



KITCHEN CULTURE HOLDINGS LTD.

(Company Registration No: 201107179D)

(Incorporated in the Republic of Singapore on 25 March 2011)

RESPONSES TO SGX'S QUERIES RECEIVED ON 4 FEBRUARY 2019 AND 21 FEBRUARY 2019

The Board of Directors (the "**Board**") of Kitchen Culture Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcements on 1 February 2019 in relation to the respective cessations of Mr Ong Beng Chye ("**Mr Ong**") and Ms Joanne Khoo Su Nee ("**Ms Khoo**") as independent directors of the Company. The Company's responses to the queries received from the Singapore Exchange Securities Trading Limited ("**SGX**") on 4 February 2019 and 21 February 2019 are set out below.

(A) Queries received from the SGX on 4 February 2019

Query 1: Noted under the reason for cessation pertaining to Mr Ong and Ms Khoo was due to director fees not paid since 1 January 2015. Was it due to financial difficulties or were there other reasons that led to the delayed/ non-payment by the Company?

The delayed/non-payment of director fees was due to the tight financial situation of the Group and the Company will be working with Mr Ong and Ms Khoo on a repayment plan for the directors' fees owed to them, as mentioned in the Company's announcement on the reconstitution of board committees on 7 February 2019. The Company is currently reviewing its fundraising and other financing options and a decision will soon be made to reach out to its independent directors (including past directors) to discuss a repayment plan for the fees owed to them.

With reference to the Company's announcement in relation to the unaudited financial statements of the Group for the half year ended 31 December 2018 released on 14 February 2019 ("**HY2019 Results Announcement**"), the Group recorded a negative working capital position and a net liability position of \$3.7 million and \$3.2 million respectively. This was a result of losses incurred by the Group since 2014 mainly due to prolonged economic uncertainties in core markets, including Singapore and Malaysia.

Due to headwinds faced by the industry in which the Group operates, the Company encountered challenges in the past few years in fundraising attempts as well as difficulties faced in respect of obtaining loans from financial institutions. As a result, cash resources remained limited and the Group had to prioritise repayment to its suppliers to ensure a continuity of such business relationships as well as to prioritise the cash for the Group's operations. Hence, the Company had held back the payment of directors' fees to its independent directors, including Mr Ong and Ms Khoo until such time the Group's financial health recovered. Mr Ong and Ms Khoo were cognisant of the Group's tight financial situation when they were directors of the Company.

Query 2: If it was due to financial difficulties, are there any going concern issues with the Company?

As mentioned on page 14 of the HY2019 Results Announcement in the section entitled "Statement on Working Capital Position and Going Concern", the Board believes that barring any unforeseen circumstances, the Group will be able to meet its short-term obligations as and when they fall due and

continue as a going concern on the basis of the following representations from the management of the Company (the “**Management**”):

- (a) The Management has obtained written commitments from a shareholder and other third party lenders not to demand payment for at least the next 12 months for an aggregate loans of \$2.6 million;
- (b) Mr Lim Wee Li, who had extended an interest free loan of \$2.1 million to the Group for working capital purposes as at 31 December 2018, has undertaken not to call for repayment until the Group has sufficient additional working capital. In addition, Mr Lim Wee Li has undertaken to provide further financial support if the need arises to enable the Group to continue in operation for at least the next 12 months from 31 December 2018; and
- (c) An amount of \$5.3 million in the current trade payables relates to sales deposits collected from customers for kitchen systems purchased, which will be recognised as revenue subsequently upon delivery of the kitchen systems to the customers and do not represent a payment obligation by the Group.

Based on the representations from the Management as well as receiving records of the written confirmations mentioned in points (a) and (b) above, and taking into consideration that the Group has a current order book of \$16.6 million for 2 residential projects in Singapore which are expected to be completed over the next 2 to 3 years and will contribute positively to the Group’s revenue, the Sponsor concurs with the views of the Board that barring any unforeseen circumstances, the Group will be able to pay its short-term obligations as and when they fall due and continue as a going concern. Separately, the Sponsor also noted that the Company is exploring various options to strengthen its balance sheet and working capital position, including *inter alia*, restructuring its current payment obligations, fundraising and other financing options and the Board will make further announcements as and when there are material developments.

Query 3: Noted that Mr Ong and Ms Khoo have been with the Company since 2011 and 2012 respectively. Their resignations at the same time could lead to a loss of institutional knowledge and continuity within the Company. Was there proper handover to the 2 incoming directors?

Mr Ong and Ms Khoo had indicated in early December 2018 of their intention to resign as independent directors. The Company had, since then sourced for potential candidates to replace them. Mr William Teo Choon Kow and Mr Tan Han Beng have been briefed by the Management on the background, corporate structure and financial situation of the Group, before and following their appointments. In addition, given that both Mr William Teo Choon Kow and Mr Tan Han Beng will be holding non-executive positions in the Company, that both are experienced directors, and that Mr Lim Wee Li and Mr Kesavan Nair still remain on the Board, the Company is of the view that there will be no loss of institutional knowledge and continuity within the Company, notwithstanding that there was no handover done by the outgoing directors with the incoming directors.

(B) Further queries received from the SGX on 21 February 2019

Query 4: With regard to the undertaking by Mr Lim Wee Li to provide further financial support, has the Company/Board assessed the financial ability of Mr Lim to provide the financial support as and when the Group need for the next 12 months?

The Board had reviewed and considered the cash flow forecast prepared by the Management for the next 12 months until December 2019. Based on the cash flow forecast, the Group is expected to have a positive cash balance for the next 12 months due to contributions from its overseas units. In light of this and barring any unforeseen circumstances, no further financial support is expected to be required from Mr Lim Wee Li as no cash deficit is expected during any month from January 2019 to December 2019.

Taking the above into consideration and that Mr Lim Wee Li had, to date provided advances totaling \$2.1 million to the Group, no assessment was made by the Board on the financial ability of Mr Lim Wee Li.

Query 5: Is the \$2.1 million loan from Mr Lim included as part of the \$2.6 million loan that the lenders have committed not to demand payment for at least the next 12 months?

The \$2.1 million loan from Mr Lim does not form part of the \$2.6 million loan that the lenders have committed not to demand payment for at least the next 12 months.

Query 6: When is the expected delivery of the kitchen systems? Does the Company foresee any difficulties in delivering the kitchen systems as planned, given its financial conditions?

The kitchen systems in relation to the \$5.3 million of sales deposits received are expected to be delivered over the next six months, pending readiness of customers' sites. The Company does not foresee any difficulty in delivering to customers as a substantial quantity of the relevant kitchen systems are in inventory and/or in transit from overseas suppliers.

Query 7: On the residential projects, noted that it will only be expected to be completed over the next 2 to 3 years. Does this mean the projects will only be able to contribute positively to the Group's revenue earliest in 2 years' time?

The \$16.6 million order book is made up of 2 residential projects, which are valued at \$5.3 million and \$11.3 million respectively. Revenues from these projects will be recognized progressively based on percentage of completion.

In respect of the \$5.3 million project, work on the project has commenced and 25% of the total contract value is expected to be received by June 2019, 50% of the total contract value by December 2019 and 100% of the total contract value by December 2020.

In respect of the \$11.3 million project, the Group is expected to receive 15% of the total contract value by December 2020, 77% of the total contract value by December 2021 and 100% of the total contract value by April 2022.

By Order of the Board

Lim Wee Li
Executive Chairman and Chief Executive Officer
28 February 2019

*This announcement 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 Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

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

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