(779,893)	(561,197)
		(4,785,056)	(9,900,683)
		(3,312,855)	(5,586,002)
	22	(701,702)	(1,331,746)
		(4,014,557)	(6,917,748)
	24	—	—
		(4,014,557)	(6,917,748)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
		(206,992)	39,951
		(206,992)	39,951
		(4,221,549)	(6,877,797)
Net (loss)/income attributable to:			
		(4,026,018)	(6,929,855)
		11,461	12,107
		(4,014,557)	(6,917,748)
Total comprehensive (loss)/income attributable to:			
		(4,240,419)	(6,900,507)
		18,870	22,710
		(4,221,549)	(6,877,797)
Loss per share attributable to equity holders of the Company			
(cents per share)			
	25	(4.0)	(6.9)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Group	Note	Attributable to equity holders of the Company					Total equity
		Share capital	Currency translation reserve	Retained earnings/ (Accumulated losses)	Attributable to equity holders of the Company	Non-controlling interests	
		\$	\$	\$	\$	\$	\$
2017							
Beginning of financial period		6,231,259	374,915	734,090	7,340,264	(192,494)	7,147,770
(Loss)/profit for the period		—	—	(6,929,855)	(6,929,855)	12,107	(6,917,748)
Other comprehensive income							
Exchange differences on translation of foreign operations		—	29,348	—	29,348	10,603	39,951
Total comprehensive income/ (loss) for the period		—	29,348	(6,929,855)	(6,900,507)	22,710	(6,877,797)
End of financial period		6,231,259	404,263	(6,195,765)	439,757	(169,784)	269,973

Group	Note	Attributable to equity holders of the Company					Total equity
		Share capital	Currency translation reserve	Accumulated losses	Attributable to equity holders of the Company	Non-controlling interests	
		\$	\$	\$	\$	\$	\$
2018							
Beginning of financial year		6,231,259	404,263	(6,195,765)	439,757	(169,784)	269,973
Issuance of new ordinary shares	18	2,500,000	—	—	2,500,000	—	2,500,000
(Loss)/profit for the year		—	—	(4,026,018)	(4,026,018)	11,461	(4,014,557)
Other comprehensive income							
Exchange differences on translation of foreign operations		—	(214,401)	—	(214,401)	7,409	(206,992)
Total comprehensive (loss)/ income for the year		—	(214,401)	(4,026,018)	(4,240,419)	18,870	(4,221,549)
End of financial year		8,731,259	189,862	(10,221,783)	(1,300,662)	(150,914)	(1,451,576)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Company	Share capital \$	Accumulated losses \$	Total \$
2017			
Beginning of financial period	6,231,259	(916,537)	5,314,722
Total comprehensive loss for the period	—	(512,156)	(512,156)
End of financial period	6,231,259	(1,428,693)	4,802,566
2018			
Beginning of financial year	6,231,259	(1,428,693)	4,802,566
Total comprehensive loss for the year	—	(427,561)	(427,561)
Issuance of new ordinary shares	2,500,000	—	2,500,000
End of financial year	8,731,259	(1,856,254)	6,875,005

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group	
		For the financial year from 1 July 2017 to 30 June 2018 (12 months) \$	For the financial period from 1 January 2016 to 30 June 2017 (18 months) \$
Cash flows from operating activities			
Loss before tax		(4,014,557)	(6,917,748)
Adjustments for:			
– Depreciation of property, plant and equipment	23	713,253	1,198,978
– Amortisation of investment property	23	12,823	18,058
– (Gain)/loss on disposal of property, plant and equipment	23	(93,081)	873
– Property, plant and equipment written off	23	36,198	89,961
– Interest expense	22	701,702	1,331,746
– Interest income	21	(441)	(2,927)
– Unrealised foreign exchange differences		(178,058)	69,374
		(2,822,161)	(4,211,685)
Change in working capital:			
– Inventories		2,082,472	1,396,241
– Trade and other receivables		4,316,078	1,098,650
– Trade and other payables		(2,603,017)	3,352,253
Cash generated from operations		973,372	1,635,459
Income tax refunded/(paid)		51,151	(89,374)
Net cash provided by operating activities		1,024,523	1,546,085
Cash flows from investing activities			
Interest received		441	2,927
Additions to property, plant and equipment		(172,592)	(679,917)
Disposal of property, plant and equipment		93,082	6,080
Net cash used in investing activities		(79,069)	(670,910)
Cash flows from financing activities			
Fixed deposit pledged to bank		(85)	(490)
Proceeds from bank borrowings		197,337	–
Repayment of bank borrowings		(1,642,192)	(5,967,047)
Repayment of finance leases		(56,266)	(91,568)
Repayment of non-convertible loan		(375,000)	–
Drawdown of term loan from directors		1,630,011	3,702,687
Repayment of term loan from directors		(250,000)	–
Interest paid		(379,061)	(1,351,747)
Proceeds of term loan from external third parties		400,000	–
Repayment of term loan from external third parties		(50,000)	(500,000)
Repayment of term loan from shareholders		(250,000)	–
Net cash used in financing activities		(775,256)	(4,208,165)
Net increase/(decrease) in cash and cash equivalents		170,198	(3,332,990)
Cash and cash equivalents			
Beginning of financial year/period		(229,845)	3,090,434
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies		(9,438)	12,711
End of financial year/period	5	(69,085)	(229,845)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Reconciliation of liabilities arising from financing activities

			Non-cash changes				
	1 July 2017	Principal and interest (payments)/ receipts	Offset against assets/ (liabilities)	Issue of share capital	Interest expense	Changes in foreign exchange	30 June 2018
	\$	\$	\$	\$	\$	\$	\$
Bank borrowings	1,697,684	(1,507,945)	—	—	63,090	—	252,829
Non-convertible loan	750,000	(464,910)	—	—	89,910	—	375,000
Finance lease liabilities	158,553	(64,320)	82,800	—	8,054	(547)	184,540
Loan from directors	3,952,687	1,369,532	—	(2,500,000)	10,479	11	2,832,709
Loan from shareholders	1,250,000	(302,397)	(47,740)	—	100,137	—	1,000,000
Loan from external third parties	2,250,000	246,329	(122,753)	—	226,424	—	2,600,000

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

The financial statements of the Group for the financial year ended 30 June 2018 were authorised for issue in accordance with resolution of the Board of Directors of Kitchen Culture Holdings Ltd. on 8 October 2018.

1 GENERAL INFORMATION

Kitchen Culture Holdings Ltd. (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 2 Leng Kee Road, #01-08 Thye Hong Centre, Singapore 159086.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary corporations are set out in Note 11 to the financial statements. The Group is primarily involved in the selling and distribution of imported high-end kitchen systems and appliances, wardrobe systems and household furniture and accessories.

The Group and the Company changed its financial year end from 31 December to 30 June during prior financial period. Accordingly, the comparative figures for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes are for eighteen months from 1 January 2016 to 30 June 2017 and are not entirely comparable.

2 GOING CONCERN

The Group incurred a net loss of \$4.0 million for the financial year ended 30 June 2018 (2017: \$6.9 million), and recorded a net operating cash inflow of \$1.0 million (2017: \$1.5 million). As at 30 June 2018, the Group’s current liabilities exceeded its current assets by \$2.1 million (2017: \$1.1 million).

These financial results indicate the existence of events or conditions on the Group’s ability to continue as a going concern and discharge its liabilities in the ordinary course of business. Nevertheless, the directors believe that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 30 June 2018 is appropriate after taking into consideration the following factors:

- the new contracts secured by the Group amounting to \$6.1 million as announced on 9 February 2018;
- potential contracts in the pipeline totalling \$2.8 million;
- continuing financial support provided by a substantial shareholder, Mr Lim Wee Li who has extended a total loan amount of \$2.8 million to the Group for working capital purposes as at 30 June 2018. In addition, Mr Lim has undertaken to provide any further financial support to enable the Group to continue in operations for the next 12 months from the date of these financial statements, if the need arises;
- addition of new brands of appliances to the Group’s portfolio of products;
- plans to broaden the Group’s business by entering the mass market sector through a re-launch of the Group’s Pureform brand for kitchen and wardrobe systems, and any interior fit-out solutions;

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 GOING CONCERN (CONT'D)

- plans to expand the Group's businesses through KROOM, which retails premium kitchen appliances and accessories, and kitchen and wardrobe systems; and
- possible plans to convert a portion of shareholder's loans and/or other loans granted to the Company into new ordinary shares in the capital of the Company.

In the event that the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to reclassify non-current assets and non-current liabilities to current assets and liabilities respectively. The financial statements do not include any adjustments which may arise from these uncertainties.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Interpretations and amendments to published standards effective in 2018

On 1 July 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 7 Statement of cash flows

The amendment to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosure in Consolidated Statement of Cash Flows to the financial statements.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Adoption of new and revised standards

Below are the mandatory standards, amendments and interpretations to existing standards that have been published and are relevant for the Group's accounting periods beginning on or after 1 July 2018 or later periods:

Effective for annual periods beginning on or after 1 January 2018

- FRS 109 Financial Instruments

FRS 109 replaces FRS 39 Financial instruments: Recognition and Measurement and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes.

There is also now a new expected credit losses impairment model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 July 2018 (Note 30). The new accounting framework has similar requirements of FRS 109 and the management does not expect significant adjustments to the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Adoption of new and revised standards (cont'd)

Effective for annual periods beginning on or after 1 January 2018 (cont'd)

- FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 11 Construction Contracts, FRS 18 Revenue, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 July 2018 (Note 30). The new accounting framework has similar requirements of FRS 115 and the management does not expect significant adjustments to the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Adoption of new and revised standards (cont'd)

Effective for annual periods beginning on or after 1 January 2019

- FRS 116 Leases

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$1,525,735 (Note 27). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments of the Group may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The Group is required to adopt a new accounting framework from 1 July 2018 (Note 30). The new accounting framework has similar requirements of FRS 116.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiary corporations. Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Basis of consolidation (cont'd)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary corporation begins when the Company obtains control over the subsidiary corporation and ceases when the Company loses control of the subsidiary corporation. Specifically, income and expenses of a subsidiary corporation acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary corporation.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiary corporations is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary corporations to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiary corporations

Changes in the Group's ownership interest in subsidiary corporations that do not result in the Group losing control over the subsidiary corporations are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in their subsidiary corporations. Any difference between the amount of which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Basis of consolidation (cont'd)

Changes in the Group's ownership interests in existing subsidiary corporations (cont'd)

When the Group loses control of a subsidiary corporation, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary corporation and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary corporation are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary corporation (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary corporation at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiary corporations are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

3.4 Business combination

Acquisitions of subsidiary corporations and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Business combination (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 Income Taxes and FRS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting date in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

The Group classifies financial assets into the loans and receivables category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Loans and receivables comprise cash and cash equivalent and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

Financial liabilities

Financial liabilities are classified as either financial liabilities “at fair value through profit or loss” or other financial liabilities.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing loans, bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group’s accounting policy for borrowing costs.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at fair value through profit or loss, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation in accordance with FRS 18 Revenue.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group have a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available currently rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.7 Construction contracts

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Construction contracts (cont'd)

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability under trade and other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

3.8 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially measured at fair value, and subsequently carried at amortised cost using the effective interest method.

3.9 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than asset under construction, over their estimated useful lives, using the straight-line method, as follows:

	<u>No. of years</u>
Leasehold property	over the lease terms of 25 years
Renovations	5 years
Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 to 10 years
Operating equipment	5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

3.12 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. The Group has elected to measure its investment property using the cost model. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment loss.

The investment property is depreciated over the shorter of the lease term and its useful life unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful life of the investment property is the shorter of its lease term of 23 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Impairment of tangible assets

At the end of each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit ("CGU") is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Provisions (cont'd)

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it.

Warranties

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Group's obligations.

3.15 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.16 Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Revenue recognition (cont'd)

Rendering of services

Revenue from service is recognised during the financial year in which the services are rendered by reference to the completion of actual service provided as a proportion of the total services to be performed.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and they are capable of being reliably measured. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to progress of construction work based on surveys of work performed to date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

At the reporting date, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade payables".

Progress billings not yet paid by customers and retentions by customers are included within "trade receivables". Advances received are included within "trade payables".

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income

The Group's policy for recognition of revenue from operating leases is described in Note 3.6.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.18 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

3.19 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting date.

3.20 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiary corporations operate by the end of the reporting date.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Income tax (cont'd)

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiary corporations and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Foreign currency transactions and translation

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore Dollar ("S\$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore Dollar using exchange rates prevailing at the end of the reporting date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary corporation that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Foreign currency transactions and translation (cont'd)

In the case of a partial disposal (i.e. no loss of control) of a subsidiary corporation that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

3.23 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash on hand and fixed deposits, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.24 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies and assessment of going concern, which are described in Notes 2 and 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

Management did not make any material judgements that have significant effect on the amounts recognised in the financial statements except for those affecting accounting estimates as disclosed below.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowance for doubtful debts

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts require the use of judgement and estimates. Where the expectation is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate have been changed. The carrying amounts of the Group's trade and other receivables and the related allowances for doubtful debts are disclosed in Notes 6 and 7 to the financial statements respectively.

If the net present values of estimated cash flows had been higher or lower by 10% from management's estimates for all past due but not impaired loans and receivables, the allowance for impairment of the Group would have been higher by \$258,483 (2017: \$333,297).

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

4 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty (cont'd)

Valuation of inventories

A review is made periodically on inventory for obsolete and excess inventory and declines in net realisable value below cost and a write off or write down is recorded against the carrying amount of the inventory balance for any such obsolescence, excess and declines. The realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting date and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of write off or write down include management's expectations for future sales and inventory management which may materially affect the carrying amount of inventories as at financial year end. Possible changes in these estimates could result in revisions to the stated value of the inventories but these changes would not arise from the assumptions or other sources of estimation uncertainty at the end of the financial year. As at 30 June 2018, management has inventories written down of \$Nil (2017: \$113,409) during the year.

The carrying amount of inventories at the end of the financial year are disclosed in Note 8.

Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the project activity at the end of reporting date, when the outcome of a construction project can be estimated reliably. The stage of completion is measured by reference to the proportion of value of work certified for work performed to-date compared to the total project revenue.

Significant assumptions are required in determining the stage of completion, the extent of the project costs incurred, the estimated total project revenue and total budgeted project costs, as well as the recoverability of the projects. Total project revenue also includes an estimation of the variation works and claims that are recoverable from the customers. In making these estimates, the Group relies on past experience and knowledge of the project managers.

If the revenue on uncompleted contracts at the reporting date had been higher/lower by 10% from management's estimates, the Group's revenue would have been approximately higher/lower by \$3,236,912 (2017: \$3,785,368) respectively.

If the contract costs of uncompleted contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's profit would have been lower/higher by \$265,381 (2017: \$891,118) respectively.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

5 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Bank balances	153,741	587,022	2,692	9,539
Fixed deposit	168,080	167,995	–	–
	321,821	755,017	2,692	9,539

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2018	2017
	\$	\$
Cash and cash equivalents (as above)	321,821	755,017
Less: Pledged fixed deposit	(168,080)	(167,995)
Less: Bank overdraft (Note 17)	(222,826)	(816,867)
Cash and cash equivalents in the consolidated statement of cash flows	(69,085)	(229,845)

Fixed deposit bears interest rate of 0.05% (2017: 0.05%) per annum with maturity date of one month after the end of the reporting date. The fixed deposit is pledged to a bank to secure banking facilities.

6 TRADE RECEIVABLES

	Group	
	2018	2017
	\$	\$
<u>Current</u>		
Trade receivables	3,033,106	7,426,308
Retention sums (Note 15)	1,649,980	1,910,415
	4,683,086	9,336,723
Allowance for doubtful receivables	(378,838)	(305,592)
Net trade receivables	4,304,248	9,031,131
Amount due from customers on construction contracts (Note 15)	1,293,568	1,118,103
	5,597,816	10,149,234
<u>Non-current</u>		
Retention sums (Note 15)	618,250	728,865

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

6 TRADE RECEIVABLES (CONT'D)

Movement in allowance for doubtful receivables:

	Group	
	2018	2017
	\$	\$
Beginning of financial year/period	305,592	940,093
Allowance made during the year/period (Note 23)	185,513	72,889
Written back during the year/period (Note 23)	(14,076)	(48,365)
Written off during the year/period	(100,155)	(658,084)
Exchange differences	1,964	(941)
End of financial year/period	378,838	305,592

The average credit period on sale of goods is 60 days (2017: 60 days). No interest is charged on the trade receivables. Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically.

Trade receivables are provided for based on estimated irrecoverable amounts determined by reference to past default experience, including customers who have exhibited indicators of possible default. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Included in the Group's trade receivables are debtors with carrying amounts of \$2,584,829 (2017: \$3,332,967) which are past due at the end of the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The table below is an analysis of trade receivables as at the end of reporting date:

	Group	
	2018	2017
	\$	\$
Not past due and not impaired	3,631,237	7,545,132
Past due but not impaired ^(a)	2,584,829	3,332,967
	6,216,066	10,878,099
Impaired receivables – individually assessed ^(b)		
Past due more than 180 days	378,838	305,592
Less: Allowance for impairment	(378,838)	(305,592)
	–	–
Trade receivables, net	6,216,066	10,878,099

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

6 TRADE RECEIVABLES (CONT'D)

(a) Aging of receivables that are past due but not impaired:

	Group	
	2018	2017
	\$	\$
1 day to 60 days	569,578	1,381,574
More than 60 days	2,015,251	1,951,393
	2,584,829	3,332,967

(b) These amounts are stated before any deduction for impairment losses.

7 OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Deposits	649,620	859,902	—	—
Prepayments	228,663	134,830	16,433	5,500
Advances to suppliers	855,770	553,752	—	—
Other receivables	291,189	130,803	—	—
Amounts due from subsidiary corporations	—	—	9,791,462	5,569,841
	2,025,242	1,679,287	9,807,895	5,575,341
Allowance for doubtful receivables	—	—	(1,055,052)	(1,055,052)
	2,025,242	1,679,287	8,752,843	4,520,289

Amount due from subsidiary corporations are non-trade in nature, unsecured, interest free and repayable on demand.

Movement in allowance for doubtful receivables:

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Beginning and end of financial year/period	—	—	1,055,052	1,055,052

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

8 INVENTORIES

	Group	
	2018 \$	2017 \$
Finished goods – at net realisable value	7,281,897	9,222,424
Goods-in-transit – at cost	–	141,945
	7,281,897	9,364,369

The cost of inventories recognised as an expense includes \$Nil (2017: \$113,409) in respect of write-downs of inventory to net realisable value and \$555,408 (2017: \$139,511) in respect of inventory written off, and has been offset by \$25,399 (2017: \$Nil) in respect of reversal of previously written down inventories in the current financial year. The charge and reversal to the current financial year profit or loss were included in "Other operating expenses".

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

9 PROPERTY, PLANT AND EQUIPMENT

Group	Renovations \$	Furniture and fittings \$	Office equipment \$	Motor vehicles \$	Operating equipment \$	Total \$
Cost						
At 1 January 2016	2,234,284	475,539	736,588	1,106,951	25,030	4,578,392
Additions	600,407	1,693	16,163	134,759	4,395	757,417
Written off	(670,326)	(41,375)	(3,808)	(52,004)	–	(767,513)
Disposal	–	–	–	(161,196)	(20,500)	(181,696)
Exchange differences	(58,438)	(4,487)	(4,215)	(5,122)	–	(72,262)
At 30 June 2017	2,105,927	431,370	744,728	1,023,388	8,925	4,314,338
Additions	74,163	2,650	40,579	138,000	–	255,392
Written off	(489,307)	(91,915)	(13,740)	(27,967)	–	(622,929)
Disposal	–	–	–	(340,000)	–	(340,000)
Exchange differences	(5,841)	390	878	(451)	–	(5,024)
At 30 June 2018	1,684,942	342,495	772,445	792,970	8,925	3,601,777
Accumulated depreciation						
At 1 January 2016	1,204,725	349,783	409,487	904,838	22,042	2,890,875
Depreciation for the period	843,416	91,262	156,030	105,197	3,073	1,198,978
Written off	(580,365)	(41,375)	(3,808)	(52,004)	–	(677,552)
Disposal	–	–	–	(154,245)	(20,498)	(174,743)
Exchange differences	(28,808)	(3,753)	(2,560)	(2,663)	–	(37,784)
At 30 June 2017	1,438,968	395,917	559,149	801,123	4,617	3,199,774
Depreciation for the year	506,659	24,927	88,174	92,551	942	713,253
Written off	(468,547)	(91,627)	(13,021)	(13,536)	–	(586,731)
Disposal	–	–	–	(339,999)	–	(339,999)
Exchange differences	(910)	420	514	14	–	38
At 30 June 2018	1,476,170	329,637	634,816	540,153	5,559	2,986,335
Carrying amount						
At 30 June 2017	666,959	35,453	185,579	222,265	4,308	1,114,564
At 30 June 2018	208,772	12,858	137,629	252,817	3,366	615,442

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

9 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Included in the additional consolidated financial statements is motor vehicles acquired under finance lease, amounting to \$82,800 (2017: \$77,500).

The Group has motor vehicles with carrying amounts of \$209,325 (2017: \$128,651) under finance leases arrangements.

10 INVESTMENT PROPERTY

	Group	
	2018	2017
	\$	\$
Cost		
Beginning of financial year/period	258,825	276,883
Amortisation charge for the year/period (Note 23)	(12,823)	(18,058)
End of financial year/period	246,002	258,825

The Group's investment property is held for capital appreciation and/or to earn rental and is expected to be recovered through sale. The Group has recognised rental income amounting to \$9,202 (2017: \$7,207) in profit and loss. There are no significant direct operating expenses (including repairs and maintenance) incurred on the investment property.

The investment property held by the Group is as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
Unit 91, Montigo Resorts, Nongsa, Batam, Riau Island	Holiday resort	Leasehold	19 years

Fair value measurement of the Group's investment property

The fair value measurement of investment property not carried at fair value but for which fair values are disclosed has been categorised as a Level 2 fair value based on the inputs to the valuation technique which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group's investment property as at 30 June 2018 was valued by the directors of the Group who formed an opinion based on transactions of similar property in the vicinity and that the value of the investment property is approximately \$718,000 (2017: \$670,000).

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

11 SUBSIDIARY CORPORATIONS

	Company	
	2018	2017
	\$	\$
Unquoted equity shares at cost	1,500,005	1,500,005

Details of significant subsidiary corporations are as follows:

Name of subsidiary corporation	Principal activities	Country of incorporation and operations	Proportion or ordinary shares held by the Group		Proportion or ordinary shares held by non-controlling interests	
			2018	2017	2018	2017
			%	%	%	%
<u>Held by the Company</u>						
KHL Marketing Asia-Pacific Pte. Ltd. ("KHLM")	Sales and distribution of kitchen system and appliances, wardrobe system, household furniture and appliances	Singapore	100	100	—	—
Kitchen Culture (China) Limited ⁽ⁱ⁾	Dormant	Hong Kong	100	100	—	—
KHL (Hong Kong) Limited ⁽ⁱⁱ⁾	Investment holding	Hong Kong	100	100	—	—
Beef Up Global Pte. Ltd. ^(iv)	Dormant	Singapore	100	—	—	—
<u>Held by KHL Marketing Asia-Pacific Pte. Ltd.</u>						
Kitchen Culture Sdn. Bhd. ⁽ⁱⁱⁱ⁾	Trading in furniture and fittings, kitchen equipment and related products	Malaysia	100	100	—	—
Kitchen Culture Pte. Ltd. ^(v)	Dormant	Singapore	100	100	—	—
Haus Furnishings and Interiors Pte. Ltd.	Provision of labour services	Singapore	100	100	—	—
KCube Pte. Ltd.	Trading in mid-range kitchen equipment and related products	Singapore	100	100	—	—

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

11 SUBSIDIARY CORPORATIONS (CONT'D)

Name of subsidiary corporation	Principal activities	Country of incorporation and operations	Proportion or ordinary shares held by the Group		Proportion or ordinary shares held by non-controlling interests	
			2018 %	2017 %	2018 %	2017 %
Held by KHL Marketing Asia-Pacific Pte. Ltd. (Cont'd)						
Kitchen Culture (Sichuan) Co., Ltd. ⁽ⁱⁱⁱ⁾	Sales and distribution of kitchen systems and appliances, wardrobe system, household furniture and appliances	The People's Republic of China	100	100	—	—
KCROOM Pte. Ltd. ^(v)	Dormant	Singapore	100	100	—	—
Held by KHL (Hong Kong) Limited						
Kitchen Culture (Macau) Limited ^(iv)	Dormant	Macau	70	70	30	30
Kitchen Culture (Hong Kong) Limited ⁽ⁱ⁾	Sales and distribution of kitchen system, kitchen appliances, wardrobe system, household furniture and appliances	Hong Kong	70	70	30	30

The above subsidiary corporations are audited by Nexia TS Public Accounting Corporation Singapore except for the subsidiary corporations that are indicated below:

- (i) Audited by Fan, Chan & Co, Hong Kong ("FC")
- (ii) Audited by Nexia SSY, Malaysia
- (iii) Audited by Grant Thornton LLP, China ("GT")
- (iv) Audited by Keng Ou CPAs, Macau ("KOCPA")
- (v) Not required to be audited

The Board of Directors and the Audit Committee of the Company have reviewed the profile of GT and KOCPA, and having considered that the subsidiary corporations audited by these firms are not significant subsidiary corporations, the Board of Directors and the Audit Committee are satisfied that their appointment would not compromise the standard and effectiveness of the audit of the Group.

No summarised financial information for the subsidiary corporations are presented as management is of the opinion that the subsidiary corporations with non-controlling interests are not material to the Group.

There were no material transactions with non-controlling interests for the financial year/period ended 30 June 2018 and 30 June 2017.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

12 DEFERRED INCOME TAXES

The following are the deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current reporting date and prior reporting period:

	Property, plant and equipment \$	Tax loss carry forward \$	Total \$
Group			
At 1 January 2016	(83,754)	(266,828)	(350,582)
Exchange differences	2,294	5,362	7,656
At 30 June 2017	(81,460)	(261,466)	(342,926)
Exchange differences	1,675	3,914	5,589
At 30 June 2018	(79,785)	(257,552)	(337,337)

Subject to the agreement by the tax authorities, at the end of the reporting date, the Group has unutilised tax losses of \$13,192,071 (2017: \$10,496,085) available for offset against future profits. A deferred tax asset has been recognised in respect of \$257,552 (2017: \$261,466) of such losses based on management's assessment of probable taxable profits of a subsidiary corporation. Deferred tax assets in respect of the following items have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

	Group	
	2018 \$	2017 \$
Deductible temporary differences	585,120	353,036
Unutilised tax losses	11,677,059	8,958,050
Unabsorbed capital allowances	141,622	104,253
	12,403,801	9,415,339

Unutilised tax losses may be carried forward indefinitely subject to the conditions imposed by the tax authorities including the retention of majority shareholders as defined.

13 TRADE PAYABLES

	Group	
	2018 \$	2017 \$
Trade payables	1,825,806	2,779,022
Sales deposits received	3,549,410	3,714,218
Amounts due to customers on projects (Note 15)	226,907	703,181
	5,602,123	7,196,421

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

14 OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Other payables	4,020,042	3,625,632	400,756	216,267
Loan from directors	2,832,709	3,702,687	2,218,979	–
Loan from a shareholder of a subsidiary corporation	434,627	1,728,989	–	–
Accrued operating expenses	1,004,481	781,226	385,800	261,000
	8,291,859	9,838,534	3,005,535	477,267

The loan from a director and shareholder of a subsidiary corporation is unsecured, interest-free and repayable on demand except for an amount of \$434,627 (2017: \$1,331,250) relating to loan from a shareholder of a subsidiary corporation which bears interest of 10% per annum.

15 CONSTRUCTION CONTRACTS

	Group	
	2018	2017
	\$	\$
Amounts due from contract customers included in trade receivables (Note 6)	1,293,568	1,118,103
Amounts due to contract customers included in trade payables (Note 13)	(226,907)	(703,181)
	1,066,661	414,922
Costs incurred plus recognised profits (less recognised losses to date)	77,091,727	112,089,833
Less: Progress billings	(76,025,066)	(111,674,911)
	1,066,661	414,922
Retention sums held by customers included in trade receivables:		
– Current (Note 6)	1,649,980	1,910,415
– Non-current (Note 6)	618,250	728,865
	2,268,230	2,639,280

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

16 FINANCE LEASE LIABILITIES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
	\$	\$	\$	\$
Minimum lease payments due:				
– Not later than one year	51,367	54,562	42,889	48,093
– Between one and five years	162,217	137,346	141,651	110,460
	213,584	191,908	184,540	158,553
Less: Future finance charges	(29,044)	(33,355)	–	–
Present value of finance lease liabilities	184,540	158,553	184,540	158,553
Less: Amount due for settlement within 12 months (shown as current liabilities)			(42,889)	(48,093)
Amount due for settlement after 12 months			141,651	110,460

Finance lease terms are for an average of 7 years (2017: 7 years). The average effective borrowing rate was 2.3% to 2.8% (2017: 1.9% to 2.8%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Finance lease liabilities was guaranteed by the Company's Director, namely Lim Wee Li of \$89,489 (2017: \$83,823) and the Company of \$95,051 (2017: \$74,730).

The fair value of the Group's lease obligations approximates its carrying amount.

17 BORROWINGS

Group	Year of Maturity	Group		Company	
		2018	2017	2018	2017
		\$	\$	\$	\$
Borrowings from financial institutions					
Term loan I	2018	55,492	522,078	–	–
Term loan II	2017	–	20,811	–	–
Term loan III	2017	–	61,453	–	–
Term loan IV	2018	–	224,519	–	–
Short term revolving loans	2018	197,337	–	–	–
Accounts receivable financing	2018	–	688	–	–
Bills payable	2018	–	868,135	–	–
Non-convertible bond	2019	375,000	750,000	375,000	750,000
Bank overdraft (Note 5)		222,826	816,867	–	–
		850,655	3,264,551	375,000	750,000

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

17 BORROWINGS (CONT'D)

Group	Year of Maturity	Group		Company	
		2018 \$	2017 \$	2018 \$	2017 \$
Borrowings from non-financial institutions					
Loan from a director	2018	—	250,000	—	—
Loan from shareholders	2018	1,000,000	1,250,000	—	—
Loan from other third parties	2018	2,600,000	2,250,000	—	—
		3,600,000	3,750,000	—	—
		4,450,655	7,014,551	375,000	750,000
Presented as:					
Current		3,450,655	3,889,551	375,000	375,000
Non-current		1,000,000	3,125,000	—	375,000
		4,450,655	7,014,551	375,000	750,000

Term loan I

Term loan I bears interest at 2.5% fixed rate per annum and is repayable in 48 monthly instalments of \$43,828 commencing 1 July 2014.

Term loan II

Term loan II bears interest at 3.0% fixed rate per annum and is repayable in 36 monthly instalments of \$27,778 commencing 14 March 2014. The term loan has been fully repaid during the financial year.

Term loan III

Term loan III bears interest at 2.95% fixed rate per annum and is repayable in 36 monthly instalments of \$24,189 commencing 30 September 2014. The term loan has been fully repaid during the financial year.

Term loan IV

Term loan IV bears interest at 3.0% fixed rate per annum and is repayable in 36 monthly instalments of \$15,139 commencing 6 November 2015. The term loan has been fully repaid during the financial year.

Short-term revolving loans

The short-term revolving loans bear interest at interest rates at 4.0% per annum above the bank's cost of funds and are repayable within 5 months after the end of the reporting date.

Accounts receivable financing

In previous financial period, accounts receivable financing relates to bank financing on certain sales invoices, and bears interest rates at 3.43% per annum and are repayable within 3 months after the end of the reporting period. The accounts receivable financing has been fully repaid during the financial year.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

17 BORROWINGS (CONT'D)

Bills payable

In previous financial period, bills payable to banks bear effective interest rates ranging from 1.85% to 3.00% per annum and are repayable within 6 months after the end of the reporting period. The bills payable has been fully repaid during the financial year.

Non-convertible bond

The non-convertible bond is secured by the Company's ordinary shares held by the substantial shareholder, bears interest of 9% per annum and is repayable in full on 18 May 2019.

Except non-convertible bond, all other borrowings from financial and non-financial institutions are secured by corporate guarantees from the Company.

Borrowings from non-financial institutions

Borrowings from non-financial institutions bear interest at 10% fixed rate per annum and is repayable upon maturity on 31 December 2018 except for \$1,000,000 loan repayable after next 12 months.

Breach of loan covenant

30 June 2017

The Group has a secured overdraft facility amounting to \$1,000,000 at 30 June 2017 with a bank (the "Bank"). This facility is repayable on demand. The facility contains covenants stating that at the end of the year, the Group shall maintain a minimum consolidated tangible net worth (defined as consolidated total assets less consolidated total liabilities and intangibles) of \$5,000,000.

As at 30 June 2017, the Group's tangible net worth were \$269,973. As a result of this breach in facility covenant, the Bank has called for the overdraft amount of \$541,667 as at 20 September 2017 to be reduced by \$50,000 monthly with effect from 1 November 2017.

Credit facilities from other financial institutions continue to be available to the Group and a director has provided short term advances amounting to \$3.7 million as at 30 June 2017 to meet the Group's short-term working capital requirements.

The advances from a director are unsecured, interest-free and are repayable on demand. As at the date of these financial statements, the director undertakes not to demand for repayments unless the Group has sufficient funds to meet its obligations as and when due.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

17 BORROWINGS (CONT'D)**Fair value of non-current borrowings**

Group	Group	
	2018 \$	2017 \$
Non-financial institutions	<u>844,347</u>	<u>2,991,417</u>

The fair values above are determined from cash flow analysis, discounted at market borrowing rates of an equivalent instrument at the reporting date which the directors expect to be available to the Group as follows:

	2018 %	2017 %
Non-financial institutions	<u>2.86</u>	<u>2.86</u>

18 SHARE CAPITAL

	Group and Company			
	No. of shares		Amount	
	2018	2017	\$	\$
Issued and paid-up				
Beginning of financial year	100,000,000	100,000,000	6,231,259	6,231,259
Shares issued	<u>18,477,000</u>	<u>—</u>	<u>2,500,000</u>	<u>—</u>
End of financial year	<u>118,477,000</u>	<u>100,000,000</u>	<u>8,731,259</u>	<u>6,231,259</u>

During the financial year, the Company issued and allotted 18,477,000 new ordinary shares with no par value for a total consideration of \$2,500,000 for working capital purposes. The shares were issued to a director of the Company and the consideration is settled through capitalisation of loan from the director.

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

19 TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiary corporations into Singapore Dollar are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of translation reserve.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

20 REVENUE

	Group	
	For the financial year from 1 July 2017 to 30 June 2018 (12 months) \$	For the financial period from 1 January 2016 to 30 June 2017 (18 months) \$
Revenue from construction contracts	5,059,770	32,579,783
Sales of goods	9,076,561	16,658,114
Rendering of services	252,079	313,531
	14,388,410	49,551,428

21 OTHER INCOME

	Group	
	For the financial year from 1 July 2017 to 30 June 2018 (12 months) \$	For the financial period from 1 January 2016 to 30 June 2017 (18 months) \$
Government grant	65,261	63,387
Insurance claimed	151,556	—
Interest income on bank deposits	441	2,927
Reimbursement from supplier	100,226	—
Service income	86,958	110,550
Sundry income	80,822	70,199
	485,264	247,063

22 FINANCE COST

	Group	
	For the financial year from 1 July 2017 to 30 June 2018 (12 months) \$	For the financial period from 1 January 2016 to 30 June 2017 (18 months) \$
Accretion of interest on deferred consideration and loan	189,055	70,523
Interest expense on loans and bills payable	504,593	1,250,047
Finance lease interest	8,054	11,176
	701,702	1,331,746

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

23 LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting):

	Group	
	For the financial year from 1 July 2017 to 30 June 2018 (12 months) \$	For the financial period from 1 January 2016 to 30 June 2017 (18 months) \$
Allowance for doubtful receivables:		
– trade (third parties) (Note 6)	185,513	72,889
Allowance for doubtful trade receivables written back (Note 6)	(14,076)	(48,365)
Bad debts written-off	459,793	5,998
Other receivables written off (third parties)	–	47,376
Audit fees paid to:		
– auditors of the Company	75,000	75,000
– other auditors	47,561	54,682
Cost of inventories recognised as an expense included in cost of sales	3,485,341	6,679,349
Depreciation of property, plant and equipment (Note 9)	713,253	1,198,978
Depreciation of investment property (Note 10)	12,823	18,058
Directors' fees	106,000	106,000
Inventories written down	–	113,409
Inventories written off	555,408	139,511
Reversal of inventories written down	(25,399)	–
Net (gain)/loss on foreign exchange difference	(487,145)	204,940
Net (gain)/loss on disposal of property, plant and equipment	(93,081)	873
Property, plant and equipment written off	36,198	89,961
Rental expense on operating lease	2,369,901	6,307,103
Salaries and related costs	4,407,742	7,879,059
Contributions to defined contribution plans	376,380	636,788

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

24 INCOME TAX EXPENSE

There is no chargeable income during the financial year/period ended 30 June 2018 and 30 June 2017.

	Group	
	For the financial year from 1 July 2017 to 30 June 2018 (12 months) \$	For the financial period from 1 January 2016 to 30 June 2017 (18 months) \$
<i>Reconciliation of effective tax rate</i>		
Loss before income tax	(4,014,557)	(6,917,748)
Tax calculated using Singapore tax rate of 17% (2017: 17%)	(682,475)	(1,176,017)
Effect of different tax rates in other countries	(42,843)	(151,253)
Income not subject to tax	(151,076)	(85,082)
Effects of unrecognised tax benefits	508,039	715,326
Expenses not deductible for tax purposes	368,355	697,026
Income tax expense	—	—

25 LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to equity holders of the Company is based on the following:

	Group	
	For the financial year from 1 July 2017 to 30 June 2018 (12 months) \$	For the financial period from 1 January 2016 to 30 June 2017 (18 months) \$
Loss for the year attributable to equity holders of the Company	(4,026,018)	(6,929,855)
Weighted average number of ordinary shares in issue	100,101,244	100,000,000
Basic and diluted loss per share	(4.0)	(6.9)

Diluted loss per share is the same as basic loss per share as there was no potential dilutive ordinary shares.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting year.

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
<u>Loans and receivables</u>				
Trade and other receivables*	7,156,875	11,868,804	8,736,410	4,514,789
Cash and cash equivalents	321,821	755,017	2,692	9,539
	7,478,696	12,623,821	8,739,102	4,524,328
Financial liabilities				
<u>Other financial liabilities at amortised cost</u>				
Trade and other payables**	10,117,665	12,617,556	3,005,535	477,267
Finance lease liabilities	184,540	158,553	—	—
Borrowings	4,450,655	7,014,551	375,000	750,000
	14,752,860	19,790,660	3,380,535	1,227,267

* Excludes prepayments and advances to suppliers

** Excludes sales deposits received and amount due to customers on projects

(b) *Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

The Group and the Company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

(c) *Financial risk management policies and objectives*

The Group is exposed to various financial risks arising from the normal course of business. It has adopted risk management policies and utilises a variety of techniques to manage its exposure to these risks. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board with management is responsible for developing and monitoring the Group's risk management policies. The management reports regularly to the Board of Directors on its activities.

The Group does not hold nor issue derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(c) *Financial risk management policies and objectives (cont'd)*

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign currency risk management

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. Such significant foreign currencies include the Hong Kong Dollar ("HKD"), Singapore Dollar ("SGD"), Euro ("EUR"), United States Dollar ("USD") and Malaysian Ringgit ("MYR"). The Group does not enter into any derivative financial investments to hedge this risk.

The Group uses natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies.

At the end of the reporting year, the carrying amounts of monetary assets (including trade and other receivables and cash and cash equivalents) and monetary liabilities (including trade and other payables) denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Monetary assets				
HKD	3,539,026	3,540,524	3,540,524	3,540,524
EUR	18,930	29,210	—	—
USD	339	705	—	—
MYR	114	61,016	114	114
Monetary liabilities				
HKD	19,852	4,952	—	—
SGD	8,924,395	9,771,250	—	—
EUR	307,814	732,496	—	—
USD	—	16,858	—	—

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(c) Financial risk management policies and objectives (cont'd)

(i) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

A positive number below indicates an increase in loss for the year where functional currency of each Group entity strengthens by 10% against the foreign currency. For a 10% weakening of the functional currency of each Group entity against the foreign currency, there would be an equal and opposite impact on profit or loss.

	Group		Company	
	(Decrease)/Increase in loss before tax		(Decrease)/Increase in loss before tax	
	2018	2017	2018	2017
	\$	\$	\$	\$
HKD	351,917	353,557	353,903	353,897
SGD	(892,440)	(977,125)	—	—
EUR	(28,888)	(70,329)	—	—
USD	34	(1,615)	—	—
MYR	11	6,102	11	11

(ii) Interest rate risk management

Summary quantitative data of the Group's interest-bearing financial instruments can be found in Section (iii) of this Note. The Group's policy is to maintain cash and cash equivalents and borrowings in both fixed and variable rate instruments.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rates financial instruments at the end of the reporting year and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting date in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(c) *Financial risk management policies and objectives (cont'd)*

(ii) Interest rate risk management (cont'd)

Interest rate sensitivity (cont'd)

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year would increase/decrease by \$2,101 (2017: \$8,428) respectively. This is mainly attributable to the Group's exposure to variable interest rates on its interest-bearing borrowings.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss and equity.

(iii) Liquidity risk management

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Short-term funding is obtained from overdraft facilities, loans from a director and short-term bank loans. Any temporary shortfall of funds of the Company or its subsidiary corporations would be managed via short-term funding.

As disclosed in Note 2, on the basis that the Group has continuous financial support from its substantial shareholder, the Board of Directors is confident that adequate liquidity exists to finance the requirements of the Group for at least the next twelve months. In addition, as at the date of these financial statements, the substantial shareholder undertakes not to demand for repayment of the loans unless the Group has sufficient funds to meet its obligations as and when due.

Liquidity and interest risk analysis

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's and Company's liquidity risk management as the Group's and Company's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipate that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(c) Financial risk management policies and objectives (cont'd)

(iii) Liquidity risk management (cont'd)

Liquidity and interest risk analysis (cont'd)

Non-derivative financial assets (cont'd)

	Weighted average effective interest rate %	Within 1 year \$	Within 2 to 5 years \$	Adjustment \$	Total principal \$
Group					
2018					
Non-interest bearing	NA	6,692,366	618,250	—	7,310,616
Fixed rate instruments	0.05	168,164	—	(84)	168,080
		<u>6,860,530</u>	<u>618,250</u>	<u>(84)</u>	<u>7,478,696</u>
2017					
Non-interest bearing	NA	11,726,961	728,865	—	12,455,826
Fixed rate instruments	0.05	168,079	—	(84)	167,995
		<u>11,895,040</u>	<u>728,865</u>	<u>(84)</u>	<u>12,623,821</u>
Company					
2018					
Non-interest bearing	NA	<u>8,739,102</u>	<u>—</u>	<u>—</u>	<u>8,739,102</u>
2017					
Non-interest bearing	NA	<u>4,524,328</u>	<u>—</u>	<u>—</u>	<u>4,524,328</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(c) Financial risk management policies and objectives (cont'd)

(iii) Liquidity risk management (cont'd)

Liquidity and interest risk analysis (cont'd)

Non-derivative financial liabilities

The following table detail the remaining contractual maturity for non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows.

The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate	Within 1 year	Within 2 to 5 years	Total contractual cash flows	Adjustment	Total principal
	%	\$	\$	\$	\$	\$
Group						
2018						
Non-interest bearing	NA	9,683,038	—	9,683,038	—	9,683,038
Finance lease liabilities (fixed rate)	2.61	51,367	162,217	213,584	(29,044)	184,540
Fixed rate instruments	6.31	3,803,719	1,100,000	4,903,719	(438,600)	4,465,119
Variable rate instruments	2.50	430,286	—	430,286	(10,123)	420,163
		13,968,410	1,262,217	15,230,627	(477,767)	14,752,860

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(c) Financial risk management policies and objectives (cont'd)

(iii) Liquidity risk management (cont'd)

Liquidity and interest risk analysis (cont'd)

Non-derivative financial liabilities (cont'd)

	Weighted average effective interest rate	Within 1 year	Within 2 to 5 years	Total contractual cash flows	Adjustment	Total principal
	%	\$	\$	\$	\$	\$
Group						
2017						
Non-interest bearing	NA	11,286,306	—	11,286,306	—	11,286,306
Finance lease liabilities						
(fixed rate)	2.31	54,562	137,346	191,908	(33,355)	158,553
Fixed rate instruments	6.31	4,232,961	3,025,000	7,257,961	(597,850)	6,660,111
Variable rate instruments	2.22	1,712,851	—	1,712,851	(27,161)	1,685,690
		<u>17,286,680</u>	<u>3,162,346</u>	<u>20,449,026</u>	<u>(658,366)</u>	<u>19,790,660</u>
Company						
2018						
Non-interest bearing	NA	3,005,535	—	3,005,535	—	3,005,535
Fixed rate instruments	9.00	408,750	—	408,750	(33,750)	375,000
Intra-group financial guarantee		<u>475,655</u>	<u>—</u>	<u>475,655</u>	<u>—</u>	<u>475,655</u>
		<u>3,889,940</u>	<u>—</u>	<u>3,889,940</u>	<u>(33,750)</u>	<u>3,856,190</u>
2017						
Non-interest bearing	NA	477,267	—	477,267	—	477,267
Fixed rate instruments	9.00	408,750	408,750	817,500	(67,500)	750,000
Intra-group financial guarantee		<u>2,514,551</u>	<u>—</u>	<u>2,514,551</u>	<u>—</u>	<u>2,514,551</u>
		<u>3,400,568</u>	<u>408,750</u>	<u>3,809,318</u>	<u>(67,500)</u>	<u>3,741,818</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(c) *Financial risk management policies and objectives (cont'd)*

(iii) Liquidity risk management (cont'd)

Liquidity and interest risk analysis (cont'd)

Non-derivative financial liabilities (cont'd)

Guarantees

The maximum exposure of the Company in respect of the intra-group financial guarantee (see note 17) at the reporting date based on the credit facilities and banker guarantees available to the subsidiary corporation was \$475,655 (2017: \$2,514,551). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

Financial support to subsidiary corporations

As at 30 June 2018, the Company has unsecured contingent liabilities in respect of undertakings to provide continuing financial support to its subsidiary corporations, KCube Pte. Ltd., Kitchen Culture (Macau) Limited, Kitchen Culture (Hong Kong) Limited, KHL (Hong Kong) Limited, Kitchen Culture Sdn. Bhd., Kitchen Culture (Sichuan) Co., Ltd., and Kitchen Culture (China) Ltd. to continue their operations for the next twelve months after the date of their audited financial statements. The net current liabilities portion of those subsidiary corporations amounted to \$10,147,884 (2017: \$10,144,221) as at year end.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has credit policies in place to mitigate the risk of financial loss from defaults. The Group does not require collateral in respect of trade and other receivables. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's and Company's cash and bank balances are held with creditworthy financial institutions.

Trade receivables consist of various customers spread across different geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, letters of credit will be obtained on the trade receivables.

The Group's customers are mainly property development main contractors, property developers and individuals. The Group's historical experience in the collection of accounts receivable fall within the recorded allowances. Due to these factors, management believe that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables. The good credit history of these customers reduces the risk to the Group to an acceptable level.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(c) *Financial risk management policies and objectives (cont'd)*

(iv) Credit risk management (cont'd)

The Group and Company do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristic except as described below. The Group and Company defines counterparties as having similar characteristics if they are related entities.

At the end of the year, the Group has outstanding trade receivables from the top 3 (2017: 4) customers which represent 64% (2017: 30%) of total trade and other receivables balance at year end. Ongoing credit evaluation is performed on the financial condition of customers.

At the end of the year, the Company has outstanding net other receivables (excluding prepayments) of \$8,736,410 (2017: \$4,514,789) from its subsidiary corporations which represent 99% (2017: 99%) of its total other receivables. Ongoing credit evaluation is performed on the financial condition of its subsidiary corporations.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for impairment losses, and the exposure to defaults from financial guarantees above, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Group and Company determines concentration of credit risk by monitoring the country and business segment profile of its trade and other receivables on an ongoing basis. The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Singapore	3,260,135	7,002,171	5,192,105	970,544
Malaysia	1,187,505	1,382,142	114	114
Hong Kong	2,528,074	3,396,676	3,539,026	3,538,966
Others	181,161	87,815	5,165	5,165
	7,156,875	11,868,804	8,736,410	4,514,789

Further details of credit risks on trade and other receivables are disclosed in Notes 6 and 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(c) *Financial risk management policies and objectives (cont'd)*

(v) Determination of fair values

Non-current trade receivables

The fair value of non-current trade receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

Other financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, bank borrowings, and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

(d) *Capital risk management policies and objectives*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, to maximise the return to stakeholders through the optimisation of the debt and equity balance, and to ensure externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the Company, comprising paid up capital, reserves and retained earnings and/or accumulated losses.

The Group's management will review the capital structure periodically. As part of this review, management will consider the cost of capital and the risks associated with each class of capital. The Group will seek to balance its overall capital structure through the payment of dividends, issue of new shares, issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from prior year.

27 COMMITMENTS

Capital commitments

Capital commitments contracted but not provided for in the financial statements:

	Group	
	2018	2017
	\$	\$
Renovation	—	18,419

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

27 COMMITMENTS (CONT'D)

Operating lease arrangements

The Group as a lessee

At the end of the reporting date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2018	2017
	\$	\$
Future minimum lease payments payable:		
Within one year	884,042	2,311,568
In the second to fifth year inclusive	641,693	561,149
	1,525,735	2,872,717

Operating lease payments represent rentals payable by the Group for its office premises, various showrooms and warehouses under non-cancellable operating lease agreements. Leases are negotiated with varying terms, escalation clauses and rentals are fixed for an average of two to three years with renewal options.

Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

28 SEGMENT INFORMATION

The Group is organised into business units based on its products and services for management purposes. The reportable segments are residential projects, distribution and retail, and others.

Residential projects segment is involved in designing, assembling, installing, testing and inspection of various furniture and fittings, kitchen equipment and related products.

Distribution and retail segment is involved in selling and distributing of products through a network of authorised dealers and retailers.

Others are the investment holding, dormant and inactive companies.

Management monitors the operating results of its reportable segments separately for making decisions about allocation of resources and assessment of performances of each segment.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

28 SEGMENT INFORMATION (CONT'D)

The segment information provided to Management for the reportable segments is as follows:

	Residential Projects		Distribution and Retail		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Reportable segment revenue	5,059,770	32,579,783	9,328,640	16,971,645	–	–	14,388,410	49,551,428
Reportable segment losses	(525,176)	(4,173,332)	(2,843,748)	(1,098,943)	(774,316)	(745,040)	(4,143,240)	(6,017,315)
Reportable segment assets	5,160,016	15,388,133	11,871,632	8,802,794	50,382	291,534	17,082,030	24,482,461
Segment liabilities	3,403,847	11,034,618	7,643,304	6,466,987	3,461,862	1,270,763	14,509,013	18,772,368
Capital expenditure	67,213	315,618	188,179	441,799	–	–	255,392	757,417
<i>Other material non-cash expenses</i>								
Depreciation of property, plant and equipment	(209,946)	(543,873)	(501,733)	(655,105)	(1,574)	–	(713,253)	(1,198,978)
Depreciation of investment property	–	–	–	–	(12,823)	(18,058)	(12,823)	(18,058)
Allowance for doubtful trade receivables	(58,038)	(50,478)	(127,475)	(22,411)	–	–	(185,513)	(72,889)
Other receivables written off	–	(31,919)	–	(15,457)	–	–	–	(47,376)
Property, plant and equipment written off	(4,515)	(55,435)	(31,683)	(34,526)	–	–	(36,198)	(89,961)
Inventories written off	(26,274)	–	(529,134)	(139,511)	–	–	(555,408)	(139,511)
Bad debts written off	(143,847)	(5,122)	(315,946)	(876)	–	–	(459,793)	(5,998)

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

28 SEGMENT INFORMATION (CONT'D)

Segment results

Performance of each segment is evaluated based on segment profit or loss which is measured differently from the net profit or loss before tax in the financial statements. Interest income, gain/(loss) on foreign exchange difference, interest on borrowings, goodwill written off and share of results of joint venture are not allocated to segments as these are managed on a group basis.

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

	Group	
	2018	2017
	\$	\$
Segment losses	(4,143,240)	(6,017,315)
Interest income	441	2,927
Gain/(loss) on foreign exchange difference	487,145	(204,940)
Interest on borrowings	(358,903)	(698,420)
Loss before tax	(4,014,557)	(6,917,748)
Total assets for reportable segments/consolidated total assets	17,082,030	24,482,461
Total liabilities for reportable segments	14,509,013	18,772,368
Other liabilities	4,024,593	5,440,120
Consolidated total liabilities	18,533,606	24,212,488

Segment assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments.

Segment liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than deferred tax liabilities, tax payable and certain borrowings which are classified as unallocated liabilities.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

28 SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Sales to external customers		Non-current assets	
	2018	2017	2018	2017
	\$	\$	\$	\$
Group				
Singapore	6,954,367	32,542,985	610,350	748,947
Hong Kong	6,175,121	10,651,665	128,862	387,093
Malaysia	579,997	5,867,443	87,152	63,189
The People's Republic of China	678,925	489,335	35,080	174,160
	14,388,410	49,551,428	861,444	1,373,389

Non-current assets information presented above are non-current assets (excluding financial assets and deferred tax assets) as presented on the consolidated statement of financial position.

Information about major customer

Revenue of approximately \$2,720,021 (2017: \$12,038,521) are derived from 1 (2017: 1) major external customer who individually contributed 10 per cent or more of the Group's revenue, and is attributable to the residential project segment. The details are tabled below.

	Group	
	2018	2017
	\$	\$
Customer 1	2,720,021	12,038,521

29 RELATED CORPORATIONS AND RELATED PARTIES TRANSACTIONS

Related corporations in these financial statements refer to members of the holding company's group of companies. Some of the Company's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Some of the Group's transactions and arrangements are with related parties and the effects of these on the basis determined between the parties are reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

29 RELATED CORPORATIONS AND RELATED PARTIES TRANSACTIONS (CONT'D)

Other than disclosed elsewhere in the financial statements, transactions with related parties are as follows:

	Group	
	2018	2017
	\$	\$
Interest paid/payable		
– Director	10,479	37,466
– Shareholders	100,137	423,653
– Shareholders of a subsidiary corporation	14,555	44,087

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year/period are as follows:

	Group	
	2018	2017
	\$	\$
Salaries, bonuses and short term benefits	1,267,182	1,672,746
Directors' fees	106,000	106,000
Employer's contribution to defined contribution plans including Central Provident Fund	52,477	103,348
	1,425,659	1,882,094
Comprised amounts paid to:		
Directors of the Company	538,190	754,285
Directors of subsidiary corporations	670,611	700,225
Other key management personnel	216,858	427,584
	1,425,659	1,882,094

30 ADOPTION OF SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 July 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the half-year ending 31 December 2018 in February 2019.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

30 ADOPTION OF SFRS(I) (CONT'D)

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 First-time Adoption of IFRS. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

(a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 30 June 2019), subject to the mandatory exceptions and optional exemptions under IFRS 1. Management has assessed these optional exemptions and decided not to elect the relevant optional exemptions, as such there will be no significant adjustments to the Group's financial statements prepared under SFRS.

(b) Adoption of SFRS(I) equivalent of IFRS 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) equivalent of IFRS 9 on 1 July 2018. Accordingly, requirements of SFRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 30 June 2019.

(i) Classification and measurement

The Group has assessed the business models that are applicable on 1 July 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) equivalent of IFRS 9. As a result of the assessment, management does not expect significant adjustments to the Group's statement of financial position line items.

(ii) Impairment of financial assets

The Group plans to apply the simplified approach and record lifetime expected impairment losses on trade receivables. On adoption of SFRS(I)9, the Group does not expect a significant increase in the impairment loss allowance.

The Group plans to adopt the standard when it becomes effective in 2019 without restating comparative information and is gathering data to quantify the potential impact arising from the adoption.

(c) Adoption of SFRS(I) equivalent of IFRS 15

The Group had assessed the revenue recognition in accordance to the requirement of SFRS(I) equivalent of IFRS 15 and management does not expect any significant adjustments to the Group's financial statements.

STATISTICS OF SHAREHOLDINGS

AS AT 18 SEPTEMBER 2018

SHARE CAPITAL

Issued and fully paid capital – S\$9,100,013[#]
 Total number of shares in issue – 118,477,000
 Number of treasury shares – Nil

Class of shares – Ordinary shares
 Voting rights – 1 vote per share
 Number of subsidiary holdings held – Nil

Note:

[#] Being the issued and paid-up share capital of the Company extracted from the records of the Accounting and Corporate Regulatory Authority of Singapore.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 14.39% of the issued ordinary shares of the Company were held in the hands of the public as at 18 September 2018 and therefore Rule 723 of the Catalist Rules is complied with.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	5	6.58	4,100	0.00
1,001 – 10,000	19	25.00	109,700	0.09
10,001 – 1,000,000	45	59.21	7,390,200	6.24
1,000,001 and above	7	9.21	110,973,000	93.67
TOTAL	76	100.00	118,477,000	100.00

TWENTY LARGEST SHAREHOLDERS

S/N	Name	Number of Shares	%
1	Lim Wee Li	93,177,000	78.65
2	Lim Han Li	8,250,000	6.96
3	Maybank Kim Eng Securities Pte Ltd	3,104,900	2.62
4	Lee Yong Miang	2,541,000	2.14
5	Ong Soon Liong @ Ong Soon Chong	1,500,000	1.27
6	Cheng Chih Kwong @Thie Tji Koang	1,400,000	1.18
7	Raffles Nominees (Pte.) Limited	1,000,100	0.84
8	Tsai Fung-Chung	1,000,000	0.84
9	Citibank Nominees Singapore Pte Ltd	762,000	0.64
10	Fung Chu Wan	500,000	0.42
11	Lim Siah Mong	500,000	0.42
12	Tan Siong Tiew	470,000	0.40
13	Gay Soon Watt	400,000	0.34
14	Tseng I-Ming	400,000	0.34
15	Yeow Chee Siong	400,000	0.34

STATISTICS OF SHAREHOLDINGS

AS AT 18 SEPTEMBER 2018

S/N	Name	Number of Shares	%
16	Hartoko Sarwono	370,000	0.31
17	Chi Chia Ming	170,000	0.14
18	Khua Kian Keong	170,000	0.14
19	Koh Yong Meng	170,000	0.14
20	Ong Pang Aik	170,000	0.14
TOTAL		116,455,000	98.27

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Lim Wee Li ⁽¹⁾	93,177,000	78.65	—	—
Lim Han Li	8,250,000	6.96	—	—
Watiga Trust Pte. Ltd. ⁽¹⁾	—	—	50,000,000	42.20

Note:

- (1) In connection with the issue of Kitchen Culture Holdings Ltd. S\$750,000 9% notes due in 2019, Mr Lim Wee Li has created a charge over 50,000,000 shares in the Company held by him in favour of the noteholders. The trustee, Watiga Trust Pte. Ltd., is holding the benefit of the share charge on trust on behalf of the noteholders.

NOTICE OF ANNUAL GENERAL MEETING

KITCHEN CULTURE HOLDINGS LTD.

(Company Registration Number 201107179D)
(Incorporated in the Republic of Singapore)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of KITCHEN CULTURE HOLDINGS LTD. (the “Company”) will be held at 2 Leng Kee Road, #01-08 Thye Hong Centre, Singapore 159086 on Wednesday, 24 October 2018 at 2.30 p.m., for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 30 June 2018 together with the Independent Auditor’s Report thereon. **(Resolution 1)**
2. To approve the payment of Directors’ fees of S\$106,000 for the financial year ending 30 June 2019, payable half-yearly in arrears (Financial year ended 30 June 2018: S\$106,000). **(Resolution 2)**
3. To re-elect Mr Kesavan Nair, a Director retiring pursuant to Regulation 107 of the Company’s Constitution. **(Resolution 3)**
(see explanatory note 1)
4. To re-elect Ms Joanne Khoo Su Nee, a Director retiring pursuant to Regulation 107 of the Company’s Constitution. **(Resolution 4)**
(see explanatory note 2)
5. To re-appoint Nexia TS Public Accounting Corporation as auditor of the Company and to authorise the Directors to fix its remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution (with or without amendments) as Ordinary Resolution:

6. That pursuant to Section 161 of the Companies Act, Chapter 50 (“Companies Act”) and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (“Catalist Rules”), the Directors be authorised and empowered to: **(Resolution 6)**
 - (a) (i) allot and issue shares in the capital of the Company (“Shares”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may at their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of convertible securities;
 - (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), the Companies Act and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company at a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(see explanatory note 3)

NOTICE OF ANNUAL GENERAL MEETING

7. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Wee Woon Hong
Company Secretary

9 October 2018
Singapore

Explanatory Notes:

1. Mr Kesavan Nair will, upon re-election as a Director, remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees of the Company. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules. Detailed information on Mr Kesavan Nair can be found under the sections entitled "Board of Directors", "Corporate Governance Report" and "Directors' Statement" of the Company's Annual Report 2018.
2. Ms Joanne Khoo Su Nee will, upon re-election as a Director, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees of the Company. She is considered independent for the purposes of Rule 704(7) of the Catalist Rules. Detailed information on Ms Joanne Khoo Su Nee can be found under the sections entitled "Board of Directors", "Corporate Governance Report" and "Directors' Statement" of the Company's Annual Report 2018.
3. Resolution 6 proposed in item 6 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company at a general meeting, whichever is earliest, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a pro rata basis to shareholders of the Company.

Notes:

- (i) (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member appoints two proxies, the proportion of his shareholding to be represented by each proxy shall be specified in the instrument of proxy.
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than one proxy, the number of Shares in relation to which each proxy has been appointed shall be specified in the instrument of proxy.
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.
- (ii) A proxy need not be a member of the Company.
- (iii) The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 2 Leng Kee Road, #01-08 Thye Hong Centre, Singapore 159086 not less than 48 hours before the time appointed for holding the AGM.

NOTICE OF ANNUAL GENERAL MEETING

- (iv) The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.
- (v) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time appointed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

Personal Data Privacy:

"**Personal data**" in this notice of AGM has the same meaning as "personal data" in the Personal Data Protection Act 2012, which includes the member's name and its proxy's and/or representative's name, address and NRIC/Passport number. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative(s)'s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. The member's personal data and its proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), SAC Capital Private Limited, for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this notice.*

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made, or reports contained in this notice.

The contact person for the Sponsor is Ms. Lee Khai Yinn (telephone no.: (65) 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

KITCHEN CULTURE HOLDINGS LTD.

(Company Registration Number 201107179D)

(Incorporated in the Republic of Singapore)

IMPORTANT

- Investors who hold shares under the Supplementary Retirement Scheme ("SRS Investors") may attend and vote at the AGM in person. SRS Investors who are unable to attend the AGM but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, such SRS Investors shall be precluded from attending the AGM.
- This instrument of proxy is not valid for use by the SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

I/We*, _____ (Name) (NRIC/Passport/Registration Number _____)

of _____ (Address)

being a member/members* of **KITCHEN CULTURE HOLDINGS LTD.** (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholding	
			Number of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholding	
			Number of Shares	%

or failing him, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the AGM of the Company to be held at 2 Leng Kee Road, #01-08 Thye Hong Centre, Singapore 159086 on Wednesday, 24 October 2018 at 2.30 p.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/their* discretion, as he/they* will on any other matter arising at the AGM and at any adjournment thereof.

NO.	RESOLUTIONS	FOR**	AGAINST**
ORDINARY BUSINESS			
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2018 together with the Independent Auditor's Report thereon		
2.	To approve the payment of Directors' fees of S\$106,000 for the financial year ending 30 June 2019, payable half-yearly in arrears		
3.	To re-elect Mr Kesavan Nair as a Director of the Company		
4.	To re-elect Ms Joanne Khoo Su Nee as a Director of the Company		
5.	To re-appoint Nexia TS Public Accounting Corporation as auditor of the Company and to authorise the Directors to fix its remuneration		
SPECIAL BUSINESS			
6.	To authorise the Directors to allot and issue shares and convertible securities		

* Delete accordingly

** If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [✓] within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please insert the relevant number of shares in the boxes provided.

Dated this _____ day of _____ 2018

Signature(s) or Common Seal of Member(s)**IMPORTANT: PLEASE READ NOTES OVERLEAF**

Total number of Shares in	Number of Shares
(a) Depository Register	
(b) Register of Members	



Notes:

1. If the member has shares entered against his name in the Depository Register, he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member appoints two proxies, the proportion of his shareholding to be represented by each proxy shall be specified in this instrument of proxy. If the proportion of his shareholding is not specified, the first named proxy shall be deemed to represent 100% of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in this instrument of proxy.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. A proxy need not be a member of the Company.
4. This instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 2 Leng Kee Road, #01-08 Thye Hong Centre, Singapore 159086 not less than 48 hours before the time appointed for holding the AGM. The appointment of a proxy or proxies shall not preclude a member from attending and voting in person at the AGM. If a member attends the AGM in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the AGM.
5. This instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.
6. Where this instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this instrument of proxy, failing which this instrument of proxy may be treated as invalid.
7. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with Section 179 of the Companies Act, Chapter 50.
8. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting this instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the notice of AGM of the Company dated 9 October 2018.



kitchen
culture

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