

SINGAPORE KITCHEN EQUIPMENT LIMITED

Incorporated in the Republic of Singapore
(Registration No. 201312671M)

Half Year Financial Statement And Dividend Announcement for the Period Ended 30 June 2014*PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

- 1(a)(i) A 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.

The Company was incorporated in the Republic of Singapore on 09 May 2013 under the Companies Act (Chapter 50) of Singapore as a private limited company. The Company and its subsidiaries (the "Group") was formed pursuant to a restructuring exercise ("Restructuring Exercise") undertaken in connection with the Company's listing on Catalist. Please refer to the Company's offer document dated 12 July 2013 (the "Offer Document") for further details on the Restructuring Exercise.

Consolidated Statement of Comprehensive Income	Group		Increase/ (Decrease) %
	1H FY2014 S\$ (Unaudited)	1H FY2013 S\$ (Unaudited)	
Revenue	7,945,912	7,811,387	1.72%
Cost of sales	(5,420,864)	(5,286,498)	2.54%
Gross profit	2,525,048	2,524,889	0.01%
Other items of income			
Other income	129,472	116,572	11.07%
Other items of expense			
*Distribution	(1,016,724)	(519,089)	95.87%
*Administrative	(1,634,710)	(1,594,431)	2.53%
*Other expenses	(58,471)	(39,824)	46.82%
Finance	(66,895)	(59,025)	13.33%
(Loss) /Profit before income tax	(122,280)	429,092	(128.50%)
Income tax expense	-	-	-
(Loss) /Profit for the financial period	(122,280)	429,092	(128.50%)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations	(4,281)	(223)	1819.73%
Income tax relating to components of other comprehensive income	-	-	-
Other comprehensive income for the financial period, net of tax	(4,281)	(223)	1819.73%
Total comprehensive income for the financial period	(126,561)	428,869	(129.51%)
(Loss) /Profit attributable to owners of the parent	(122,280)	429,092	(128.50%)
Total comprehensive income attributable to owners of the parent	(126,561)	428,869	(129.51%)

Remarks:

*Some reclassification of account adjustments were made from administrative expenses to distribution expenses in 1H FY2013 of S\$99,002 and from distribution expenses to other expenses of S\$39,824 in order to bring the comparison in line with that of 1H FY2014 reporting figures. After the said adjustments, distribution expenses had increased to S\$519,089 for 1H FY2013 whereas administrative expenses in 1H FY2013 had been decreased correspondingly to S\$1,594,431.

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

(Loss) /profit before income tax is arrived at after charging /(crediting) the following:	Group		Increase/ (Decrease) %
	1H FY2014 S\$ (Unaudited)	1H FY2013 S\$ (Unaudited)	
Depreciation of property, plant and equipment	166,106	113,125	46.83%
Depreciation of investment property	10,807	-	N.M
Amortisation of intangible asset	18,002	-	N.M
Foreign exchange loss, net	40,469	404	9917.08%
Cost of materials	5,420,864	5,286,498	2.54%
Interest income	(6,105)	-	N.M
Rental income	(24,000)	(24,000)	0%
Interest expenses	31,424	33,879	(7.25%)

Note: "N.M" denotes not meaningful

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

Statement of Financial Position	Group As at		Company As at	
	30/06/14 S\$ (Unaudited)	31/12/13 S\$ (Audited)	30/06/14 S\$ (Unaudited)	31/12/13 S\$ (Audited)
NON-CURRENT ASSETS				
Property, plant and equipment	1,456,377	949,330	-	-
Intangible assets	59,958	62,792	-	-
Investment property	522,303	533,110	-	-
Investment in subsidiaries	-	-	10,000	10,000
	2,038,638	1,545,232	10,000	10,000
CURRENT ASSETS				
Cash and cash equivalents	6,877,162	9,276,109	445,083	223,984
Trade and other receivables	7,196,992	8,567,571	7,007,743	8,142,282
Prepayments	63,560	40,855	-	-
Current income tax recoverable	18,142	13,031	-	-
Inventories	2,631,655	1,757,652	-	-
	16,787,511	19,655,218	7,452,826	8,366,266
Less:				
CURRENT LIABILITIES				
Trade and other payables	3,660,734	5,163,829	159,653	161,944
Borrowings	1,147,540	1,222,133	-	-
Provisions	27,900	27,900	-	-
Finance lease payables	90,701	75,563	-	-
Current income tax payable	14,991	69,451	-	-
	4,941,866	6,558,876	159,653	161,944
NET CURRENT ASSETS	11,845,645	13,096,342	7,293,173	8,204,322
Less:				
NON-CURRENT LIABILITIES				
Borrowings	789,674	808,099	-	-
Finance lease payables	460,247	322,576	-	-
Deferred tax liabilities	39,771	39,747	-	-
	1,289,692	1,170,422	-	-
	12,594,591	13,471,152	7,303,173	8,214,322
CAPITAL AND RESERVES				
Share capital	4,124,790	4,124,790	4,124,790	4,124,790
Other reserves	1,268,199	1,272,480	-	-
Retained earnings	7,201,602	8,073,882	3,178,383	4,089,532
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	12,594,591	13,471,152	7,303,173	8,214,322

1(b)(iii) Aggregate amount of group's borrowings and debt securities

	30/06/14 (Unaudited)		31/12/13 (Audited)	
	S\$ Secured	S\$ Unsecured	S\$ Secured	S\$ Unsecured
Amount repayable in one year or less, or on demand	139,208	1,099,033	123,914	1,173,782
Amount repayable after one year	1,249,921	-	1,130,675	-

**Details of any collateral
Secured borrowings:-**

As at 30 June 2014, the Group's borrowings comprising bank borrowings and finance lease payables that were secured as follows:-

- Bank borrowings are secured against leasehold properties at One Commonwealth Lane, #03-06 Singapore 149544 with the carrying amount of S\$522,303 (31 December 2013: S\$533,110) and freehold properties at No.4 Sri Plentong 10, 81750 Masai Johor Malaysia with the carrying amount of S\$480,665 (31 December 2013: S\$480,859) as at 30 June 2014.
- Obligations under finance lease are secured by the lessor's charge over the leased assets, which have a carrying amount of S\$400,027 (31 December 2013: S\$316,361) as at 30 June 2014.
- Bank borrowings are secured by corporate guarantor for United Overseas Bank and Development Bank Singapore Limited. The bank borrowings under Standard Chartered Bank is secured by joint and several guarantees from certain Directors, namely Sally Chua Chwee Choo, Alan Lee Chong Hoe and Frankie Cheng Chun Choi.

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

Consolidated Statement of Cash Flows	Group	
	1H FY2014 S\$ (Unaudited)	1H FY2013 S\$ (Unaudited)
Operating activities		
(Loss) /Profit before income tax	(122,280)	429,092
Adjustments for:		
Depreciation of property, plant and equipment	166,106	113,125
Depreciation of investment properties	10,807	-
Amortisation of intangible asset	18,002	-
Interest Income	(6,105)	-
Interest expenses	31,424	33,879
Operating profit before working capital changes	97,954	576,096
Working capital changes:		
Inventories	(874,003)	(661,284)
Trade and other receivables	1,370,579	(681,158)
Prepayments	(22,705)	(542,394)
Trade and other payables	(1,503,095)	(99,688)
Cash absorbed by operations	(931,270)	(1,408,428)
Income tax paid	(54,460)	(793,442)
Net cash used in operating activities	(985,730)	(2,201,870)
Investing activities		
Addition to property, plant and equipment	(481,314)	(94,981)
Interest income	6,105	-
Net cash used in investing activities	(475,209)	(94,981)
Financing activities		
Fixed deposit pledged with financial institution	24,438	-
Interest paid	(31,424)	(33,879)
Dividend paid	(750,000)	-
Repayment of term loans	(18,269)	(64,990)
Proceeds from trust receipts	2,842,938	3,411,037
Repayment from trust receipts	(2,917,687)	(2,451,402)
Repayment of obligations under finance leases	(49,191)	(43,164)
Net cash (used in)/from financing activities	(899,195)	817,602
Net change in cash and cash equivalents	(2,360,134)	(1,479,249)
Cash and cash equivalents at beginning of financial period	8,596,107	5,392,860
Effect of exchange rate changes on cash and cash equivalents	(14,375)	1,798
Cash and cash equivalents at end of financial period	6,221,598	3,915,409

Cash and cash equivalents comprised of	Group	
	30/06/2014 (Unaudited) S\$	30/06/2013 (Unaudited) S\$
Cash on hand and at bank	4,223,404	3,915,409
Fixed deposits with banks	2,653,758	808,115
Cash and cash equivalents as per statement of financial position	6,877,162	4,723,524
Less: fixed deposits pledged	(655,564)	(808,115)
Cash and cash equivalents as per consolidated statement of cash flows	6,221,598	3,915,409

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

Consolidated Statement of Changes in Equity

	Share Capital (S\$)	Merger Reserve (S\$)	Foreign Currency Translation Account (S\$)	Retained Earnings (S\$)	Total Equity Attributable to Owners of The Parent (S\$)
Group (Unaudited)					
Balance as at 01 January 2014	4,124,790	1,312,241	(39,761)	8,073,882	13,471,152
Loss for the financial period	-	-	-	(122,280)	(122,280)
Other comprehensive income:					
Exchange differences on translating foreign Operations	-	-	(4,281)	-	(4,281)
Total comprehensive income for the Financial Period	-	-	(4,281)	(122,280)	(126,561)
Transaction with owners of the Parent					
Dividends	-	-	-	(750,000)	(750,000)
Total transaction with owners of the parent	-	-	-	(750,000)	(750,000)
Balance as at 30 June 2014	4,124,790	1,312,241	(44,042)	7,201,602	12,594,591

	Share Capital (S\$)	Merger Reserve (S\$)	Foreign Currency Translation Account (S\$)	Retained Earnings (S\$)	Equity Attributable To Owners of The Parent (S\$)	Non Controlling Interest (S\$)	Total Equity (S\$)
Group (Unaudited) Balance as at 01 January 2013	1,072,473	74,277	(32,545)	8,338,542	9,452,747	175,491	9,628,238
Profit for the financial period	-	-	-	429,092	429,092	-	429,092
Other comprehensive Income:							
Exchange differences on translating foreign operations	-	-	(223)	-	(223)	-	(223)
Total comprehensive Income for the financial period	-	-	(223)	429,092	428,869	-	428,869
Transaction With owners of the parent Deemed distribution to owners pursuant to the restructuring exercise	(1,085,003)	1,085,003	-	-	-	-	-
Total transaction with owners of the parent	(1,085,003)	1,085,003	-	-	-	-	-
Transaction with non- controlling interests							
Acquisition of non-controlling interests in Q'son Kitchen Equipment Pte Ltd	22,530	152,961	-	-	175,491	(175,491)	-

	Share Capital	Merger Reserve	Foreign Currency Translation Account	Retained Earnings	Equity Attributable To Owners of The Parent	Non- Controlling Interest	Total Equity
	(S\$)	(S\$)	(S\$)	(S\$)	(S\$)	(S\$)	(S\$)
Total transactions with non-controlling interests	22,530	152,961	-	-	175,491	(175,491)	-
Balance as at 30 June 2013	10,000	1,312,241	(32,768)	8,767,634	10,057,107	-	10,057,107

Statement of Changes in Equity

<u>Company</u> <u>(Unaudited)</u>	Share Capital (S\$)	Retained Earnings (S\$)	Total Equity Attributable to Owners (S\$)
Balance as at 01 January 2014	4,124,790	4,089,532	8,214,322
Loss for the financial period	-	(161,149)	(161,149)
Total comprehensive income for the financial period	-	(161,149)	(161,149)
Transaction with owners of the parent			
Dividends	-	(750,000)	(750,000)
Total transaction with owners of the parent	-	(750,000)	(750,000)
Balance as at 30 June 2014	4,124,790	3,178,383	7,303,173

<u>Company</u> <u>(Unaudited)</u>	Share Capital (S\$)	Retained Earnings (S\$)	Total Equity Attributable to Owners (S\$)
Balance at date of incorporation	10,000	-	10,000
Loss for the financial period	-	(3,263)	(3,263)
Total comprehensive income for the financial period	-	(3,263)	(3,263)
Balance as at 30 June 2013	10,000	(3,263)	6,737

There are no outstanding convertibles or shares held as treasury shares as at 30 June 2014 and 30 June 2013.

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Details of Changes in the Company's Issued Share Capital	Number of ordinary shares	Issued and Paid Up S\$
Share capital as at 31 December 2013 and 30 June 2014	150,000,000	4,124,790

There are no outstanding convertibles or shares held as treasury shares as at 30 June 2014 and 30 June 2013.

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

As at 30 June 2014, the issued share capital of the Company comprised 150,000,000 ordinary shares (31 December 2013: 150,000,000 ordinary shares)

There were no treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.

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

Not applicable.

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.

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the Group's financial statements for the current financial reporting period ended 30 June 2014 compared with its audited financial statements as at 31 December 2013.

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

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period compared with the audited annual financial statements for the financial year ended 31 December 2013, except for the adoption of certain revised Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT FRS") that became effective for the annual period beginning on or after 1 January 2014. The adoption of these new and revised FRS and INT FRS from the effective date is not expected to result in any material adjustments or substantial impact to the financial statements of Group for the current financial reporting period reported on.

6. Earning 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:-

- (a) Based on the weighted average number of ordinary shares on issue; and
(b) On a fully diluted basis (detailing any adjustments made to the earnings).

Earnings per share ("EPS")	Group	
	1H FY2014 (Unaudited)	1H FY2013 (Unaudited)
(Loss) /profit attributable to owners of the Company (S\$)	(122,280)	429,092
Weighted average number of ordinary shares for calculation of		
(a) Basic earnings per share	150,000,000	2,487,705
(b) Diluted earnings per share	150,000,000	2,487,705
(Loss) /Earnings per ordinary share (cents):-		
(a) Based on weighted average number of issued ordinary shares	(0.08)	17.25
(b) On a fully diluted basis	(0.08)	17.25

Notes:

- The calculation for the basic and diluted EPS for the respective financial periods is based on the weighted average number of ordinary shares in issued in the respective financial periods.
- The basic and diluted EPS were the same as the Group did not have any potentially dilutive instruments for the respective financial periods.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) Current financial period reported on; and
(b) Immediately preceding financial year.

Net Asset Value ("NAV")	Group		Company	
	30.06.2014 (Unaudited)	31.12.2013 (Audited)	30.06.2014 (Unaudited)	31.12.2013 (Audited)
Net Asset Value (S\$)	12,594,591	13,471,152	7,303,173	8,214,322
Actual Number of issued				
Ordinary shares	150,000,000	150,000,000	150,000,000	150,000,000
NAV per ordinary shares (cents)	8.40	8.98	4.87	5.48

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (a) Any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of the Group's performance

Consolidated Statement of Comprehensive Income

Revenue

For the financial period ended 30 June 2014 ("1H FY2014"), the Group's revenue recorded a marginal increase of approximately S\$0.13 million or 1.72%, from S\$7.81 million in 1H FY2013 to S\$7.94 million in 1H FY2014. The increase in Group's revenue was mainly attributable to increase in spare parts sales by approximately S\$0.35 million or 4.5% that had compensated the net decrease in equipment sales revenue by S\$0.25 million or 3.2% in 1H FY2014, as compared to 1H FY2013. Additionally, the Group's revenue also improved due to increase in sales of servicing and maintenance business segment by approximately S\$0.03 million or from S\$2.65 million in 1H FY2013 to S\$2.68 million in 1H FY2014. This growth was in line with the servicing contracts in hand.

Cost of sales and gross profit

Corresponding to the increase in revenue, the Group's cost of sales had also increased by approximately S\$0.13 million or 2.54%, from S\$5.29 million in 1H FY2013 to S\$5.42 million in 1H FY2014. Although the Group's cost of purchases had reduced by S\$0.14 million, from S\$3.83 million in 1H FY2013 to S\$3.69 million in 1H FY2014, this reduction had been offset by the increase in direct overheads including additional office and factory lease (S\$0.05 million), higher depreciation charges (S\$0.04 million) and increase in staff costs (S\$0.18 million).

The Group's gross profit for 1H FY2014 was maintained at S\$2.52 million as compared to 1H FY2013 (S\$2.52 million). However, the overall gross profit margin had reduced marginally by 0.55% to 31.77% in 1H FY2014 compared to 32.32% in 1H FY2013 due to the higher direct overhead costs incurred as reasoned out above.

Other items of income

Other income increased from S\$0.12 million in 1H FY2013 to S\$0.13 million in 1H FY2014. The net increase of approximately S\$13,000 (11.6%) in 1H FY2014 as compared to 1H FY2013 was mainly attributable to various types of earned income including wages credit scheme grant, PIC grant, fixed deposit interest and rebate from FHA exhibition event in 1H FY2014 that had been partially offset by the decrease in sales of scrapped materials.

Distribution expenses

Distribution expenses had increased significantly by approximately S\$0.50 million or 95.87%, from S\$0.52 million in 1H FY2013 to S\$1.01 million in 1H FY2014. The substantial increase was mainly due to increased headcount in sale team and increase in salaries cost (S\$0.29 million), higher expenses incurred for participation in the regional food hotel exhibition event that was held in 1H FY2014 (S\$0.10 million), increase in transportation and carriage outward expenses (S\$0.07 million) and more spending on advertising and marketing activities (S\$0.04 million).

Administrative expenses

Administrative expenses increased by S\$0.06 million or 2.53%, from S\$1.59 million in 1H FY2013 to S\$1.63 million in 1H FY2014. The expenses increased mainly due to increase in: (i) professional and incidental expenses of approximately S\$30,000 in 1H FY2014 as part of the Company's listing compliance; (ii) donation expense incurred of approximately S\$36,000; (iii) rental charges incurred on new hostel lease of approximately S\$30,000; (iv) general office support and administration expenses on telephone, office printing and upkeep of premise of approximately S\$29,000 and recruitment of more staff in Malaysia of approximately S\$43,000. The increase in administrative expenses had been partially offset by decrease in directors' remuneration of approximately S\$115,000.

Other expenses

Other expenses incurred in 1H FY2014 was approximately S\$0.06 million, as compared to S\$0.04 million in 1H FY2013. The increase in other expenses was mainly due to amortisation charge on intangible asset of approximately S\$0.02 million in 1H FY2014.

Finance costs

Finance costs increased approximately by S\$8,000 or 13.33%, from S\$0.06 million in 1H FY2013 to S\$0.07 million in 1H FY2014. The increase was due to increased utilisation of invoice financing and hire purchase facilities by the Company in 1H FY2014 as compared to 1H FY2013 that resulted in approximately S\$6,000 invoice finance cost and hire purchase interest of approximately S\$2,600. The increase in finance costs had been partially offset by the decrease in term loan interest of approximately S\$1,100 following full loan settlement in FY2013.

Income tax expenses

The income tax expense was estimated to be nil in 1H FY2014 mainly due to net loss before tax reported of S\$122,280. Income tax expense was nil in 1H FY2013.

Loss for the financial period

Overall, the Group reported net loss attributable to equity shareholders of the Company of S\$0.12 million in 1H FY2014 compared to the net profit attributable to equity shareholders of the Company of S\$0.43 million for 1H FY2013.

This decrease of approximately S\$0.55 million or 128.50% from 1H FY2013 to 1H FY2014 was mainly due to increase in sales and marketing activities that caused the rise in distribution and marketing expenses and higher payroll cost resulting from more staff recruited in 1H FY2014 as compared to 1H FY2013 (increase in headcount number: 32).

Statement of Financial Position

Non- current assets

The Group's non-current assets had increased by approximately S\$0.49 million or 31.93% from S\$1.55 million as at 31 December 2013 to S\$2.04 million as at 30 June 2014. The increase was mainly attributable to acquisition of plant and equipment, computer equipment, renovation and motor vehicle of approximately S\$0.69 million and this was partially offset by depreciation and amortisation charge of S\$0.18 million.

Current assets

The Group's current assets had decreased by approximately S\$2.87 million or 14.59% from approximately S\$19.66 million as at 31 December 2013 to approximately S\$16.79 million as at 30 June 2014. The decrease largely came from reduction in trade and other receivables of approximately S\$1.37 million, decrease in cash and cash equivalents of approximately S\$2.40 million or 25.86%, which had partially offset by increase in inventories of approximately S\$0.87 million or 49.73%.

As compared to end of FY2013, trade and other receivables as at 30 June 2014 decreased by S\$1.37 million or 16.00%. It dropped from S\$8.57 million as at end of FY2013 to S\$7.20 million as at end of 1H FY2014, mainly due to improved billing claims and also a lump-sum collection from one completed key project of approximately S\$1.05 million in 1H FY2014 under mile-stone payment term.

The Group had reported a lower cash and cash equivalents as at 30 June 2014 with a decrease of approximately S\$2.40 million when compared to end of 31 December 2013, mainly attributed to cash dividend payment made to equity shareholders of approximately S\$0.75 million in 1H FY2014, capital expenditure spending to secure fixed assets of approximately of S\$0.69 million and working capital requirements.

Inventories increased by S\$0.87 million or 49.73%, from S\$1.76 million at the end of FY2013 to S\$2.63 million in 1H FY2014, mainly due to the need to build up more buffer stocks to meet for the anticipated sales growth in second half year of FY2014 and to have stocks for display at the Food and Hotel Asia Exhibition event held in 1H FY2014.

Current liabilities

The Group's current liabilities position decreased by approximately S\$1.62 million or 24.65%, from S\$6.56 million as at 31 December 2013 to S\$4.94 million as at 30 June 2014. This was mainly attributable to approximately S\$0.90 million reduction in accrued expenses after payment of year-end bonus and personnel related expenses, decrease in trade payables of approximately S\$0.54 million in 1H FY2014 and S\$0.28 million reduction in non-trade payables balance. The decrease in current liabilities balance as at end of 1H FY2014 had been partially offset by approximately S\$0.27 million increase in deposits received from customers.

Non-current liabilities

The Group's non-current liabilities had increased by approximately S\$0.12 million or 10.19%, from S\$1.17 million as at 31 December 2013 to S\$1.29 million as at 30 June 2014. This was mainly due to new hire purchase contracts and finance lease obligations entered in 1H FY2014 of approximately S\$0.14 million and had been partially offset by reduction in non-current bank borrowings of approximately S\$0.02 million.

Shareholders' equity

As at 30 June 2014, the Group had a positive working capital of approximately S\$12.59 million as compared to S\$13.47 million as at 31 December 2013.

Consolidated Statement of Cash Flows

Cash and cash equivalents, excluding pledged deposits, stood at approximately S\$6.22 million as at 30 June 2014, representing an increase of approximately S\$2.31 million from approximately S\$3.92 million as at 30 June 2013.

Net cash used in operating activities

Net cash flows used in operating activities during 1H FY2014 was approximately S\$0.99 million mainly due to an increase in inventories of approximately S\$0.87 million, income tax payment of approximately S\$0.05 million and decrease in trade and other payables of approximately S\$1.50 million, offset by large decrease in trade and other receivables balance of S\$1.37 million.

Net cash flows used in investing activities

Net cash flows used in investing activities during 1H FY2014 was approximately of S\$0.48 million, as a result of additions to property, plant and equipment.

Net cash flows used in financing activities

Net cash flows used in financing activities during 1H FY2014 was approximately S\$0.90 million. The funds mainly came from issuance of trust receipts of approximately S\$2.84 million, offset by repayment of trust receipt to banks of approximately S\$2.92 million, payment of dividend of S\$0.75 million in 1H FY2014 and settlement of term loan borrowing and finance lease payable of approximately S\$0.07 million. Additionally, the Group had withdrawn a fixed deposit pledged with financial institution of S\$0.02 million and incurred interest payment of S\$0.03 million in 1H FY2014.

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

The financial performance of the Group for 1H FY2014 is generally in line with the profit guidance announcement released by the Company on 11 July 2014 and its previous disclosure presented in paragraph 10 of the previous unaudited results announcement dated 25 February 2014.

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.**

According to MasterCard's survey, Singaporeans are the second top dining spenders in Asia Pacific, with an average food expenditure of S\$247.34 a month on dining out in 2013. This validates Singaporeans' passion for food, with dining out as an accepted way of life. As Singapore Kitchen Equipment's businesses are intertwined with the Food and Beverage (F&B) industry, the Group expects to benefit from the positive F&B outlook in Singapore.

However, the operational environment remains challenging due to higher manpower costs, foreign worker levy, general operating expenses and higher transportation and carriage outwards expenses due to the increase in customs toll to-and-from Johor Bahru. The recent strengthening of US dollar is likely to increase the average purchasing costs in the coming year.

Nevertheless, the Group is committed to improving operational efficiencies to meet challenges such as escalating costs and manpower challenges.

The Group has a robust and resilient business model which is able to cope with economic cycles due to its main business segments in Fabrication/Distribution and Maintenance/Service. The Management believes with the Maintenance and Service business, which are usually recurring in nature, the Group will be in well prepared position to weather any economic downturns.

The Group remains focused in increasing its local market share and continue to search out overseas businesses on an opportunistic basis. Locally, the Group's new star product range, the Automatic Intelligent Cooker ("AIC") reduce reliance on manpower, lower operating cost and improve kitchen productivity had received encouraging initial orders and is still registering strong demand from F&B players in Singapore.

Bearing in mind of the challenging operating environment and uncertain economic outlook, the Group is committed to generate improved operational efficiencies to narrow its operating costs. The Management remains cautiously optimistic for the full year Group's business performance.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes. The Board of Directors recommends one tier tax-exempt interim dividend for 1H FY2014

Name of Dividend	Interim Dividend
Dividend Type	Cash
Dividend Amount per Share (in cents)	0.25 Singapore cent per share
Tax Rate	Tax exempt (one-tier).

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Yes. The Board of Directors recommended one tier tax-exempt interim dividend for 1H FY2013.

Name of Dividend	Interim Dividend
Dividend Type	Cash
Dividend Amount per Share (in cents)	0.25 Singapore cent per share
Tax Rate	Tax exempt (one-tier).

(c) Date payable

To be announced at a later date.

(d) Books closure date

Notice will be given at a later date on the closure of the Share Transfer Books and Register of Members of the Company to determine members' entitlement to the dividend.

12. If no dividend has been declared/recommended, a statement to that effect.

An interim dividend has been recommended as above.

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

The Group has not obtained general mandate from shareholders for Interested Person Transactions. There was no Interested Persons Transactions exceeding S\$100,000 conducted by the Group during the current financial period reported on.

14. **Update on use of Initial Public Offer ("IPO") proceeds**

As at the date of this announcement, the utilisation of the IPO proceeds is as follows:

Intended usage in accordance with the Offer Document	Allocation	Amount utilised	Amount un-utilised
	S\$'000	S\$'000	S\$'000
(a) Acquisition of additional fabrication equipment and machinery	700	319	381
(b) Funding our expansion, including by way of acquisitions, joint ventures and / or strategic alliances	1,600	-	1,600
(c) For general working purposes of our Group	975	975	0
(d) IPO expenses	1,325	1,335	(10)
Total	4,600	2,629	1,971

The above utilization of the proceeds from IPO is consistent with the intended uses as disclosed in the Offer Document. The Group has an unutilised proceed from IPO of approximately S\$1.97 million as at 30 June 2014, of which S\$381,000 could be used to pay for new capital investment on plant equipment and machinery and the remaining S\$1.6 million is meant for business expansion, including by way of acquisitions, joint ventures and /or strategic alliances activities.

The Company will make periodic announcements on the use of proceeds as and when the funds are materially disbursed. The funds are currently placed in deposits with banks and financial institutions while waiting for right investment decision and business opportunities.

15. **NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)**

To the best of their knowledge, the Board of Directors have confirmed that nothing has come to their attention which may render the unaudited financial results of the Group for 1H FY2014 presented in this announcement to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Sally Chua Chwee Choo

Managing Director

13 August 2014

Singapore Kitchen Equipment Limited (the "Company") was listed on Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 22 July 2013. The Initial Public Offering ("IPO") of the Company was sponsored by CIMB Bank Berhad, Singapore Branch (the "Sponsor").

This announcement has been reviewed by the Sponsor for the compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.

The announcement has not been examined or approved by the SGX-ST and the SGX-ST and the Sponsor assume 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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