

UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 JANUARY 2019

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	The Group 3 months ended 31 January			The Group 6 months ended 31 January		
	2019	2018	Increase/ (Decrease)	2019	2018	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	1,515	916	65%	2,659	1,342	98%
Other operating income	11	9	22%	11	9	22%
Expenses						
- Inventories and consumables used	(336)	(166)	>100%	(482)	(139)	>100%
- Travel booking services cost	(402)	(442)	(9%)	(1,086)	(785)	38%
- Advertising, media and entertainment	(75)	(41)	83%	(131)	(53)	>100%
- Employee benefits	(758)	(534)	42%	(1,502)	(927)	62%
- Amortisation and depreciation	(99)	(9)	>100%	(173)	(13)	>100%
- Finance cost	(1)	(1)	-	(1)	(1)	-
- Rental on operating leases	(182)	(69)	>100%	(420)	(131)	>100%
- Transportation	(8)	(5)	60%	(11)	(8)	38%
- Legal and professional fees	(120)	(91)	32%	(283)	(195)	45%
- Other operating expenses	(188)	(74)	>100%	(339)	(134)	>100%
- Changes in inventories of finished goods	17	(3)	N.M.	19	(6)	N.M.
Total expenses	(2,152)	(1,435)	50%	(4,409)	(2,392)	84%
Loss before income tax	(626)	(510)	23%	(1,739)	(1,041)	67%
- Income tax expense	-	-	-	(2)	-	N.M.
Loss for the financial period	(626)	(510)	23%	(1,741)	(1,041)	67%
Attributable to:						
Owners of the Company	(599)	(510)	18%	(1,660)	(1,041)	60%
Non-controlling interest	(27)	-	N.M.	(81)	-	N.M.
	(626)	(510)	23%	(1,741)	(1,041)	67%

A statement of comprehensive income (for the group), together with a comprehensive statement for the corresponding period of the immediate preceding financial year.

	The Group 3 months ended 31 January			The Group 6 months ended 31 January		
	2019 S\$'000	2018 S\$'000	Increase/ (Decrease) %	2019 S\$'000	2018 S\$'000	Increase/ (Decrease) %
Loss for the financial period	(626)	(510)	23%	(1,741)	(1,041)	67%
Other comprehensive loss:						
Exchange differences on translating foreign operations	17	3	>100%	3	(2)	N.M.
Total comprehensive loss for the financial period	(609)	(507)	20%	(1,738)	(1,043)	67%
Attributable to:						
Owners of the Company	(582)	(507)	15%	(1,657)	(1,043)	59%
Non-controlling interest	(27)	-	N.M.	(81)	-	N.M.
	(609)	(507)	20%	(1,738)	(1,043)	67%

1(a)(ii) The Group's loss for the financial period is arrived after charging the following:

	The Group 3 months ended 31 January			The Group 6 months ended 31 January		
	2019 S\$'000	2018 S\$'000	Increase/ (Decrease) %	2019 S\$'000	2018 S\$'000	Increase/ (Decrease) %
Depreciation on plant and equipment	81	9	>100%	136	13	>100%
Amortisation of intangible asset	19	-	N.M.	38	-	N.M.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENTS OF FINANCIAL POSITION

	The Group		The Company	
	31/1/2019	31/7/2018	31/1/2019	31/7/2018
	S\$'000	S\$'000	S\$'000	S\$'000
Assets				
<u>Current assets</u>				
Cash and cash equivalents	582	1,760	79	1,576
Trade and other receivables	1,635	1,544	3,857	2,757
Inventories	22	3	-	-
	2,239	3,307	3,936	4,333
<u>Non-current assets</u>				
Plant and equipment	1,496	431	25	26
Goodwill	194	194	-	-
Intangible asset	126	163	-	-
Guarantee deposit	172	172	-	-
Investment in subsidiaries	-	-	100	100
	1,988	960	125	126
Total assets	4,227	4,267	4,061	4,459
<u>Current liabilities</u>				
Trade and other payables	1,843	1,257	610	417
Bank borrowings	52	33	-	-
	1,895	1,290	610	417
<u>Non-current liabilities</u>				
Bank borrowings	8	8	-	-
	8	8	-	-
Total liabilities	1,903	1,298	610	417
Equity				
Share capital	62,664	62,265	62,664	62,265
Foreign currency translation reserve	(46)	(49)	-	-
Accumulated losses	(60,907)	(59,247)	(59,213)	(58,223)
	1,711	2,969	3,451	4,042
Non-controlling interest	613	-	-	-
Total equity	2,324	2,969	3,451	4,042
Total Equity and Liabilities	4,227	4,267	4,061	4,459

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debts securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

	The Group			
	As at 31/1/2019		As at 31/7/2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less or on demand	-	52	-	33
Amount repayable after one year	-	8	-	8

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	The Group	
	3 months ended 31 January	
	2019	2018
	S\$'000	S\$'000
Cash flows from operating activities		
Loss before income tax	(626)	(510)
<u>Adjustments for:</u>		
Depreciation of plant and equipment	81	9
Amortisation of intangible asset	19	-
Operating cash flows before changes in working capital	(526)	(501)
<u>Changes in working capital</u>		
Increase in trade and other receivables	(262)	(120)
(Increase)/decrease in inventories	(12)	3
Increase/(decrease) in trade and other payables	423	(150)
Net cash flows used in operating activities	(377)	(768)
Cash flows from investing activities		
Purchase of plant and equipment	(246)	(4)
Exchange realignment	17	3
Net cash flows used in investing activities	(229)	(1)
Cash flows from financing activities		
Proceeds from issuance of shares	560	-
Share issuance expenses	(161)	-
Bank borrowings	37	-
Repayment of bank borrowings	(9)	(12)
Net cash flows generated from/(used in) financing activities	427	(12)
Net change in cash and cash equivalents	(179)	(781)
Cash and cash equivalents at the beginning of the financial period	761	1,410
Cash and cash equivalents at end of the financial period	582	629

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(i) Consolidated statement of changes in equity for the period ended 31 January 2019 - Group

	Share Capital S\$'000	Foreign Currency Translation S\$'000	Accumulated Losses S\$'000	Non- Controlling Interest S\$'000	Total S\$'000
Balance at 1 November 2018	62,265	(63)	(60,308)	640	2,534
Issuance of shares	560	-	-	-	560
Share issuance expenses	(161)	-	-	-	(161)
Loss for the financial period	-	-	(599)	(27)	(626)
Other comprehensive income for the financial period	-	17	-	-	17
Balance at 31 January 2019	62,664	(46)	(60,907)	613	2,324
Balance at 1 November 2017	58,500	(47)	(56,887)	-	1,566
Loss for the financial period	-	-	(510)	-	(510)
Other comprehensive income for the financial period	-	3	-	-	3
Balance at 31 January 2018	58,500	(44)	(57,397)	-	1,059

(ii) Statement of changes in equity for the period ended 31 January 2019 - Company

	Share Capital S\$'000	Accumulated Losses S\$'000	Total S\$'000
Balance at 1 November 2018	62,265	(58,759)	3,506
Issuance of shares	560	-	560
Share issuance expenses	(161)	-	(161)
Loss for the financial period	-	(454)	(454)
Balance at 31 January 2019	62,664	(59,213)	3,451
Balance at 1 November 2017	58,500	(56,771)	1,729
Loss for the financial period	-	(358)	(358)
Balance at 31 January 2018	58,500	(57,129)	1,371

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.**

State also the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

(A) Changes in share capital during the financial period

Company

Financial period	Number of ordinary shares	Share capital
		(S\$'000)
As at 31 October 2018	456,655,522	62,265
As at 31 January 2019	536,670,246	62,664

There was a renounceable non-underwritten rights issue at an issue price of S\$0.007 for each rights share, on the basis of one rights share for every two existing ordinary share in the issued share capital of the Company (the "**Rights Issue**") as announced on 14 December 2018. Pursuant to the Rights Issue, 80,014,724 rights shares were allotted and issued on 23 January 2019.

(B) Warrants

Company

Financial period	Number of ordinary shares that may be issued on conversion of all outstanding warrants	Exercise price	Expiry date
As at 31 January 2018	122,399,992	S\$0.05	4 June 2019
As at 31 January 2019	222,458,040	S\$0.035	4 June 2019

Save as disclosed above, there were no other outstanding convertibles, treasury shares and subsidiary holdings held or issued as at 31 January 2018 and 31 January 2019.

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

	Group	
	31/1/2019	31/07/2018
Total number of issued shares excluding treasury shares	536,670,246	456,655,522

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

There were no sales, transfer, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

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

There were no sales, transfer, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the auditors of the Company.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements of the Group for the current financial period ended 31 January 2019 compared to the most recently audited financial statements of the Group for the financial year ended 31 July 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Singapore listed companies are required to apply a new financial reporting framework - Singapore Financial Reporting Framework (International) ("SFRS(I)") that is identical to the International Financial Reporting Standards with effect from 1 January 2018. The Group has adopted SFRS(I) on 1 August 2018, including Interpretations of SFRS(I). The adoption of these new / revised SFRS(I) and Interpretations of SFRS(I) did not result in significant change to the Group's accounting policies and did not have a material impact on the Group's results for the current financial period.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	3 months ended 31 January	
	2019	2018
Loss per share ("LPS") for the financial period attributable to the owners of the Company:		
Weighted average number of ordinary shares	498,087,804	194,019,988
Based on the weighted average number of ordinary shares		
- Basic & Diluted (cents)	(0.12)	(0.26)

Diluted LPS is the same as basic LPS as the outstanding warrants have not been included in the calculation given that they are anti-dilutive.

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

	Group		Company	
	31/1/2019	31/07/2018	31/1/2019	31/07/2018
Net assets value per ordinary share based on existing issued share capital (excluding treasury shares) as at the end of the period reported on (cents)	0.32	0.65	0.64	0.89

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of Income Statement

Revenue

The Group achieved a revenue of S\$1.5 million for the three months period ended 31 January 2019 ("Q2 FY2019"), which saw an increase of S\$0.6 million compared to the three months period ended 31 January 2018 ("Q2 FY2018").

Revenue	Q2 FY2019		Group Q2 FY2018		Increase / (Decrease) %
	S\$'000	%	S\$'000	%	
Food and beverage revenue	1,057	70%	256	28%	>100%
Travel booking service revenue	458	30%	660	72%	(31%)
	1,515	100%	916	100%	65%

The increase in revenue was mainly due to increase in food and beverage ("F&B") revenue of S\$0.8 million, partially offset by decrease in travel booking service revenue of S\$0.2 million.

The increase in F&B revenue was mainly due to the revenue contribution of S\$0.9 million from Hashida Sushi restaurant in Singapore which was newly opened in Q1 FY2019. The remaining revenue of S\$0.2 million in Q2 FY2019, which decreased slightly from S\$0.3 million in Q2 FY2018, was contributed by Mulligans Pattaya in Thailand. Our F&B division has been continuously rolling out new marketing and promotion activities to attract customers.

The decrease in travel booking service revenue was mainly due to slowdown of the travel business industry and more competitive environment in Japan.

Cost & expenses

Inventories and consumables used expenses saw an increase of S\$0.2 million to S\$0.3 million, consistent with the increase in the Group's revenue, mainly contributed by the increased sales activities of Hashida Sushi restaurant in Q2 FY2019.

Travel booking services costs saw a decrease of approximately S\$40,000 to S\$0.4 million, mainly contributed by the decreased sales activities of travel booking services in Q2 FY2019.

Advertising, media and entertainment expenses increased by approximately S\$34,000 to approximately S\$75,000 mainly due to increase of advertising activities and promotion from the higher revenues and operating activities.

Employee benefits increased by S\$0.2 million to S\$0.7 million in Q2 FY2019 mainly due to S\$0.2 million incurred for additional staff deployment for the newly opened Hashida Sushi restaurant in Singapore and approximately S\$24,000 incurred for additional head count for travel business.

The increase in amortisation and depreciation charges to approximately S\$90,000 was mainly due to the depreciation of additional fixed assets purchased for Hashida Sushi restaurant in Singapore and for the setup of another high-end sushi restaurant in San Francisco under Cloud Eight, Inc., and the amortisation of intangible asset arising from the acquisition of e-Holidays Co., Ltd.

Operating lease expenses increased by S\$0.1 million to S\$0.2 million mainly due to the increased office rental expenses from the new subsidiary, Cloud Eight Pte. Ltd. which operates Hashida Sushi restaurant in Singapore.

Legal and professional fees saw an increase of approximately S\$29,000 to S\$0.1 million mainly due to related professional and legal fees incurred for the new business transactions and activities, such as application for alcoholic beverage control ("ABC") license of the Cloud Eight, Inc. in Q2 FY2019.

Other operating expenses in Q2 FY2019 saw an increase of S\$0.1 million to S\$0.2 million mainly incurred for the setup of another high-end sushi restaurant in San Francisco under Cloud Eight, Inc..

Total expenses in Q2 FY2019 increased from S\$1.4 million to S\$2.2 million as a result of increased operating costs and related employee expenses, which is directly attributed to higher sales activities and business expansion. As a result of above, the Group registered a loss of S\$0.6 million in Q2 FY2019 as compared to a loss of S\$0.5 million in Q2 FY2018.

Review of Statement of Financial Position

Current assets

The Group's current assets decreased by S\$1.1 million, from S\$3.3 million as at 31 July 2018 to S\$2.2 million as at 31 January 2019. This was mainly a result of the decrease in cash and cash equivalents of S\$1.2 million.

Non-current assets

The Group's non-current assets increased by S\$1.0 million, from S\$1.0 million as at 31 July 2018 to S\$2.0 million as at 31 January 2019. This was mainly due to the purchase of new plant and equipment of S\$1.1 million relating to the expansion of new F&B outlets.

Current liabilities

The Group's total current liabilities increased by S\$0.6 million, from S\$1.3 million as at 31 July 2018 to S\$1.9 million as at 31 January 2019 mainly due to an increase in trade and other payables of S\$0.6 million as a result of the increased business activities. The existing bank borrowings amounted to approximately S\$52,000 is attributed to the travel business.

Non-current liabilities

The Group recorded non-current liabilities of approximately S\$8,000 as at 31 January 2019.

Equity

The Group's equity decreased by S\$0.7 million from S\$3.0 million as at 31 July 2018 to S\$2.3 million as at 31 January 2019. The decrease was due to the net loss recorded by the Group, partially offset by non-controlling interest of S\$0.6 million from the investment in 50%-owned subsidiary, Cloud Eight, Inc..

Review of Statement of Cash Flows

The Group's net cash flows used in operating activities in Q2 FY2019 was S\$0.4 million, mainly due to negative operating cash flows before changes in working capital of S\$0.5 million, partially offset by net working capital inflow of S\$0.1 million. This is mainly due to the Group being in the business expansion phase.

The Group's net cash flows used in investing activities in Q2 FY2019 was S\$0.2 million, mainly due to the purchase of plant and equipment of S\$0.2 million.

The net cash flows used in financing activities in Q2 FY2019 was S\$0.4 million, mainly due to the net proceeds from the Rights Issue of S\$0.4 million.

As a result, cash and cash equivalents stood at S\$0.6 million as at 31 January 2019.

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

Not applicable.

- 10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group continues to remain cautious about the outlook and condition of the overall business environment in the travel and F&B industries. The Board is mindful of the intense competition of these industries, tight labour supply and increasing costs.

The Group will continue to explore new business opportunities as well as controlling its costs to improve operational efficiency. The Company may explore fund raising exercises, including rights issues, to strengthen its cash position for future business expansions and further business diversification.

The Group will continue to seek opportunities to expand its presence by way of acquisitions and forming new joint-ventures with potential partners. In addition to Hashida Sushi restaurant in Singapore which was opened in Q1 FY2019, we expect another new high-end sushi restaurant in San Francisco, which we partner with Office Hashida via a joint venture agreement, to be operational by March 2019. This new restaurant, namely Zorokuyuzan San Francisco, is helmed by Chef Yuzan Kotaka, who was trained under the legendary Chef Sanshichi Okajima in Tokyo and ran the famous Zoroku Sushi in Roppongi, Tokyo for 31 years. The Group is also looking to open two more high-end Japanese restaurants overseas in the near future.

The Group is currently in the process of expanding its travel business by extending services to both inbound domestic tours in Japan and overseas travellers from Japan to other countries.

The Group has decided to put the operations of the fintech business under Finesse Digital Pte. Ltd. on hold after taking into consideration of the departure of the head of fintech business and the fact that it has been loss making.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable.

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

No dividend has been declared/recommendeded for the financial period under review in view of the negative earnings.

13. If the group has obtained mandate from shareholders for interested person transactions ("IPTs"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate for interested person transactions. There were no interested person transactions which amounted to more than S\$100,000 during Q2 FY2019.

14. Utilisation of proceeds from the Rights Issue

The net proceeds from the Rights Issue of 80,014,724 new ordinary shares at the issue price of S\$0.007 per rights share in the share capital of the company was approximately S\$460,000 and has been fully utilised in the following manner:

Intended use of net proceeds	Net proceeds from the Rights Issue S\$'000	Amount utilised as at the date of this announcement S\$'000	Balance S\$'000
Repayment of the Advances by the Undertaking Shareholder by way of setting it off against the Undertaking Shareholder's subscription monies for the Undertaking Shares	362	(362)	-
Funding for expansion of F&B business*	98	(98)	-
Total	460	(460)	-

Note:

* The breakdown of funding for expansion of F&B business is as follows:

	S\$'000
Fixed assets	38
Business expansions	50
Total	98

The percentage allocation of use of proceeds from the rights issue as at the date of this report is in accordance with the intended use as disclosed in the announcement dated 22 January 2019.

15. Statement pursuant to Rule 705(5) of the Catalist Rules

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the above unaudited financial results for the Q2 FY2019 to be false or misleading in any material aspect.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers pursuant to Rule 720(1) of the Catalist Rules

The Company confirms that it has procured undertakings from all its Directors and Executive Officers, in the format as set out in Appendix 7H pursuant to Rule 720(1) of Catalist Rules.

ON BEHALF OF THE BOARD OF DIRECTORS

Saito Hiroyuki
Executive Chairman / CEO

13 March 2019

This announcement has been prepared by the Company and 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 ("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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