Raffles United
Holdings Ltd

FOCUS ON GROWTH AND EXPANSION

ANNUAL REPORT 2014

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CORPORATE STRUCTURE

RAFFLES UNITED HOLDINGS LTD

BEARINGS & SEALS

SOUTHEAST ASIA

KIAN HO PTE LTD
100%

RAFFLES LOGISTICS OPERATIONS PTE LTD
100%

KIAN HO BEARINGS (M) SDN BHD
100%

KWP ENGINEERING & INDUSTRIAL SUPPLY SDN BHD
60%

PT. KIAN HO INDONESIA
95%

KIAN HO (VIETNAM) CO., LTD
100%

KIAN HO (THAILAND) CO., LTD
80%[1]

KIAN HO BEARINGS (THAILAND) CO., LTD
49%

GREATER CHINA

KIAN HO SHANGHAI CO., LTD
100%

ACKER MACHINERY (SHANGHAI) CO., LTD
100%

KIAN HO GUANGZHOU CO., LTD
65%

EXCEL (HANGZHOU) POWER TRANSMISSIONS CO., LTD
70%[1]

KIAN HO (H.K.) COMPANY LIMITED
100%

ASCEND BEARINGS CO., LTD
60%

AUSTRALIA

KH BEARINGS AND SEALS AUSTRALIA PTY LTD
100%

PROPERTY

SOUTHEAST ASIA

RAFFLES ACRES PTE LTD
100%

RAFFLES LAND & INVESTMENTS PTE LTD
100%

RAFFLES MAJESTIC REALTY PTE LTD
100%

RAFFLES GLOBAL INVESTMENTS PTE LTD
100%[1]

RAFFLES MAJESTIC INVESTMENTS PTE LTD
100%[1]

RAFFLES PROPERTY MANAGEMENT PTE LTD
100%[1]

(1) These are dormant companies.

CHAIRMAN'S STATEMENT

"In response to these challenging times, we will continue to push ahead with our efforts, stay prudent and diligently monitor market demand and manage our inventory mix efficiently.

At the same time, we will also continue to explore into our new property segment for any potential business opportunities to increase shareholder value in the future."

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company and the Group for the year ended 31 December 2014.

It is also my great pleasure to welcome our new controlling shareholder, Raffles United Pte Ltd ("RU"), which is owned by the son and daughter of our Managing Director, Teo Teng Beng. RU hopes to bring in additional income stream and growth prospects for the new property investment segment of the Group.

On 8 December 2014, we received shareholders' approval on the expansion of the current core business of the Group to include property investment and property development. We expect this will enable the Group to access new business opportunities whilst focusing on our existing bearings and seals business.

YEAR IN REVIEW

For the financial year 2014, the Group posted a total annual turnover of $82.1 million, up 4% from $79.2 million in 2013. Pre-tax profit reduced 26% to $1.2 million in 2014, from $1.6 million in 2013, mainly due to a drop in gross profit margin. As a result, the Group's net profit after tax dropped 62% to $0.4 million in 2014, from $1.1 million in 2013.

DIVIDEND

The Directors recognise that a dividend policy at a rate that is as reasonably consistent as possible, is in the interest of shareholders of the Company.

Barring any unforeseen circumstances, the Directors aim to recommend to shareholders for approval a dividend of an amount of at least 30% of the annual net profit after tax for each financial year, while being guided to aim for 1 cent in total annual dividend at the same time.

Subject to shareholders' approval at the forthcoming Annual General Meeting, the Board is pleased to recommend a one-tier tax-exempt first and final dividend of 0.1 cent per ordinary share which represents a payout ratio of about 57%. The Board and management are committed to devote our best efforts to enhance shareholder returns in the years to come, taking into perspective the overall transformation made during the year.

LOOKING AHEAD

For the year ahead in 2015, we anticipate the global market to continue to be uncertain and challenging for our bearings and seals business. In response to these challenging times, we will continue to push ahead with our efforts, stay prudent and diligently monitor market demand and manage our inventory mix efficiently.

At the same time, we will also continue to explore into our new property segment for any potential business opportunities to increase shareholder value in the future.

RETIREMENT

I have indicated my intention to retire and not seek re-election at the forthcoming Annual General Meeting on 20 April 2015. I have served the Company since 2009 and provided my dedicated service and leadership within my ability as an independent director and subsequently as its Chairman. I feel that it is now time to refresh the Board.

Having been an Executive Director of the Company since its date of incorporation in 1973, Mr Kwek Che Yong has decided to retire at the forthcoming Annual General Meeting as both Executive Director and Deputy Chairman. I am pleased, however, that Mr Kwek Che Yong will continue to contribute and share his passion and expertise in the bearings and seals industry with his new appointment as Chairman of the Board of our wholly-owned subsidiary, Kian Ho Pte Ltd, as well as Adviser of the Company.

APPRECIATION

I wish to thank the staff, shareholders and Board of Directors for their support and cooperation during the tenure of my Chairmanship of the Company.

On behalf of the Board, I would like to extend our appreciation to our shareholders, suppliers, customers, business associates and bankers for their unwavering support. Our appreciation also goes to all our staff for their invaluable commitment and hard work in the past year.

Yeo Wee Kiong
Chairman

LETTER TO SHAREHOLDERS

"We plan to leverage our experience and business contacts in property investment to enhance RUH's long term growth prospects and provide an additional income stream, even as the Group continues with its existing business… RUH will explore other suitable investment opportunities and build up a strong portfolio of properties for investment."

LETTER TO SHAREHOLDERS

Dear Shareholders,

YEAR IN REVIEW

2014 financial performance reflects a mixture of good results from certain markets and challenging conditions in China and Europe, resulting in a favorable 4% up in revenue, mainly driven by:–

– improvement in Original Equipment Manufacturing ("OEM") market in Malaysia and China; and

– higher demand to certain export markets in ASEAN and other Asian countries.

This was however, mitigated by:

– challenging market conditions for the dealers segments in China and Europe; and

– weaker domestic Singapore sales to Maintenance, Repair, and Overhaul ("MRO") market.

Although revenue improved, gross profit margin was down to 18% (2013: 21%) and pre-tax net profit margin reduced to 1.5% (2013: 2.1%) during the year due to intensive price competition in the global dealer's market and aggressive stock promotion.

2014 was another challenging year, where the weakness in demand was compounded by an increasingly competitive environment. Amid the trying circumstances, we managed to remain in the black through a disciplined and careful approach towards the management of our inventory.

As a result, the Group's net cash generated from operating activities improved to a positive $13.6 million (2013: $8.8 million) reflecting the Group's stringent control over inventory purchases and the active promotion of its inventories during the year.

A MILESTONE YEAR

2014 was a milestone year for the Group as it was a period of significant changes mainly due to:–

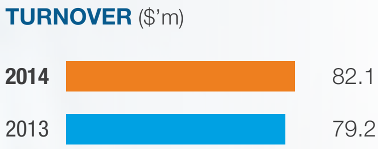
– a mandatory takeover for the shares of the Company by our new controlling shareholder, Raffles United Pte Ltd, a company owned by my son and daughter, which was completed on 17 July 2014;

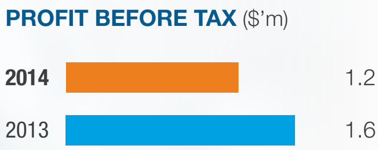
– change of name of the Company to Raffles United Holdings Ltd, reflecting the intended diversity of the various business activities of the Group as well as part of our rebranding process;

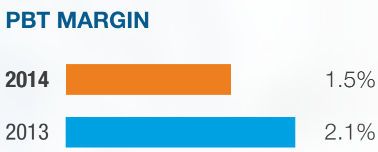
– intended expansion into property investment and property development as additional core business; and

– internal Group restructuring where the Company transferred its bearings and seals business operations to its newly incorporated subsidiary, Kian Ho Pte Ltd.

We plan to leverage our experience and business contacts in property investment to enhance RUH's long term growth prospects and provide an additional income stream, even as the Group continues with its existing business. In this respect, the Group has successfully completed its major maiden acquisition, namely 10 shop units at 1 Sophia Road, Peace Centre, Singapore, amounting to $15.7 million. The shop units will be held as investment properties, and should continue to yield recurring positive returns going forward. Accordingly, RUH will explore other suitable investment opportunities and build up a strong portfolio of properties for investment.







LETTER TO SHAREHOLDERS

I am confident that we will be able to elevate our Group to new heights of financial performance and better shareholder value in the coming years.

OUTLOOK FOR 2015

The Group is of the view that the new business portfolio will bring additional source of revenue for the Group. The Group will look at suitable investment opportunities relating to its new business portfolio and will undertake such transactions after careful consideration.

As the global market continues to be volatile, the Group expects the global operating environment to remain challenging for the bearings and seals business division. Nevertheless, the Group will continue to monitor its existing core business in bearings and seals especially the OEM and MRO segments in the countries in which the Group operates.

Barring any unforeseen circumstances, the Directors expect the performance of the Group for the financial year 2015 to remain profitable.

APPRECIATION

Our Chairman, Mr Yeo Wee Kiong, has indicated his intention to retire at the forthcoming Annual General Meeting on 20 April 2015. The Board would like to express its gratitude and appreciation to Mr Yeo for his contributions to the Group, including his invaluable perspectives and leadership at the Board.

Mr Kwek Che Yong has also decided to retire as an Executive Director and Deputy Chairman at the forthcoming Annual General Meeting on 20 April 2015. I would like to thank him for his dedicated service and support over the years. We are grateful that the Group will continue to benefit from his rich experience in his new position as Chairman of the Board of our wholly-owned subsidiary, Kian Ho Pte Ltd, and Adviser of the Company.

I would like to thank our principal suppliers, valued customers, bankers and employees, for their trust and unwavering support throughout the year. Together with them, we will continue to put our best foot forward and work towards a better and more fruitful year ahead.

Teo Teng Beng
Managing Director

CORPORATE PROFILE

Raffles United Holdings Ltd ("RUH"), formerly known as Kian Ho Bearings Ltd, is a SGX Mainboard-listed company that was founded in 1956. It is one of the largest professional stockists, distributors and retailers of bearings and seals in South East Asia and the Far East that caters primarily to the Wholesale; Maintenance, Repair, and Overhaul ("MRO"); and Original Equipment Manufacturers ("OEM") markets.

RUH's strength lies in the universal application of its bearings and seals products. The Group carries more than 35,000 types of bearings and seals that are used in virtually all industries: transportation, electronics, construction, oil and gas, and others.

RUH currently has four branches in Singapore and seven outlets in neighbouring Malaysia. It also has one associate and several local and overseas subsidiaries in Malaysia, Hong Kong, Taiwan, China, Vietnam, Indonesia, Australia and Thailand.

RUH has a sizeable local customer network spanning across automotive part dealers, industrial suppliers, hardware dealers, ship chandlers, general trading companies, as well as the OEM market (particularly in the industrial automation sector). The group markets its products on a wholesale basis and has developed sales to foreign markets over the years.

On 1 October 2014, RUH successfully completed its internal Group restructuring after the transfer of the Company's bearings and seals business operations, including its inventory, to its newly incorporated subsidiary – Kian Ho Pte Ltd.

With effect from 8 December 2014, RUH realigned its organisational structure to include property investment and property development to its current core business. In line with this development, RUH has made its major maiden acquisition of 10 commercial shop units at 1 Sophia Road, Peace Centre, Singapore and is on the lookout for suitable opportunities to build upon its property portfolio.

BOARD OF DIRECTORS

YEO WEE KIONG
Independent Chairman

Mr Yeo Wee Kiong joined the Board on 3 July 2009 as an Independent Non-Executive Director of the Company and a member of the Audit Committee. He became a member of the Remuneration Committee on 15 November 2012. He was appointed as Independent Chairman of the Board on 22 April 2013.

Mr Yeo Wee Kiong was formerly a lawyer practising in the areas of corporate law, corporate finance, mergers and acquisitions, listings on stock exchanges, venture capital, banking and securities. He started his career in 1980 as a senior industry officer with the Singapore Economic Development Board (EDB) where he participated in EDB's international drive to promote high technology investments into Singapore. He was an investment banker with NM Rothschild & Sons Singapore between 1984 to 1989 in capital markets and corporate finance advisory services. He started his legal career with Drew & Napier in 1989, subsequently founding his own law firm. He was also previously a senior partner in Rajah & Tann, a leading law firm in Singapore. He rejoined Drew & Napier LLC in 2007 and retired from practice in mid 2012.

Mr Yeo holds a First Class Honours Degree in Mechanical Engineering as well as a Masters in Business Administration degree in addition to his legal qualifications. He graduated with an honours degree in law from the University of London and is a Barrister-at-Law with the Lincoln's Inn in England.

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES (AS AT 31 DEC 2014):	(1) Bonvests Holdings Limited
MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS):	Nil
PAST DIRECTORSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS:	(1) SMRT Corporation Ltd (2) Swee Hong Limited (3) Singhaiyi Group Ltd (4) SingXpress Land Limited

KWEK CHE YONG
Executive Director/Deputy Chairman

Mr Kwek has been an Executive Non-Independent Director of the Company since its date of incorporation in November 1973. He was the Chairman of the Company for approximately 30 years before stepping down in October 2007 to assume the post of Deputy Chairman. He has over 40 years of experience in the business and is actively involved in formulating the Group's development and expansion strategy.

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES (AS AT 31 DEC 2014):	Nil
MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS):	Nil
PAST DIRECTORSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS:	Nil

TEO TENG BENG
Managing Director

Mr Teo was appointed as an Executive Non-Independent Deputy Chairman in September 2000 and is currently the Managing Director. He was appointed as member of the Nominating Committee on 22 April 2013. He is responsible for the daily operations of the Group. Mr Teo holds directorships in private companies operating in industries such as property development and foreign exchange management. He has substantial experience in business development in Australia, Vietnam and China. Mr Teo holds a Bachelor of Science, Bachelor of Engineering and Graduate Diploma in Industrial Engineering from the University of New South Wales.

He is a director of Raffles United Pte Ltd, the controlling shareholder of the Company.

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES (AS AT 31 DEC 2014):	Nil
MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS):	Nil
PAST DIRECTORSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS:	Nil

BOARD OF DIRECTORS

TEH GEOK KOON

Executive Director cum Chief Operating Officer

Mr Teh was appointed as an Executive Non-Independent Director cum Chief Operating Officer on 29 April 2013. He had been Head, Group Operations of the Company since April 2008 and oversees the Group operations including sales and marketing, purchasing, IT business support and warehouse logistics issues. Mr Teh has substantial experience and holds directorships in private companies operating in the fire protection and security services industries. He is a Director of VIG Systems Pte Ltd. He used to be the Managing Director of EMI Group Holdings Singapore Pte Ltd, Regional Director of Kidde International Protection Systems Pte Ltd and Managing Director of Chubb Singapore Pte Ltd, which was a subsidiary of a UK listed company.

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES (AS AT 31 DEC 2014):	Nil
MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS):	Nil
PAST DIRECTORSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS:	Nil

LEE JOO HAI

Independent Director

Mr Lee is an Independent Non-Executive Director and Chairman of the Audit Committee since October 1995. He was appointed as a Member of the Remuneration Committee since December 2002. He was appointed as member of the Nominating Committee on 22 April 2013. Mr Lee also holds directorships in other companies and has considerable experience in accounting and auditing spanning more than 30 years. He is a Chartered Accountant of Singapore.

PRESENT DIRECTORSHIPS IN OTHER SINGAPORE LISTED COMPANIES (AS AT 31 DEC 2014):	(1) Armarda Group Limited (2) Hyflux Ltd (3) IPC Corporation Ltd (4) Lung Kee (Bermuda) Holdings Limited
MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS):	(1) Director of Agria Corporation
PAST DIRECTORSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS:	(1) Adampak Limited (2) Asiasons WFG Financial Ltd (3) Food Junction Holdings Limited

TAN SAIK HOCK

Independent Director

Mr Tan was appointed Independent Non-Executive Director and member of the Audit Committee since 18 April 2013. He was appointed as Chairman of the Nominating and Remuneration Committees since 22 April 2013. Mr Tan also holds directorships in other private companies and has considerable experience in accounting spanning more than 20 years. He used to be a Director and Audit Committee member of Tasek Corporation (M) Bhd from 2006-2009. He used to be a member of the Australian Society of Accountants. He holds a Bachelor of Commerce degree and a Bachelor of Business (Accounting).

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES (AS AT 31 DEC 2014):	Nil
MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS):	(1) Managing Director of Wah Aik & Co. Pte Ltd
PAST DIRECTORSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS:	Nil

SUSTAINABILITY REPORT

We are committed to building a sustainable future for Raffles United Holdings Ltd (the "Company") and delivering long term value and sustainable returns to all our stakeholders. Our stakeholders comprise shareholders, customers, employees, suppliers and service providers, regulatory authorities and bankers.

Year 2014 marked one of the most significant milestones of the Company as we embarked on a corporate restructuring and expansion into property investment and property development business in line with a takeover by our major shareholder, Raffles United Pte Ltd during the year. We aim to transform the Group into a more diversified organization with an additional revenue stream to achieve better profitability prospects and long-term growth. Along with this, we endeavour to continue protecting our people and the environment, and supporting local communities.

CORPORATE GOVERNANCE

The Company believes in maintaining high standards in corporate governance and disclosures. We believe that conducting business in a responsible manner is important for the sustainability of the Group's business and performance as well as ensuring long term value for our stakeholders. Our Board of Directors monitors the effectiveness of management and regularly reviews the Group's corporate governance practices to ensure compliance.

The Board operates according to the principles and guidelines of the Code of Corporate Governance 2012. For the employees, the Company had established an Employees' Handbook that sets out the main principles of the conduct and business ethics including conflict of interest and abuse of position, confidentiality of information, conduct in workplace, loyalty to the Company, high standards of honesty and integrity, as well as a Whistle Blowing Policy for the employees to signal serious matters that they may be aware of. For detailed discussion on the Corporate Governance practices, please refer to the "Corporate Governance Report" section of the Annual Report.

RISK MANAGEMENT

The Board provides guidance on the risk management practices and has overall responsibility in determining the business risk levels that is acceptable to the Group in achieving its corporate objectives. The Company engaged the Internal Auditors to conduct annual risk assessment or review and establish and review the risk management framework for the Company. The Internal Auditors would present to the Audit Committee a risk management report highlighting potential risks relating to the Company's business operations and measures to mitigate such risks.

Although risks cannot be completely eliminated, an effective risk identification and management process will reduce the uncertainties in achieving the Company's business objectives and allow the Company to take advantage of opportunities that may arise.

INVESTOR RELATIONS

The Company believes in timely communication and disseminates all announcements to the Singapore Exchange via SGXNET. The Company encourages participation of shareholders at the Company's Annual General Meetings where our directors, management, company secretary and external auditors will be present to address shareholders' queries on the Group's business.

OUR PEOPLE

Our employees are the most valuable assets of the Group. By ensuring safe and harmonious workplace, offering competitive pay packages, rewarding employees based on merit, providing opportunities for personal growth and embracing fair employment standards and practices, we strive to create a well-motivated and satisfied workforce.

We place great emphasis on employee involvement and empowerment by fostering open communication amongst employees at all levels and with the Management. We provide an avenue where employees can communicate their ideas and feedback, report their respective market outlook and performance results during internal meetings and budget forum, and work autonomously. Our employees are encouraged to take initiative and lead, thus giving them opportunity to be more confident and be able employ their current skills set, improve it further and gain new ones.

The Company rewards the employees in terms of promotion, compensation, and other benefits based on their responsibilities, individual work performance and achievement of sales targets, as and when applicable. We also provide a comprehensive range of benefits such as leave entitlements, medical and dental benefits, transport allowance and company transport services, and others. Performance reviews of our employees are conducted regularly where the employee and his superior openly discusses the employee's performance, areas for improvement, performance targets for the succeeding year and career plan.

SUSTAINABILITY REPORT

In order to achieve our goals, employees are encouraged to take up various training and development programmes such as professional training, executives and leadership development as well as technical seminars. Employees are also granted paid examination leave for any courses sponsored or approved by the Company.

Lastly, we uphold integrity and professionalism in the conduct of our overall business activities. We do not tolerate unethical labor practices and discrimination amongst our employees. We respect the cultural values and diversity of our people and the community where we are operating in.

OUR ENVIRONMENT

To protect our environment and the resources available for future generations, the Company believes in long-term sustainability, especially in terms of our behavior and business practices. Sustainably appropriate environmental actions are not just critical in view of the threats of climate change but also beneficial as these bring about improvement in operational efficiency, giving us competitive edge and delivering bottom line benefits.

We have embarked on certain green initiatives in the workplace by reducing consumption, implementing energy-efficient measures and increasing paper recycling to reduce resource depletion.

FY 2014 Achievements:

Reduced Energy Consumption

- Converted certain lightings from fluorescent tubes (43W) to LED (15W) to save energy. LED lights consume less energy and heat making it more efficient on air-conditioned environment.
- Installed motion sensor lighting in washrooms and common areas less frequently use.
- Set computers/printers/copiers/fax machines to energy saving mode when not in use for more than 30 minutes.
- Switched off electrical equipment, lights and air conditioners when not in use.
- Batch printing of cheques leading to increased efficiency and energy savings.

Reduced Paper Waste

- Automated ERP system approval for inventory adjustments.
- Abolished printing of duplicate invoices and credit notes for filing as these are archived in the ERP system.
- Automated credit control approval processes in the ERP system replacing paper form approval.
- Invoices and statement of accounts are e-mailed or faxed to the customers through the ERP system, where possible.
- Automated ERP system for approval of Purchase Orders.
- Printing documents on both sides of the paper whenever applicable.
- Use of notice boards and email for internal corporate announcements.

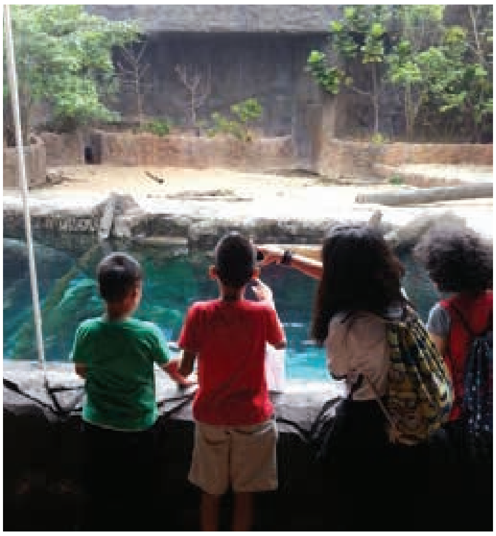
Automation of processes implemented in the ERP system over the last few years, as mentioned above, had either significantly reduced or eliminated the usage of papers. The Company is continuously looking towards improving work processes while enhancing efforts to go paperless to increase automation, efficiency, accuracy and productivity.

SUSTAINABILITY REPORT

OUR COMMUNITY

Towards the end of 2014, we commenced our participation in the community by engaging children from low-income families and socially isolated seniors from TRANS Family Services, and contributing financial support to the 50 for Fifty initiative under the SG50 Movement. We strive to support our local community in which the Company operates to contribute to the society.

The outreach program for the children was held at Singapore River Safari giving opportunity for our staff to get involved with the community and mingle with colleagues outside of work where they could relax and communicate with their colleagues informally. This outing gave the children a chance to enjoy themselves outdoors and relate to working adults. The outing was well-received by all participants and the children were delighted with the river rides and attractions, as well as the finale lunch at KFC.



Children outreach activity in River Safari

Our elderly-focused initiative saw certain staff taking a group of seniors for a bowling session at Bukit Batok Civil Service Club. Several of these seniors had never played bowling before but nonetheless they enjoyed themselves at the event. Participants were divided into groups and engaged in an informal bowling competition. The activity created a platform for the staff to share their time and social grace with the elderly and also learnt about people of different backgrounds.

Bowling activity with the senior participants

With the above two programmes so well-received by both our employees and the participants from TRANS Family Services, we feel encouraged by our efforts to reach out to the community and look forward to organizing similar programmes in future.

SUSTAINABILITY REPORT

The Company also supported the fund raising efforts of the 50 for Fifty "Changemaker"; the funds will be used for the development of an elderly development programme by TRANS Family Services. As a Corporate Partner, the Company matched the SGD 25,000 raised by the Changemaker by donating equally to the fund raising initiative. The Singapore government has also supported the fund raising initiative by matching funds raised and contributed by both the Changemaker and the Company (SGD 50,000) through the Singapore Community Chest's Care and Share Programme. We are glad that we are able to support the government's SG50 movement and make a difference to the lives of the seniors supported by TRANS under its elderly development programme.

Moving forward, Raffles United Holdings will look at developing a comprehensive Corporate Social Responsibility ("CSR") structure that evaluates all resources contributed to our CSR initiatives. This will ensure all contributions are meaningfully spent on community investment activities that improve the living standards and quality of life for our beneficiaries.

PRODUCTS WE CARRY

IKO

EZO PRECISION BALL BEARINGS

NSK

FAG

INA

BARDEN PRECISION BEARINGS

KURODA

NOK

DAIDO METAL

TIMKEN Where You Turn

KOYO

optibelt

Hallite

SAKAGAMI HYDRAULIC&PNEUMATIC SEALS

ASAHI Bearing Units

REPAIR KHB KITS CYLINDER SEAL KITS

WON

GLH

SIMRIT CARL FREUDENBERG

GP

DLI

KYB KAYABA

Parker-Prädifa

NDK

NATIONAL OIL SEALS

URB

PROPERTIES WE OWN

SINGAPORE

Office cum warehouse unit
5 Changi South Street 3

Commercial unit
#01-01 to 08 Peace Centre

Commercial unit
#02-01/02 Peace Centre

Industrial unit
#02-03 Citimac Industrial Complex

Commercial unit
#01-65 Block 302 Ubi Avenue

Industrial unit
#04-01 Poh Leng Building

Industrial unit
#01-42 27A Jurong Port

Industrial unit
387F Woodlands Road

MALAYSIA

Industrial unit
Jln Segambut Atas Segambut, Kuala Lumpur

Commercial unit
Jln Glasair Taman Tasek, Johor Bahru

Commercial unit
Jln Lim Swee Sim, Kluang

CHINA

Industrial unit
Wai Gao Qiao Free Trade Zone, Shanghai

Commercial unit
Jin Fu Hardware Centre Chengdu, Sichuan

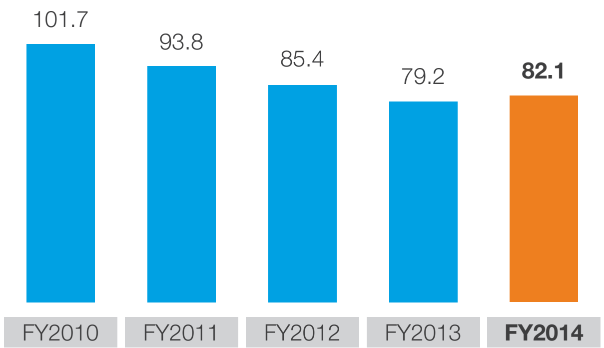
Office units
Room 2703/2704, No. 2193
Guang Yuan East Road, Guangzhou

FINANCIAL HIGHLIGHTS

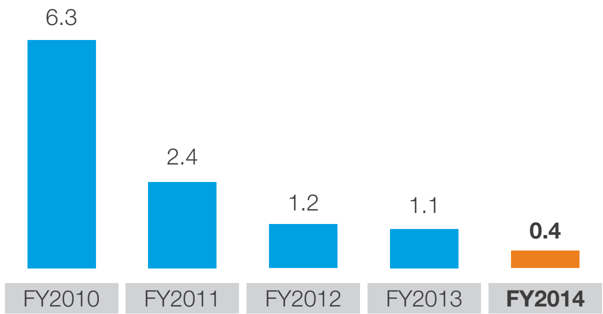
FIVE YEAR FINANCIAL SUMMARY

	2010	2011	2012	2013 Reclassified	2014
Turnover ($'000)	101,675	93,823	85,352	79,157	**82,139**
Profit after taxation before non-controlling interests ($'000)	6,252	2,427	1,179	1,080	**413**
Shareholders' equity, net of non-controlling interests ($'000)	73,005	75,083	73,792	75,517	**76,509**
Net tangible assets per share (cents)	31.19	32.08	31.53	32.26	**32.69**
Basic earnings per share (cents)	2.59	1.02	0.50	0.55	**0.19**

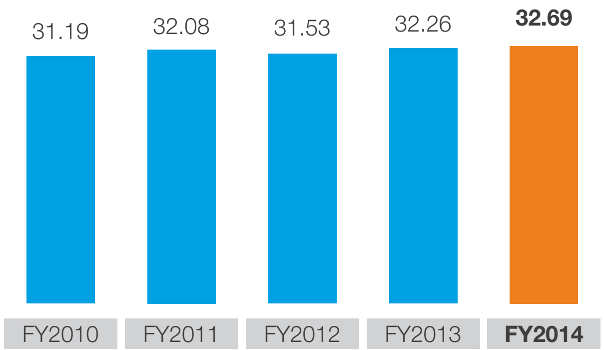
TURNOVER ($'million)



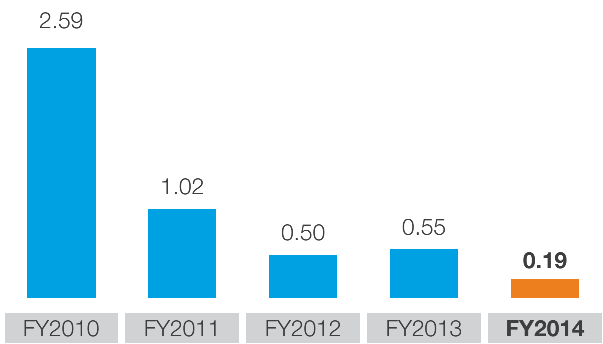
PROFIT AFTER TAXATION BEFORE NON-CONTROLLING INTERESTS ($'million)



NET TANGIBLE ASSETS PER SHARE (cents)



BASIC EARNINGS PER SHARE (cents)



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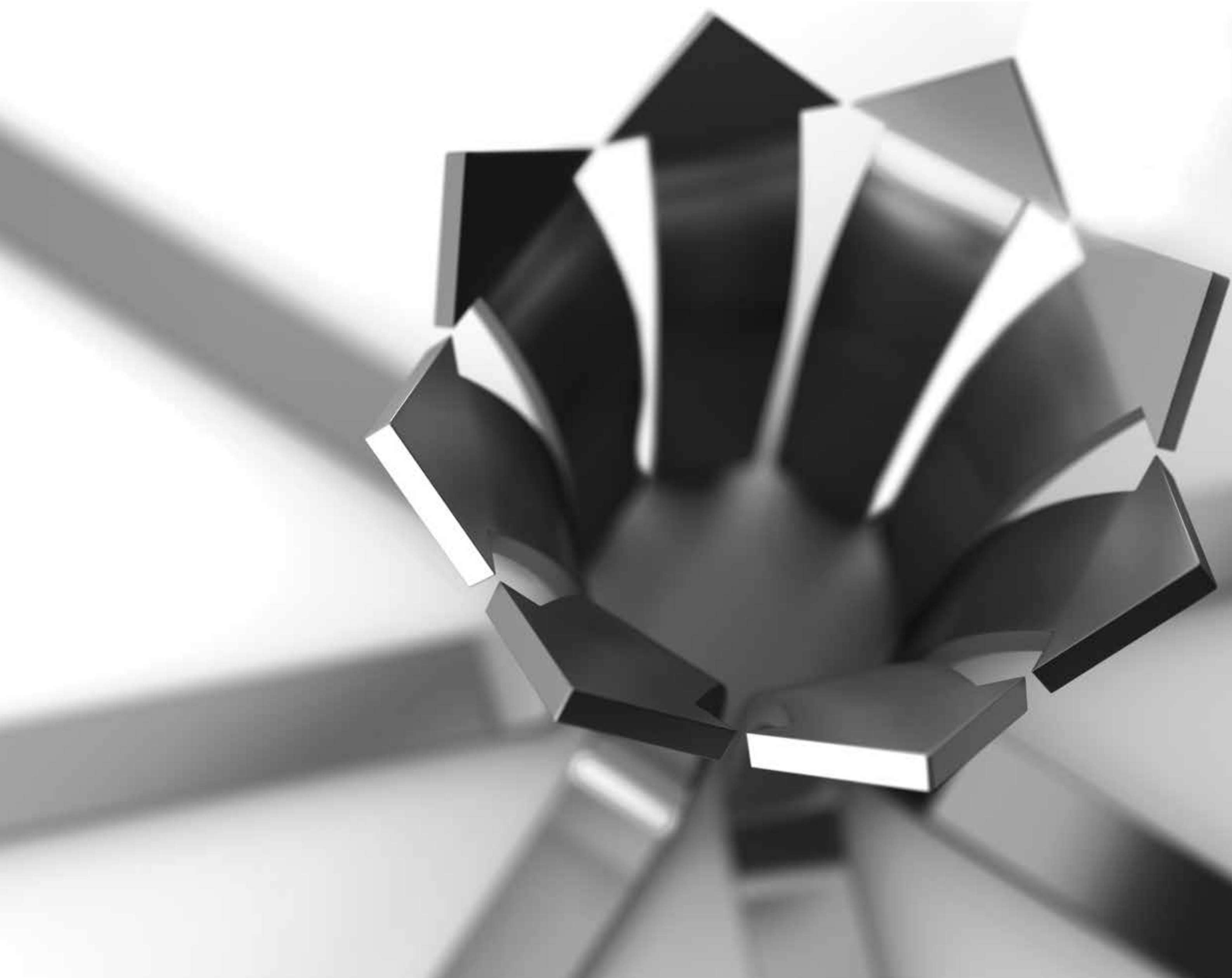

CORPORATE GOVERNANCE REPORT

Raffles United Holdings Ltd (the "Company") strives to observe the standards of corporate conduct in line with the spirit of the Code of Corporate Governance 2012 (the "Code") so as to safeguard shareholders' interests and enhance the financial performance of the Group.

This Report describes the Company's corporate governance practices with reference to the principles of the Code. For the financial year ended 31 December 2014, the Company has adhered to the principles and guidelines of the Code as set out below.

Principle 1: THE BOARD'S CONDUCT OF ITS AFFAIRS

The Board oversees the business affairs of the Group and works with the Management to achieve the objectives set for the Group. To ensure smooth operations and facilitate decision-making, and at the same time ensure proper controls, the Board has delegated some of its powers to its Committees and the Management. The Board Committees and the Management remain accountable to the Board.

The principal functions of the Board are:

- Providing entrepreneurial leadership.
- Approving the broad policies, strategies and financial objectives of the Company.
- Approving annual business plans, budgets, major funding proposals, investment and divestment proposals and monitoring the performance of Management.
- Overseeing the framework and processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance.
- Approving the nominations of Directors.
- Assuming responsibility for corporate governance.

The Board is supported by three Board Committees, namely, the Audit Committee ("AC"), the Remuneration Committee ("RC") and the Nominating Committee ("NC"). Each Committee has its own specific Terms of Reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

The Board conducts regular scheduled meetings. Ad-hoc meetings are convened as and when circumstances require. Board proceedings are generally initiated and conducted by the Chairman.

The Company Secretary or her representative assists the Board and Board Committees to prepare meeting agendas, to convene Board and Board Committee meetings and prepare minutes of the proceedings.

The Company conducts a briefing for newly appointed Directors to familiarise Directors with the Company's business. The briefing includes meetings with certain key executives of the Management and briefings on key areas of the Company's operations and circulating the board meeting calendar for the year.

The Directors are provided with updates and/or briefings from time to time by professional advisers, internal and external auditors, Management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, risk management matters and changes in financial reporting standards. From time to time, the Board and the Board Committees (where applicable) were also briefed by the Management on the amendments to the Corporate Governance Code and other listing rules requirements and their implications for the Company. Directors were also invited to Management business review meetings to better understand the Group operations.

CORPORATE GOVERNANCE REPORT

The Directors are regularly kept informed by the Company Secretary of the availability of appropriate courses, conferences and seminars such as those run by the Singapore Institute of Directors, and the Directors are encouraged to attend such training. In addition to the training courses/programmes, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Company's operations. During the year, some Directors attended seminars to enhance their knowledge to better serve the Company.

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEES' MEETINGS

A record of the Directors' attendance at meetings of the Board and Board Committees during the financial year ended 31 December 2014 is set out below:

Name of Directors	Board	Audit Committee ("AC")		Nominating Committee ("NC")		Remuneration Committee ("RC")	
	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Yeo Wee Kiong	4/4 (Chairman)	Yes	2/2	No	–	Yes	2/2
Kwek Che Yong	4/4 (Deputy Chairman)	No	–	No	–	No	–
Teo Teng Beng	4/4	No	*2/2	Yes	2/2	No	*2/2
Teh Geok Koon	4/4	No	*2/2	No	–	No	–
Lee Joo Hai	4/4	Yes (Chairman)	2/2	Yes	2/2	Yes	2/2
Tan Saik Hock	4/4	Yes	2/2	Yes (Chairman)	2/2	Yes (Chairman)	2/2
No. of meetings	**4**		**2**		**2**		**2**

* Attendance by invitation.

***Principle 2:* BOARD COMPOSITION AND GUIDANCE**

The Board currently consists of the following six members, three of whom are Executive Directors, three are independent, non-Executive Directors.

Executive Directors
Kwek Che Yong (Deputy Chairman)
Teo Teng Beng (Managing Director)
Teh Geok Koon (Chief Operating Officer)

Independent Directors
Yeo Wee Kiong (Chairman)
Lee Joo Hai
Tan Saik Hock

The Directors of the Company come from different backgrounds and possess core competencies, qualifications and skills. They bring with them a wealth of experience that enhances the overall quality of the Board. Key information regarding the Directors is disclosed separately in this Annual Report.

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The NC is of the view that the current Board size and composition is adequate taking into account the scope, nature and size of operations of the Group.The Independent Directors make up at least half of the Board, thus providing a strong and independent element to the Board capable of exercising objective judgement on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision making. During the year, the Independent Directors also met up without the presence of Management or Executive Directors.

The NC conducted annual review of the Directors' independence during the year and was satisfied that the Company has complied with the guidelines of the Code. In its deliberation as to the independence of a Director, the NC took into account whether a Director has business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgements.

The NC noted that Mr Lee Joo Hai has served on the Board for more than 9 years and also has been the Audit Committee Chairman for many years. The NC considers Mr Lee Joo Hai to be independent because:

(a) He does not have any other relationship with the Company, its related corporations, substantial shareholders or its officers and Management which could impair his fair judgement;

(b) He does not own shares in the Company; and

(c) He is independent in character and judgement and he expressed his views independently at all times.

Furthermore, it is in the interest of the Company to have Mr Lee Joo Hai to continue as an independent director in the Board as he knows the history of the Company and his knowledge in accounting matters.

In this connection, the NC confirmed that Mr Lee Joo Hai, Mr Tan Saik Hock and Mr Yeo Wee Kiong remain as Independent Directors of the Company.

Principle 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

To maintain effective supervision and ensure a balance of power and authority, different individuals assumed the Chairman and CEO roles. The division of responsibilities between the Chairman and CEO have been clearly established.

The Company's Chairman, Mr Yeo Wee Kiong, is not part of the management team and is an Independent Director. He brings with him a wealth of experience, leads the Board in discussion and ensures Board members engage the Management in constructive debate on various matters including strategic issues.

The Managing Director, Mr Teo Teng Beng, who is involved in the day-to-day running of the business, has executive responsibilities for the Group's businesses and is accountable to the Board.

Principle 4: BOARD MEMBERSHIP

The NC consists of the following three members, most of whom are non-Executive and the majority, including the Chairman, are independent:

Tan Saik Hock, Chairman	(Independent and non-Executive)
Lee Joo Hai	(Independent and non-Executive)
Teo Teng Beng	(Non-Independent and Executive)

The responsibilities and principal functions of the NC, as set out in its Terms of Reference, include:

o Maintaining a formal and transparent process for the appointment of new Directors to the Board, including identifying and reviewing candidates for nomination for appointment or re-appointment to the Board of Directors and to propose their appointment or re-appointment to the Board for approval.

o To determine the criteria for identifying candidates and reviewing nominations for the appointments referred to above.

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- o To determine how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.
- o To assess the effectiveness of the Board as a whole and the Board committees and the contribution by each individual Director to the effectiveness of the Board.
- o To review and determine the independence of the Directors on an annual basis.

Criteria and Process for Nomination and Selection of New Directors

The NC assesses the shortlisted candidates before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committees.

In reviewing and recommending to the Board any new Director appointments, the NC considers:
- the candidate's independence, in the case of the appointment of an independent non-executive Director;
- the composition requirements for the Board and Board Committees (if candidate is proposed to be appointed to any of the Board Committees) under the Corporate Governance Guidelines;
- the candidate's age, track record, experience and capabilities and such other relevant factors as may be determined by the NC which would contribute to the Board's collective skills; and
- any competing time commitments if the candidate has multiple board representations.

Succession Planning for the Board and the Managing Director ("MD")

The Board believes in carrying out succession planning for itself and the MD to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews the composition of the Board, which includes size and mix, annually and recommends to the Board the selection and appointment of new Directors, whether in addition to existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skill sets taking into account the Company's business operations. The Board is of the view that the Board has a good mix of skills and expertise and will be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competencies on the Board.

The NC reviews annually the nomination of the relevant Directors for re-election and the appointment of new directors as well as the independence of each of the Directors. When considering the nomination of Directors for re-election and appointment, the NC takes into account their contribution to the effectiveness of the Board as well as their time commitment especially for Directors who have multiple board representations.

The Company's Articles of Association provides that at each Annual General Meeting of the Company, not less than one third of the Directors (who have been longest in office since their appointment or re-election) are to retire from office by rotation. A retiring Director is eligible for re-election by the shareholders of the Company at the Annual General Meeting.

The NC reviewed the independence of the Directors, including those with multiple directorships in other companies, the Board size and competency mix in order to ensure the effectiveness of the Board as a whole and was satisfied that all the directors with multiple board representations and other commitments were able to carry out their duties adequately.

Principle 5: BOARD PERFORMANCE

The NC assessed the effectiveness of the Board as a whole, and its Board committees, as well as the contribution of each Director to the effectiveness of the Board.

The NC is guided by its Terms of Reference which set out its responsibilities for assessing the Board's effectiveness as a whole and its ability to discharge its responsibilities in providing stewardship, corporate governance and monitoring Management's performance with the objective of enhancing long term value for shareholders.

The evaluation of the Board is carried out on an annual basis. The NC, in reviewing the Board's performance, has taken note of the feedback received from the Directors and acted on their comments accordingly.

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In assessing the contributions of each Director during the year, the NC took note of the individual Director's attendance at meetings of the Board, Board Committees and General Meetings; the individual Director's functional expertise; and his commitment of time to the Company. The NC had evaluated the competing time commitments faced by Directors serving on multiple boards during the year. As a general rule, taking into consideration the nature and needs of the Company, the NC has determined that directors should not have more than 10 listed companies board representation and other principal commitments. In each financial year, the NC would review the Director's outside directorships, as well as the Director's attendance and contributions to the Board, in order to be satisfied that the Director is able to discharge his responsibilities to the Board. The Director should attend at least 75% of the Board and relevant Board committees' meetings each year. All Directors have complied to the guidelines in 2014. Hence, the NC is satisfied that the Directors have spent adequate time on the Company's affairs to fulfill their responsibilities.

Principle 6: ACCESS TO INFORMATION

In order to enable the Board to function effectively and to fulfill its responsibilities, Management recognises its obligation to supply the Board with complete, adequate information in a timely manner. A system of communication between the Management and the Board has been established and improved over time.

Directors receive regular supply of adequate and timely information from the Management about the Company so that they are able to effectively participate in Board meetings. Management provides the Board with detailed Board papers for each meeting of the Board and its committees and are circulated in advance of each meeting. The Board papers include sufficient information on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be deliberated at the Board meetings.

Each Director has been provided with the up-to-date contact particulars of the Company's senior management staff and the Company Secretary to facilitate access to any required information.

In furtherance of their duties, the Directors, individually or as a group, may seek independent professional advice on matters relating to the businesses of the Group, at the Company's expense.

Principle 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises the following three Directors, all of whom, including the Chairman, are non-executive and independent:

Tan Saik Hock, Chairman	(Independent and non-Executive)
Lee Joo Hai	(Independent and non-Executive)
Yeo Wee Kiong	(Independent and non-Executive)

The principal responsibilities of the RC, as set out in its Terms of Reference, include:

- o Reviewing the remuneration framework to ensure that the programme is competitive and sufficient to attract, retain and motivate Executive/non-Executive Directors and staff of the requisite quality to run the Company successfully and recommendation to the Board for approval.
- o Reviewing and recommending the remuneration for independent and non-executive Directors.
- o Reviewing Executive Directors' and key executives' (as designated by the Managing Director) remuneration packages annually to determine their reasonableness and to seek appropriate independent professional advice where necessary.
- o Reviewing the appropriateness and transparency of remuneration matters disclosed to shareholders.

The RC considered and approved the Managing Director's and Executive Directors' remuneration packages in accordance with their service contracts. In addition, the RC reviewed the performance of the Group's senior executives and considered the Managing Director's recommendation for bonus and remuneration proposal for all relevant senior executives. No member of the RC was involved in deciding his own remuneration.

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Principle 8: LEVEL AND MIX OF REMUNERATION

The Company's remuneration packages for Executive Director(s) comprised both fixed and variable components. The variable component is performance related and is linked to the Company's performance as well as each individual Director's performance. This is designed to align Directors' interests with those of shareholders' and link rewards to corporate and individual performance.

The remuneration framework has been endorsed by the Board. In reviewing the remuneration packages for Executive Directors and key executives, the RC may make comparative study of the remuneration packages in comparable industries and will take into account the performance of the Company and that of its Executive Directors and key executives. The RC's remuneration policy is to provide compensation packages at competitive market rates which will reward successful performance, attract, retain and motivate Executive Directors and key executives.

The Executive Directors are paid based on their Service Agreements with the Company which are subject to review every three years. The Agreements provide for termination by either party upon giving not less than three months' notice in writing.

During the year, the RC evaluated and proposed to the Board, the non-Executive Directors' fees for the year ended 31 December 2014, of which the Board concurred and will recommend the same to the shareholders for approval at the forthcoming AGM. The RC is of the view that the remuneration of non-Executive Directors is appropriate and not excessive, taking into account factors such as effort and time spent, and the increasingly onerous responsibilities of the Directors.

Principle 9: DISCLOSURE ON REMUNERATION

A summary of each non-Executive and Executive Director's remuneration for 2014 is shown below: -

Name of Directors	Status*	Breakdown of remuneration in percentage (%)				Total Remuneration ($'000)
		Directors' fee	Salary	Transport and other allowances	Total	
Kwek Che Yong	Exec, NI	–	82	18	100	226
Teo Teng Beng	Exec, NI	–	84	16	100	286
Teh Geok Koon	Exec, NI	1	81	18	100	228
Lee Joo Hai	NE, Ind	100	–	–	100	44
Tan Saik Hock	NE, Ind	100	–	–	100	43
Yeo Wee Kiong	NE, Ind	100	–	–	100	48
Total Directors' Remuneration (%)		**16**	**70**	**14**	**100**	**875**

* NE: Non-Executive / Exec: Executive / NI: Non-Independent / Ind: Independent

Remuneration of Top Executives (Other than the Company's Executive Directors)

The Company advocates a performance-based remuneration system taking into account the performance of individuals, Company's performance and industry benchmarks gathered from companies in comparable industries.

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The table below shows the ranges of gross remuneration received by the Group's top seven executives (excluding Executive Directors) in the Group and Company during the year: -

Name of Top 7 Executives	Position	Breakdown of remuneration in percentage (%)			Total Remuneration in Compensation Bands of $250,000
		Salary	Variable Bonus/ Directors' fee for a subsidiary	Total	
Koh Hai Yang	Head, Subsidiaries (Raffles United Holdings Ltd) & Head, Business Development (Kian Ho Pte Ltd)	99	1	100	<$250,000
Loh Mun Choong	Head, Operations (Kian Ho Pte Ltd)	87	13	100	<$250,000
Ho Hui Min	Head, Corporate & Finance	100	–	100	<$250,000
Wong Fock Mang	Managing Director (Kian Ho Bearings (M) Sdn Bhd)	71	29	100	<$250,000
Anthony Mikhail	General Manager (KH Bearings and Seals Pty Ltd)	96	4	100	<$250,000
Teo Teck Yao Glenn Ashley	Corporate Planner	100	–	100	<$250,000
Teo Xian-Hui Amanda Marie	Executive Secretariat	100	–	100	<$250,000
		92	**8**	**100**	
Total gross remuneration of the Top 7 Executives during the year					**$759,000**

The RC and the Board have considered and are of the view that the Company's remuneration packages are appropriate and fair.

The below table shows the employees whose remuneration exceed $50,000 during the year and who are the immediate family members of the Deputy Chairman, Mr Kwek Che Yong, and the Managing Director, Teo Teng Beng, in remuneration bands: -

Name of related employee	Position	Family relationship with Director	Total Remuneration in Compensation Bands of $50,000
Koh Hai Yang	Head, Subsidiaries (Raffles United Holdings Ltd) & Head, Business Development (Kian Ho Pte Ltd)	Son-in-law of Kwek Che Yong	$100,000 to $149,999
Kwek San San	Manager, Purchasing (Kian Ho Pte Ltd)	Daughter of Kwek Che Yong	$50,000 to $99,999
Teo Xian-Hui Amanda Marie	Executive Secretariat	Daughter of Teo Teng Beng	$50,000 to $99,999
Teo Teck Yao Glenn Ashley	Corporate Planner	Son of Teo Teng Beng	$50,000 to $99,999

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The aggregate amount of termination benefits that may be granted to the Managing Director, Executive Directors and the top 7 executives amounted to $312,000. Besides this amount, there are no other retirement and post-employment benefits.

Principle 10: ACCOUNTABILITY

The Board recognises that it is accountable to shareholders for the performance of the Group. In discharging this responsibility, the Board ensures the timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, position and prospects.

The Management kept the Board regularly updated on the Group's business activities and financial performance by providing operations reports on a regular basis. They also highlighted key business indicators and major issues that are relevant to the Group's performance.

The Management currently provides the Executive Directors with Management accounts of the Company's performance, position and prospects on a monthly basis. Independent Directors are briefed on significant matters when required and receive appropriately detailed reports on a regular basis.

Principle 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard the shareholders' investments and the company's assets. The AC has been assigned to oversee the Company's risk management framework and policies and ensure that such system has been appropriately implemented and monitored.

The AC examines the effectiveness of the Group's risk management and internal control systems. The assurance mechanisms operating are supplemented by the Company's Internal Auditors' annual reviews of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls. The Internal Auditors were engaged to conduct an annual risk assessment or review for the Company.

Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The external auditors also report to the AC on matters relating to internal financial controls which came to their attention during the course of their normal audit and related recommendations for improvements. The AC reviews the effectiveness of the actions taken by management on the recommendations made by the internal and external auditors in this respect and are satisfied that the group internal controls are in order.

The Board, with the concurrence of the Audit Committee, is of the opinion that based on the review conducted by the internal and external auditors, the Company has in place an adequate and effective system of internal controls that provides adequate assurance against material financial misstatements or losses including addressing financial, operational, compliance risks and information technology controls, and risk management systems.

The AC's responsibilities over the Group's internal controls are complemented by the work of the internal auditors.

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance.

The financial risks and management policies of the Group are laid out on pages 81 to 84 of the Annual Report.

The Board has received assurance from the Managing Director, Deputy Chairman, Executive Director cum Chief Operating Officer, Subsidiaries and Business Development Head, Operations Head and Corporate and Finance Head for the financial year ended 31 December 2014:-

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and

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(b) regarding the effectiveness of the company's risk management and internal control systems.

Principle 12: AUDIT COMMITTEE

The AC consists of the following three Directors, all of whom, including the Chairman, are non-executive and independent:

Lee Joo Hai, Chairman	(Independent and non-Executive)
Tan Saik Hock	(Independent and non-Executive)
Yeo Wee Kiong	(Independent and non-Executive)

The principal responsibilities of the AC, as set out in its Terms of Reference, include:

- Reviewing and approving the internal and external audit plans, including the scopes and results of the internal and external audits with the respective auditors.
- Reviewing the adequacy of internal control systems.
- Reviewing the effectiveness and adequacy of the internal audit function.
- Reviewing the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company.
- Reviewing the external auditor's report on the financial statements of the Company and the consolidated financial statements of the Group.
- Reviewing the half yearly and annual results announcements as well as the related press releases on the results and financial position of the Company and the Group.
- Reviewing of Interested Persons Transactions.
- Compliance with regulatory and disclosure requirements.

The majority of the members of the AC have had many years of experience in senior financial management and accounting positions in different sectors. The Board is of the view that the members of the AC have sufficient expertise and experience to discharge the AC's functions. The AC is authorised to investigate any matter within its terms of reference. The AC also has full access to the Management and full discretion to invite any Director or key executive to attend its meetings as well as utilize reasonable resources to enable it to discharge its functions properly.

The AC reviewed the half-year and full-year financial results announcements of the Company before their submission to the Board for approval prior to their release to the Singapore Exchange Securities Trading Limited ("SGX-ST").

The AC also reviewed all Interested Persons Transactions conducted and was satisfied that the transactions were at arms-length and did not require any announcement to be made to the SGX-ST or the approval of shareholders.

The Company's internal and external auditors were invited to make presentations of audit plans to the AC during the year. An annual assessment of the material internal and risk controls in the Company was undertaken by the internal auditors aside from the review of internal controls which were relevant to the audit performed by the external auditors. The AC is satisfied with the process of identification, recommendations for improvement by the external and internal auditors and implementation by the management of such recommendations. The external auditors, Messrs Deloitte & Touche LLP ("D&T"), met separately with the AC without the presence of Management annually.

Member firms of Deloitte & Touche are appointed to audit the accounts of the following subsidiaries:

(1) Kian Ho Pte Ltd,
(2) Raffles Logistics Operations Pte Ltd,

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(3) Kian Ho (Vietnam) Co., Ltd., and
(4) Ascend Bearings Co., Ltd.

Member firms of Ernst & Young Global, another reputable international audit firm, are appointed to audit the accounts of the following subsidiaries:
(1) Kian Ho Bearings (M) Sdn. Bhd.,
(2) KWP Engineering & Industrial Supply Sdn. Bhd.,
(3) Acker Machinery (Shanghai) Co., Ltd,
(4) Kian Ho Shanghai Co., Ltd, and
(5) Kian Ho Guangzhou Co., Ltd.

The Board and AC are satisfied that the appointment of the other audit firms for the rest of the subsidiaries would not compromise the standard and effectiveness of the audit of the Company as they are suitable firms in their country of registration and the rest of the subsidiaries are not considered significant per the threshold of 20% or more of the Group's consolidated net tangible assets and consolidated pre-tax profits as defined in the Listing Manual.

The AC has also reviewed the scope and quality of D&T's work after taking into account the resources and experience of D&T and the audit engagement partner assigned to the audit, the size and complexity of the audit for the Company as well as the number and experience of the staff assigned by D&T for the audit.

The AC noted that D&T was not appointed in the financial year ended 31 December 2014 to provide non-audit services to the Company. The AC reviewed the independence and objectivity of D&T and was satisfied that D&T was independent in carrying out their audit of the financial statements. In accordance with Rule 1207(6) of the Listing Manual, D&T's audit fee for their audit services for the Company in the financial year ended 31 December 2014 was S$50,000/-.

The Group has complied with Rules 712 and 716 of the Listing Manual on auditors.

The AC has recommended the re-appointment of D&T as the external auditors of the Company for the ensuing year.

The AC has also established the whistle blowing policy where staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and for appropriate follow up actions.

The external auditors updated the AC annually on the changes to accounting standards and issues which have a direct impact on financial statements.

Principle 13: INTERNAL AUDIT

In ensuring that the Company has a robust and effective system of internal controls, an internal audit function that is independent of the activities of external audit has been established and the Internal Auditors' ("IA") primary line of reporting is to the AC.

The Company outsourced its Group internal audit function to Shinewing Risk Services Ltd during the financial year. An annual audit plan which entails the review of the effectiveness of the Company's material internal controls was developed.

The AC annually reviews the adequacy of the internal audit function, its activities and organizational structure to ensure that no unjustified restrictions or limitations are imposed. The AC reviews and approves the annual IA plan to ensure that there is sufficient coverage of the Group' activities. It also oversees the implementation of the internal audit plan and ensures that the Management provides the necessary co-operation to enable the IA to perform its function. All improvements to controls recommended by the Internal Auditors and accepted by the AC are monitored for implementation.

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The Board acknowledges responsibility for the overall internal control framework of the Company. However, the Board also recognises that no cost effective internal control system will preclude all errors and irregularities as the system is designed to manage rather than eliminate the risk of failure in order to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Principles 14, 15 and 16: SHAREHOLDER RIGHTS AND RESPONSIBILITIES; COMMUNICATION WITH SHAREHOLDERS AND CONDUCT OF SHAREHOLDER MEETINGS

In line with the continuous disclosure obligations of the Company, under the Listing Rules of the SGX-ST and the Singapore Companies Act, Cap. 50, the Board has established a policy to inform shareholders promptly of all major developments that may impact materially on the Company.

The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding the commercial interests of the Company.

During the year, the Company continued to communicate with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET, circulation of its Annual Report/Notice of AGM, advertisement of the Notice of AGM in a major local newspaper and the provision of opportunities for shareholders to air their views and ask questions of Directors or Management regarding the Group at the AGM.

At general meetings of the Company, shareholders are given the opportunity to communicate their views and encouraged to ask the Directors and Management questions regarding matters affecting the Company. The Chairmen of all the Board Committees and the external auditors endeavour to be present at each AGM to assist the Directors in addressing queries raised by the shareholders.

The Company provides for separate resolutions at general meetings on each substantial issue, including treating the re-election of each Director as a separate subject matter. Detailed information on special business item in the AGM agenda is provided in the explanatory notes to the notice of AGM in the annual report.

In accordance with the Articles of Association of the Company, shareholders may appoint one or 2 proxies to attend and vote at general meetings in their absence. All shareholders are allowed to vote in person or by proxy. CPF investors of the Company's securities may attend shareholders' meetings as observers provided they have submitted their requests to do so with their agent banks within a specified timeframe.

As the authentication of shareholder 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 results of each resolution are announced via SGXNET after the AGM.

DIVIDEND POLICY

The Directors recognise that a dividend policy at a rate that is as reasonably consistent as possible, is in the interest of shareholders of the Company.

Barring any unforeseen circumstances, the Directors aim to recommend to shareholders for approval a dividend of an amount of at least 30% of the annual net profit after tax for each financial year, while being guided to aim for 1 cent in total annual dividend at the same time. The Directors wish to highlight to shareholders that the actual dividend rate in any particular year to be recommended is subject to operational and strategic requirements for funds that may arise from time to time.

DEALINGS IN SECURITIES

The Company has issued an internal compliance code on dealings in the Company's securities to the Directors and Executives (including employees with access to price-sensitive information to the Company's shares) of the Group based on the recommendations of the Listing Manual issued by the SGX-ST.

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The Directors and Executives covered by this code are prohibited from dealing in the Company's securities at least one month before the announcement of the Company's full year or half year results and ending on the date of announcement of the relevant results or if they are in possession of unpublished price-sensitive information of the Group. They are also discouraged from dealing in the Company's shares on short-term consideration. Notification of the 'closed window' period is sent out to the persons involved including reminder to comply with the Code of Dealings in the Company's shares. The Directors are also required to notify the Company of any dealings in the Company's securities within two (2) business days of the transaction and to submit an annual confirmation on their compliance with the internal code.

Based on the processes in place, the Board is of the opinion that the Company has complied with the listing rules issued by the SGX-ST.

MATERIAL CONTRACTS

There were no material contracts (including loans) of the Company or its subsidiary companies involving the interests of the CEO, each director or controlling shareholder subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Raffles United Holdings Ltd (the Company) and its subsidiaries (the Group) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

DIRECTORS OF THE COMPANY

The Directors of the Company in office at the date of this report are:

Yeo Wee Kiong
Kwek Che Yong
Teo Teng Beng
Teh Geok Koon
Lee Joo Hai
Tan Saik Hock

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 objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, an interest in shares of the Company as stated below:

	Direct interest		Deemed interest		Held in the name of Director	Deemed interest
Name of Director	At beginning of the financial year	At end of the financial year	At beginning of the financial year	At end of the financial year	As at 21 January 2015	As at 21 January 2015
Ordinary shares of the Company						
Kwek Che Yong	1,193,000	1,193,000	27,659,700	27,659,700	1,193,000	27,659,700
Teo Teng Beng	5,207,000	–	–	–	–	–

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements.

OPTIONS

There is presently no option scheme on unissued shares of the Company or its subsidiaries.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Audit Committee of the Company, consisting all non-executive and independent directors, is chaired by Mr Lee Joo Hai, and includes Mr Yeo Wee Kiong and Mr Tan Saik Hock. The Audit Committee has met two times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the company:

- the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- the Group's financial and operating results and accounting policies;
- the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;
- 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;
- the co-operation and assistance given by the management to the Group's external auditors; and
- the re-appointment of the external auditors of the Group.

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 function 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 the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Yeo Wee Kiong Chairman	Teo Teng Beng Managing Director

27 February 2015

STATEMENT BY DIRECTORS

We, Yeo Wee Kiong and Teo Teng Beng, being two of the Directors of Raffles United Holdings Ltd, do hereby state that, in the opinion of the Directors:

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 34 to 86 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

On behalf of the Board of Directors

Yeo Wee Kiong	Teo Teng Beng
Chairman	Managing Director

27 February 2015

INDEPENDENT AUDITORS' REPORT

To the members of Raffles United Holdings Ltd

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Raffles United Holdings Ltd (the Company) and its subsidiaries (the Group) which comprise the statements of financial position of the Group and the Company as at 31 December 2014, and the consolidated income statement, consolidated statement of other comprehensive income, 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 86.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

27 February 2015

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000 (Reclassified)
Revenue	5	**82,139**	79,157
Other income including interest income	6	**15**	64
Changes in inventories		**(11,027)**	(6,919)
Raw materials and consumables used		**(56,349)**	(55,290)
Staff costs	7	**(9,200)**	(9,206)
Depreciation of property, plant and equipment	11	**(1,030)**	(1,054)
Foreign exchange gain/(loss), net		**9**	(57)
Provision for trade doubtful debts, net	16	**(110)**	(105)
Provision for slow moving inventories	7	**(516)**	(201)
Provision for doubtful debts, associate	13	**(100)**	–
Gain on change in fair value of investment properties	14	**2,195**	379
Other operating expenses		**(4,159)**	(4,055)
Finance costs	8	**(652)**	(1,075)
Profit before tax		**1,215**	1,638
Income tax expense	9	**(802)**	(558)
Profit for the year	7	**413**	1,080
Profit attributable to:			
Owners of the Company		**438**	1,284
Non-controlling interests		**(25)**	(204)
		413	1,080
Earnings per share	10		
– Basic (cents)		**0.19**	0.55
– Fully diluted (cents)		**0.19**	0.55

See accompanying notes to financial statements.

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Group	
	2014	**2013**
	$'000	$'000
		(Reclassified)
Profit for the year	**413**	1,080
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Revaluation of land and buildings	**1,407**	1,725
	1,407	1,725
Item that may be reclassified subsequently to profit or loss		
Foreign currency translation	**(270)**	(768)
	(270)	(768)
Other comprehensive income for the year, net of tax	**1,137**	957
Total comprehensive income for the year	**1,550**	2,037
Total comprehensive income attributable to:		
Owners of the Company	**1,600**	2,193
Non-controlling interests	**(50)**	(156)
	1,550	2,037

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

		Group		Company	
		2014	2013	2014	2013
	Note	$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**24,471**	24,561	**22,972**	22,037
Investment in subsidiaries	12	**–**	–	**7,112**	13,918
Investment in an associate	13	**–**	–	**10**	10
Investment properties	14	**27,214**	5,687	**4,030**	3,150
Other investments	15	**237**	237	**237**	237
		51,922	30,485	**34,361**	39,352
Current assets					
Trade debtors	16	**17,790**	15,890	**2,582**	8,855
Other debtors	17	**215**	222	**8**	18
Prepayments		**150**	83	**16**	22
Amounts due from subsidiaries	12	**–**	–	**48,242**	7,500
Amount due from an associate	13	**1,208**	1,796	**1,181**	1,789
Amounts due from related parties	18	**1,093**	2,719	**–**	893
Inventories	19	**70,429**	81,972	**–**	39,156
Fixed deposits	25	**989**	649	**–**	–
Cash at banks and on hand	25	**7,525**	4,137	**2,889**	1,605
		99,399	107,468	**54,918**	59,838
Total assets		**151,321**	137,953	**89,279**	99,190
EQUITY AND LIABILITIES					
Current liabilities					
Interest bearing loans and borrowings	20	**26,740**	30,012	**20,592**	23,657
Trade creditors and accruals	21	**14,120**	9,141	**3,584**	5,049
Other creditors	21	**952**	532	**343**	344
Amounts due to related parties	18	**7,658**	12,232	**–**	108
Provision for taxation		**130**	114	**–**	56
		49,600	52,031	**24,519**	29,214
Net current assets		**49,799**	55,437	**30,399**	30,624
Non-current liabilities					
Interest bearing loans and borrowings	20	**21,041**	6,893	**8,750**	6,500
Deferred tax liabilities	22	**2,993**	2,372	**2,106**	1,821
		24,034	9,265	**10,856**	8,321
Total liabilities		**73,634**	61,296	**35,375**	37,535
Net assets		**77,687**	76,657	**53,904**	61,655

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

		Group		Company	
		2014	**2013**	**2014**	**2013**
	Note	$'000	$'000	$'000	$'000
Equity attributable to owners of the Company					
Share capital	23	**31,658**	31,658	**31,658**	31,658
Assets revaluation reserve		**11,115**	9,716	**9,920**	8,617
Foreign currency translation reserve		**(3,564)**	(3,327)	**–**	–
Revenue reserve		**37,300**	37,470	**12,326**	21,380
		76,509	75,517	**53,904**	61,655
Non-controlling interests	12	**1,178**	1,140	**–**	–
Total equity		**77,687**	76,657	**53,904**	61,655
Total equity and liabilities		**151,321**	137,953	**89,279**	99,190

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

Group	Share capital (Note 23) $'000	Assets revaluation reserve (1) $'000	Foreign currency translation reserve (2) $'000	Revenue reserve $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2013	31,658	7,994	(2,514)	36,654	73,792	1,525	75,317
Profit/(Loss) for the year	–	–	–	1,284	1,284	(204)	1,080
Other comprehensive income/(loss) for the year	–	1,722	(813)	–	909	48	957
Total comprehensive income/(loss) for the year	–	1,722	(813)	1,284	909	(156)	2,037
Contributions by and distributions to owners							
Dividend paid (Note 24)	–	–	–	(468)	(468)	–	(468)
Dividend paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	(198)	(198)
Return of capital to non-controlling shareholder of a subsidiary	–	–	–	–	–	(31)	(31)
Total transactions with owners recognised directly in equity	–	–	–	(468)	(468)	(229)	(697)
Balance at 31 December 2013	31,658	9,716	(3,327)	37,470	75,517	1,140	76,657
Balance at 1 January 2014	**31,658**	**9,716**	**(3,327)**	**37,470**	**75,517**	**1,140**	**76,657**
Profit/(Loss) for the year	**–**	**–**	**–**	**438**	**438**	**(25)**	**413**
Other comprehensive income/(loss) for the year	**–**	**1,399**	**(237)**	**–**	**1,162**	**(25)**	**1,137**
Total comprehensive income/(loss) for the year	**–**	**1,399**	**(237)**	**438**	**1,162**	**(50)**	**1,550**
Contributions by and distributions to owners							
Dividend paid (Note 24)	**–**	**–**	**–**	**(468)**	**(468)**	**–**	**(468)**
Dividend paid to non-controlling shareholders of a subsidiary	**–**	**–**	**–**	**–**	**–**	**(52)**	**(52)**
Effects of acquiring part of non-controlling interests in a subsidiary	**–**	**–**	**–**	**(140)**	**(140)**	**140**	**–**
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**(608)**	**(608)**	**88**	**(520)**
Balance at 31 December 2014	**31,658**	**11,115**	**(3,564)**	**37,300**	**76,509**	**1,178**	**77,687**

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

Company	Share capital (Note 23) $'000	Assets revaluation reserve [1] $'000	Revenue reserve $'000	Total equity $'000
Balance at 1 January 2013	31,658	7,010	20,831	59,499
Profit for the year	–	–	1,017	1,017
Other comprehensive income for the year	–	1,607	–	1,607
Total comprehensive income for the year	–	1,607	1,017	2,624
Contributions by and distributions to owners				
Dividend paid (Note 24)	–	–	(468)	(468)
Total transactions with owners recognised directly in equity	–	–	(468)	(468)
Balance at 31 December 2013	31,658	8,617	21,380	61,655
Balance at 1 January 2014	**31,658**	**8,617**	**21,380**	**61,655**
Loss for the year	**–**	**–**	**(8,586)**	**(8,586)**
Other comprehensive income for the year	**–**	**1,303**	**–**	**1,303**
Total comprehensive income/(loss) for the year	**–**	**1,303**	**(8,586)**	**(7,283)**
Contributions by and distributions to owners				
Dividend paid (Note 24)	**–**	**–**	**(468)**	**(468)**
Total transactions with owners recognised directly in equity	**–**	**–**	**(468)**	**(468)**
Balance at 31 December 2014	**31,658**	**9,920**	**12,326**	**53,904**

(1) **Assets revaluation reserve**
The assets revaluation reserve represents increases in fair value of land and buildings, net of tax and decreases to the extent that such decrease relates to an increase of the same asset previously recognised in other comprehensive income. The assets revaluation reserve is not available for distribution to the Company's shareholders.

(2) **Foreign currency translation reserve**
The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	2014 $'000	2013 $'000
Operating activities		
Profit before tax	**1,215**	1,638
Adjustments for:		
Depreciation of property, plant and equipment	**1,030**	1,054
Provision for trade doubtful debts, net	**110**	105
Provision for slow moving inventories	**516**	201
Provision for doubtful debts, associate	**100**	–
Gain on change in fair value of investment properties	**(2,195)**	(379)
Foreign currency adjustments	**(164)**	(413)
Interest expense	**652**	1,075
Interest income	**(8)**	(10)
Operating cash flows before changes in working capital	**1,256**	3,271
Changes in working capital		
Increase in trade debtors	**(2,032)**	(1,019)
Decrease in amount due from an associate	**488**	1,308
(Increase)/Decrease in other debtors	**(399)**	631
Decrease in inventories	**10,803**	6,893
Increase/(Decrease) in trade creditors and accruals	**4,958**	(1,323)
Increase/(Decrease)in other creditors	**417**	(35)
(Decrease)/Increase in trade amounts owing from/to related parties	**(807)**	972
Cash flows generated from operations	**14,684**	10,698
Income tax paid	**(467)**	(807)
Interest paid	**(652)**	(1,075)
Interest income received	**8**	10
Net cash flows generated from operating activities	**13,573**	8,826
Investing activities		
Purchase of plant and equipment	**(216)**	(282)
Purchase of investment properties	**(18,295)**	–
Proceeds from sale of investment property	**–**	685
Proceeds from disposal of plant and equipment	**38**	6
Net cash flows (used in)/generated from investing activities	**(18,473)**	409
Financing activities		
Proceeds from term loans from banks	**37,195**	28,399
Repayment of term loans from banks	**(22,578)**	(40,777)
Proceeds from trust receipts	**8,550**	21,755
Repayment of trust receipts	**(12,304)**	(19,638)
Non-trade amounts owing from/to related parties	**(2,032)**	1,871
Return of capital to non-controlling shareholder of a subsidiary	**–**	(31)
Dividend paid on ordinary shares	**(468)**	(468)
Dividend paid to non-controlling shareholders of a subsidiary	**(52)**	(198)
Net cash flows generated from/(used in) financing activities	**8,311**	(9,087)
Net increase in cash and cash equivalents	**3,411**	148
Effect of exchange rate changes on cash and cash equivalents	**(23)**	(1)
Cash and cash equivalents at 1 January	**4,137**	3,990
Cash and cash equivalents at 31 December (Note 25)	**7,525**	4,137

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

1. CORPORATE INFORMATION

Raffles United Holdings Ltd (the Company) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at No. 5 Changi South Street 3, Singapore 486117. The financial statements are presented in Singapore Dollars (SGD).

The Company is a subsidiary of Raffles United Pte Ltd, incorporated in the Republic of Singapore, which is also the Company's ultimate holding company.

During the financial year, the Company changed its name from Kian Ho Bearings Ltd to Raffles United Holdings Ltd.

The principal activities of the Company are those of investment holding. The principal activities of the subsidiaries and the associate are disclosed in Notes 12 and 13 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2014 were authorised for issue by the Board of Directors on 27 February 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting polices below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Adoption of new and revised standards

On January 1, 2014, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries and associates.

Other than the additional disclosures, the application of FRS 112 has not had any material impact on the amounts recognised in the consolidated financial statements.

2.3 Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective include:

- *Improvements to Financial Reporting Standards (January 2014)*
- *Improvements to Financial Reporting Standards (February 2014)*
- *FRS 115 Revenue from Contracts with Customers*
- *Improvements to Financial Reporting Standards (November 2014)*

Consequential amendments were also made to various standards as a result of these new/revised standards.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of FRS 115 is that an entity should recognise 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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contracts 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.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. In addition, extensive disclosures are required by FRS 115.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (Cont'd)

FRS 115 *Revenue from Contracts with Customers* (Cont'd)

FRS 115 will take effect from financial year beginning on or after 1 January 2017, with retrospective application required.

The Group is currently assessing the effects of FRS 115 in the period of initial adoption.

Other than FRS 115, management has considered and is of the view that the adoption of the amendments and improvements to FRSs that are issued as at date of authorisation of these financial statements but effective only in future periods will not have a material impact on the financial statements in the period of their initial adoption.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has 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.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners 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 subsidiaries to bring their accounting policies in line with the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 *Basis of consolidation* (Cont'd)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries 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 the subsidiaries. Any difference between the amount by 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.

When the Group loses control of a subsidiary, 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 and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (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 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 subsidiaries and an associate are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

Business Combinations

Acquisitions of subsidiaries 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 (see below). 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 in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being 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.

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;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (Cont'd)

Business Combinations (Cont'd)

- 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 period 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 (see below), 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.

Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (Cont'd)

Associate (Cont'd)

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.5 Foreign currency

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 function currency). The Group's consolidated financial statements are presented in SGD, which is also the Company's functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Foreign currency (Cont'd)

(b) Group companies

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange prevailing at the reporting date and income and expenses are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost or valuation less accumulated depreciation and any accumulated impairment losses. Land and buildings are subsequently revalued on an asset-by-asset basis, to their fair values. Revaluations are made with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value at the reporting date.

When an asset is revalued, any increase in the carrying amount is credited directly to other comprehensive income and accumulated in equity under asset revaluation reserve. However, the increase is recognised in the profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit or loss. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the profit or loss. However, the decrease is debited directly to the asset revaluation reserve to the extent of any credit balance existing in the reserve in respect of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Freehold buildings	–	50 years
Leasehold land and buildings	–	30 to 63 years (over the terms of lease)
Motor vehicles, machine handling equipment (MHE) and forklifts	–	5 to 6 years
Computer equipment	–	3 to 5 years
Renovation, signboards, furniture and fittings	–	4 to 10 years
Office equipment	–	5 to 10 years
Plant and machinery	–	5 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at end of each reporting period, and adjusted prospectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 *Property, plant and equipment* (Cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to revenue reserve. No transfer is made from the revaluation reserve to revenue reserve except when an asset is derecognised.

2.7 *Investment properties*

Investment properties are properties that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties.

Investment properties are initially measured at cost, including transaction costs. Subsequent to recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year of retirement or disposal.

2.8 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit or loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial instruments

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

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 through the expected life of the financial instrument, or where appropriate, a shorter period.

2.10 Financial assets

Initial recognition and measurement

Financial assets are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- cash and short term deposits
- trade and other receivables, including amounts due from subsidiaries, an associate and related parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial assets (Cont'd)

Subsequent measurement (Cont'd)

(c) Available-for-sale financial assets

The Group classifies its investment securities as available-for-sale financial assets.

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Investments in equity instruments whose fair value cannot be reliably measured are carried at cost less impairment losses.

Derecognition

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.

2.11 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 *Impairment of financial assets* (Cont'd)

(a) Financial assets (Cont'd)

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. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

(b) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserves.

2.12 *Inventories*

Inventories, which consist of bearings and seal products for resale, are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for at purchase costs on a first-in first-out basis. Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.13 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.14 *Financial liabilities*

Financial liabilities include trade and other creditors, amounts due to subsidiaries and related parties and interest bearing loans and borrowings.

Initial recognition and measurement

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 *Financial liabilities* (Cont'd)

Initial recognition and measurement (Cont'd)

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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 Group and the Company has 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 today 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.

2.15 *Borrowings*

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

2.16 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made on 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 period, 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.

2.17 *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes contributions to the Central Provident Fund (CPF) scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to reporting date.

2.19 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in the profit or loss except to the extent that the tax relates to items recognised outside the profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Taxes (Cont'd)

(b) Deferred tax (Cont'd)

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Except for investment properties measured using the fair value model, 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 period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.20 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.

As lessee

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(d). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised on time proportion basis using the effective interest method.

(c) Dividends

Dividend income is recognised when the Group's right to receive payment is established.

(d) Rental income

Rental income arising from operating leases on investment properties are accounted for on a straight-line basis over the lease terms on ongoing leases.

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on the type of goods supplied and services provided which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the chief operating decision makers of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 4, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, 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 would be 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 group's accounting policies

Management is of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, except for judgements relating to accounting estimates as discussed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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:

(a) Impairment of investments in subsidiaries

During the year, the Company performed an assessment of impairment for the investment in subsidiaries based on the recoverable amounts of the subsidiaries as disclosed in Note 12 to the financial statements. As a result of the assessment, the Company recognised an impairment loss of $566,000 (2013: $Nil) and $5,975,000 (2013: $Nil) for investments in subsidiaries and loans to subsidiaries respectively.

The carrying amount of the Company's investment in subsidiaries as at 31 December 2014 was $7,112,000 (2013: $13,918,000).

(b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of significant financial difficulties of the debtor and defaults or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 16 to the financial statements.

(c) Valuation of investment properties

The Group's investment properties were stated at their estimated fair values which are estimated using valuations determined annually by independent professional valuers.

In determining fair values, the valuers have used valuation techniques (including direct comparison method) which involve estimates and significant unobservable inputs which are disclosed in Note 14. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting prices to that reflective of the investment properties.

In relying on valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The carrying amounts of investment properties at the end of the reporting period are disclosed in Note 14 to the financial statements.

(d) Assessment of inventories write-down

Management reviews the valuation of inventories periodically for excess inventories, obsolescence and declines in net realisable value below cost is recorded against the inventories balance. These reviews require management to consider the age and type of inventories, likelihood of obsolescence, distributorships, past sales history and the demand for the products. The Group has been establishing itself in overseas markets through its subsidiaries. During the year, management continues to review the bases on which the allowance is estimated to align to the Group's business strategy based on knowledge and past experience. The review resulted in an upward revision to inventories of less than 5% (2013: less than 5%) of the carrying amount (Note 19) as at the end of the reporting period and provision for slow moving inventories amounting to $516,000 (2013: $201,000) was recorded in profit or loss during the year.

The carrying amounts of the inventories are disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the type of goods supplied and services provided.

With effect from 8 December 2014, the Group realigned its organisational structure to include property investment and property development in its current core business.

The Group was realigned into two main business units – Bearings and Seals and Property. The segmental information in this report has been prepared based on the new organisational structure.

The Group's reportable operating divisions are as follows:

Bearings and Seals	:	Distributors, stockists and retailers in this area.
Property	:	Property investment and property development services.

For the year ended 31 December 2014, the bearings and seals businesses were presented as a single operating segment as management considered the contribution from the seals business to be insignificant to the total combined operating segments.

The Group's operating businesses are organised and managed separately according to the type of goods supplied and services provided by the group's operating divisions, with each segment representing a strategic business unit that offers different products and services. The Bearings and Seals segment offers products that are used widely in many industries such as the semi-conductor industry, the automobile industry and the construction industry. The Property segment, on the other hand, is held for collection of rent, capital growth potential and/or provision of property related services and facilities and/or the investment in or acquisition or disposal of shares or interests in any entity that holds property related assets; and property development activities that include the acquisition, development and/or sale of property related assets, and/or the investment in or acquisition or disposal of shares or interests in any entity that undertakes such property development activities. As at end of the reporting period, the Group has not yet started the property development business. Segment accounting policies are the same as the policies described in Note 2.

Chief operating decision makers of the Group monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

The following tables present revenue and profit information regarding industry segments for the years ended 31 December 2014 and 2013 and certain assets and liabilities information regarding industry segments as at 31 December 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

4. SEGMENT INFORMATION (CONT'D)

Business segments

	Bearings and Seals		Property		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000	$'000	$'000
		(Restated)		**(Restated)**		**(Restated)**
Segment revenue						
Revenue from external customers	**81,755**	78,754	**384**	403	**82,139**	79,157
Segment results	**119**	2,153	**61**	372	**180**	2,525
Gain on change in fair value of investment properties	**–**	–	**2,195**	379	**2,195**	379
Provision for slow moving inventories	**(516)**	(201)	**–**	–	**(516)**	(201)
Finance costs	**(625)**	(1,075)	**(27)**	–	**(652)**	(1,075)
Adjustments A						
Interest income					**8**	10
Profit before tax per consolidated income statement					**1,215**	1,638
Income tax expense					**(802)**	(558)
Profit for the year					**413**	1,080
Other comprehensive income for the year, net of tax	**1,137**	957	**-**	-	**1,137**	957
Total comprehensive income for the year	**115**	1,834	**2,229**	751	**1,550**	2,037
Other business segment information						
Capital expenditure	**216**	282	**18,295**	–	**18,511**	282
Depreciation	**1,030**	1,054	**–**	–	**1,030**	1,054
Other non-cash expenses/(income)	**462**	(107)	**(2,195)**	(379)	**(1,733)**	(486)
Segment assets	**123,409**	131,658	**27,675**	6,058	**151,084**	137,716
Adjustment B						
Other investments					**237**	237
Per consolidated statement of financial position					**151,321**	137,953
Segment liabilities	**56,665**	58,810	**13,846**	–	**70,511**	58,810
Adjustments C						
Provision for taxation					**130**	114
Deferred tax liabilities					**2,993**	2,372
Per consolidated statement of financial position					**73,634**	61,296

4. SEGMENT INFORMATION (CONT'D)

Business segments (Cont'd)

Adjustments A

These items are added to/(deducted from) segment profit to arrive at 'profit before tax' presented in the consolidated income statement.

Adjustments B and C

These items are added to segment assets/liabilities to arrive at total assets/liabilities reported in the consolidated statement of financial position.

Non-cash expenses/(income) information presented above consists of foreign currency adjustments, gain/loss on disposal of plant and equipment and equipment written off, gain on change in fair value of investment properties, provision for trade doubtful debts, and provision for slow moving inventories as presented in the consolidated statement of cash flows.

Geographical information

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

	Revenue		Non-current assets	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
		(Restated*)		
Singapore	**16,964**	18,690	**45,295**	25,187
Other ASEAN countries	**27,304**	23,541	**1,318**	1,373
Other Asian countries	**30,006**	27,362	**5,070**	3,665
Western countries	**5,805**	7,470	**–**	–
Others	**2,060**	2,094	**2**	23
	82,139	79,157	**51,685**	30,248

Non-current assets information presented above consist of property, plant and equipment, and investment properties as presented in the consolidated statement of financial position.

* Restated to include property rental income.

Information about major customers

The Group is not significantly reliant on revenue derived from any major customers or group of customers.

5. REVENUE

	Group	
	2014	**2013**
	$'000	$'000
		(Reclassified)
Sales of bearings and seals	**81,755**	78,754
Property rental income	**384**	403
	82,139	79,157

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

6. OTHER INCOME

	Group	
	2014	**2013**
	$'000	$'000
		(Reclassified)
Interest income from bank	**8**	10
Others	**7**	54
	15	64

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group	
	2014	**2013**
	$'000	$'000
Staff costs (excluding Directors' remuneration)		
Salaries and bonus	**6,662**	6,789
Employer's contribution to defined contribution plans	**679**	741
Other benefits	**635**	516
	7,976	8,046
Directors' remuneration		
Company	**890**	799
Subsidiaries	**334**	361
	1,224	1,160
Aggregate staff costs	**9,200**	9,206
Cost of inventories recognised as expense	**67,376**	62,209
Provision for slow moving inventories	**516**	201
Audit fees:		
– auditors of the Company		
– Company		
– recurring	**45**	68
– non-recurring	**5**	–
– Certain subsidiaries	**30**	–
– other auditors		
– current year	**100**	103
– Under provision in prior year	**–**	4
Total audit fees	**180**	175
Total non-audit fees for other auditors	**4**	1
Aggregate amount of fees for auditors	**184**	176

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

8. FINANCE COSTS

	Group	
	2014	**2013**
	$'000	$'000
Interest expense on:		
Term loans	**581**	965
Trust receipts	**71**	108
Bank overdraft	**–**	2
	652	1,075

9. INCOME TAX EXPENSE

	Group	
	2014	**2013**
	$'000	$'000
Foreign tax deducted at source	**16**	59
Current tax	**470**	524
Under/(Over) provision of current income tax in respect of prior years	**14**	(31)
Deferred tax (Note 22)	**302**	6
Income tax expense recognised in the income statement	**802**	558

Domestic income tax is calculated at 17% (2013: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Reconciliation of the tax expense and the product of accounting profit multiplied by the applicable income tax rate for the Group is as follows:

	Group	
	2014	**2013**
	$'000	$'000
Profit before tax	**1,215**	1,638
Tax at the applicable tax rate of 17% (2013: 17%)	**207**	278
Expenses not deductible in determining taxable profit	**36**	167
Tax effect of income not taxable for tax purposes	**(30)**	–
Tax effect of different applicable tax rates for foreign subsidiaries	**65**	75
Effect of partial tax exemption and tax relief	**(28)**	(119)
Under/(Over) provision in respect of prior years	**14**	(31)
Deferred tax asset not recognised	**522**	129
Foreign tax deducted at source	**16**	59
Income tax expense recognised in the income statement	**802**	558

10. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Company of $438,000 (2013: $1,284,000) by weighted average number of ordinary shares 234,060,000 (2013: 234,060,000) outstanding during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Freehold buildings	Leasehold land and buildings	Motor vehicles, MHE and forklifts	Computer equipment	Renovation, signboards, furniture and fittings	Office equipment	Plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost/valuation									
At 1 January 2013									
Cost	–	–	–	1,160	1,368	1,876	604	2,497	7,505
Valuation	226	160	21,427	–	–	–	–	–	21,813
	226	160	21,427	1,160	1,368	1,876	604	2,497	29,318
Revaluation surplus	89	3	1,965	–	–	–	–	–	2,057
Elimination of accumulated depreciation on revaluation	–	(16)	(521)	–	–	–	–	–	(537)
Additions	–	–	–	93	80	48	61	–	282
Disposal/write-off	–	–	–	(90)	(11)	(16)	(1)	(2)	(120)
Exchange adjustments	(7)	(5)	37	(28)	(11)	(11)	(3)	–	(28)
At 31 December 2013	308	142	22,908	1,135	1,426	1,897	661	2,495	30,972
Representing:									
Cost	–	–	–	1,135	1,426	1,897	661	2,495	7,614
Valuation	308	142	22,908	–	–	–	–	–	23,358
At 31 December 2013	308	142	22,908	1,135	1,426	1,897	661	2,495	30,972
Cost/valuation									
At 1 January 2014									
Cost	**–**	**–**	**–**	**1,135**	**1,426**	**1,897**	**661**	**2,495**	**7,614**
Valuation	**308**	**142**	**22,908**	**–**	**–**	**–**	**–**	**–**	**23,358**
	308	**142**	**22,908**	**1,135**	**1,426**	**1,897**	**661**	**2,495**	**30,972**
Revaluation surplus	**45**	**8**	**1,656**	**–**	**–**	**–**	**–**	**–**	**1,709**
Elimination of accumulated depreciation on revaluation	**–**	**(8)**	**(579)**	**–**	**–**	**–**	**–**	**–**	**(587)**
Additions	**–**	**–**	**–**	**56**	**8**	**17**	**122**	**13**	**216**
Disposal/write-off	**–**	**–**	**–**	**(164)**	**(146)**	**(418)**	**(102)**	**–**	**(830)**
Transfer to investment properties (Note 14)	**–**	**–**	**(942)**	**–**	**–**	**–**	**–**	**–**	**(942)**
Exchange adjustments	**(6)**	**(3)**	**5**	**(5)**	**(1)**	**(2)**	**–**	**–**	**(12)**
At 31 December 2014	**347**	**139**	**23,048**	**1,022**	**1,287**	**1,494**	**681**	**2,508**	**30,526**
Representing:									
Cost	**–**	**–**	**–**	**1,022**	**1,287**	**1,494**	**681**	**2,508**	**6,992**
Valuation	**347**	**139**	**23,048**	**–**	**–**	**–**	**–**	**–**	**23,534**
At 31 December 2014	**347**	**139**	**23,048**	**1,022**	**1,287**	**1,494**	**681**	**2,508**	**30,526**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land	Freehold buildings	Leasehold land and buildings	Motor vehicles, MHE and forklifts	Computer equipment	Renovation, signboards, furniture and fittings	Office equipment	Plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation									
At 1 January 2013	–	8	–	705	1,151	1,571	335	2,283	6,053
Charge for the year	–	9	521	144	154	116	86	24	1,054
Disposal/write-off	–	–	–	(90)	(9)	(15)	(1)	(2)	(117)
Elimination of accumulated depreciation on revaluation	–	(16)	(521)	–	–	–	–	–	(537)
Exchange adjustments	–	(1)	–	(19)	(10)	(10)	(2)	–	(42)
At 31 December 2013	–	–	–	740	1,286	1,662	418	2,305	6,411
Accumulated depreciation									
At 1 January 2014	**–**	**–**	**–**	**740**	**1,286**	**1,662**	**418**	**2,305**	**6,411**
Charge for the year	**–**	**8**	**579**	**139**	**93**	**86**	**100**	**25**	**1,030**
Disposal/write-off	**–**	**–**	**–**	**(147)**	**(146)**	**(400)**	**(99)**	**–**	**(792)**
Elimination of accumulated depreciation on revaluation	**–**	**(8)**	**(579)**	**–**	**–**	**–**	**–**	**–**	**(587)**
Exchange adjustments	**–**	**–**	**–**	**(5)**	**(1)**	**(2)**	**1**	**–**	**(7)**
At 31 December 2014	**–**	**–**	**–**	**727**	**1,232**	**1,346**	**420**	**2,330**	**6,055**
Net carrying amount									
At 31 December 2014	**347**	**139**	**23,048**	**295**	**55**	**148**	**261**	**178**	**24,471**
At 31 December 2013	308	142	22,908	395	140	235	243	190	24,561

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold land and buildings	Motor vehicles, MHE and forklifts	Computer equipment	Renovation, signboards, furniture and fittings	Office equipment	Plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost/valuation							
At 1 January 2013							
Cost	–	326	1,046	1,130	360	2,494	5,356
Valuation	20,010	–	–	–	–	–	20,010
	20,010	326	1,046	1,130	360	2,494	25,366
Revaluation surplus	1,936	–	–	–	–	–	1,936
Elimination of accumulated depreciation on revaluation	(486)	–	–	–	–	–	(486)
Additions	–	10	75	40	51	–	176
Disposal/write-off	–	(68)	(8)	–	–	–	(76)
At 31 December 2013	21,460	268	1,113	1,170	411	2,494	26,916
Representing:							
Cost	–	268	1,113	1,170	411	2,494	5,456
Valuation	21,460	–	–	–	–	–	21,460
At 31 December 2013	21,460	268	1,113	1,170	411	2,494	26,916
Cost/valuation							
At 1 January 2014							
Cost	**–**	**268**	**1,113**	**1,170**	**411**	**2,494**	**5,456**
Valuation	**21,460**	**–**	**–**	**–**	**–**	**–**	**21,460**
	21,460	**268**	**1,113**	**1,170**	**411**	**2,494**	**26,916**
Revaluation surplus	**1,569**	**–**	**–**	**–**	**–**	**–**	**1,569**
Elimination of accumulated depreciation on revaluation	**(549)**	**–**	**–**	**–**	**–**	**–**	**(549)**
Additions	**–**	**–**	**7**	**–**	**119**	**13**	**139**
Disposal/write-off	**–**	**(41)**	**(2)**	**(14)**	**–**	**–**	**(57)**
At 31 December 2014	**22,480**	**227**	**1,118**	**1,156**	**530**	**2,507**	**28,018**
Representing:							
Cost	**–**	**227**	**1,118**	**1,156**	**530**	**2,507**	**5,538**
Valuation	**22,480**	**–**	**–**	**–**	**–**	**–**	**22,480**
At 31 December 2014	**22,480**	**227**	**1,118**	**1,156**	**530**	**2,507**	**28,018**

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold land and buildings $'000	Motor vehicles, MHE and forklifts $'000	Computer equipment $'000	Renovation, signboards, furniture and fittings $'000	Office equipment $'000	Plant and machinery $'000	Total $'000
Accumulated depreciation							
At 1 January 2013	–	307	909	1,036	171	2,280	4,703
Charge for the year	486	11	115	39	62	24	737
Disposal/write-off	–	(68)	(7)	–	–	–	(75)
Elimination of accumulated depreciation on revaluation	(486)	–	–	–	–	–	(486)
At 31 December 2013	–	250	1,017	1,075	233	2,304	4,879
Accumulated depreciation							
At 1 January 2014	**–**	**250**	**1,017**	**1,075**	**233**	**2,304**	**4,879**
Charge for the year	**549**	**7**	**63**	**43**	**83**	**25**	**770**
Disposal/write-off	**–**	**(41)**	**(2)**	**(11)**	**–**	**–**	**(54)**
Elimination of accumulated depreciation on revaluation	**(549)**	**–**	**–**	**–**	**–**	**–**	**(549)**
At 31 December 2014	**–**	**216**	**1,078**	**1,107**	**316**	**2,329**	**5,046**
Net carrying amount							
At 31 December 2014	**22,480**	**11**	**40**	**49**	**214**	**178**	**22,972**
At 31 December 2013	21,460	18	96	95	178	190	22,037

(a) The Group engaged independent valuers to determine the fair value of the land and buildings. The valuations were made at year end on the basis of direct comparison with recent transactions of comparable properties within the vicinity and open market value.

The Group classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. As at end of 31 December 2014, the fair value measurements of the Group's land and buildings are classified within Level 3 (2013: Level 3) of the fair value hierarchy. There were no transfers between different levels during the year.

Management considers that certain unobservable inputs used in the fair value measurement of the Group's land and buildings are sensitive to the fair value measurement. The following information is relevant for the Group's land and buildings:

Property Location	Significant unobservable input(s)	Range	Sensitivity
Singapore	Price per square metre of strata floor area	$1,300 – $1,900 (2013: $1,300 – $3,800)	Any significant isolated increase (decrease) would result in a significantly higher (lower) fair value measurement
Malaysia	Price per square metre of strata land area	$900 – $2,400 (2013: $800 – $2,300)	Any significant isolated increase (decrease) would result in a significantly higher (lower) fair value measurement

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) (Cont'd)

The carrying amounts of land and buildings if measured using the cost model, would be as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Net carrying value	**11,390**	12,398	**11,157**	11,455

(b) The Group's freehold and leasehold properties with net carrying amounts of $909,000 (2013: $871,000) are pledged as collateral for bank facilities (Note 20).

(c) Properties owned by the Group include:

Property location	Area (sq m)	Usage	Tenure years
Held by the Company			
27A Jurong Port Road #01-42 Singapore 619101	158	JTC single storey corner terrace workshop	15.10.2012 to 15.10.2024
No. 5 Changi South Street 3 Singapore 486117	9,390	Centralised office cum warehouse	16.9.1997 to 16.9.2057
387F Woodlands Road Singapore 677951	149	Shop	19.1.1992 to 18.1.2022
Held by subsidiaries			
43, 43A, 43B, 43C Jln Glasair Taman Tasek Johor Bahru Malaysia	470	4 storey building	Freehold
Lot nos: 0009, 0010, 0011 Resource Complex Ground Floor 33 Jln Segambut Atas Segambut Kuala Lumpur, Malaysia	588	Ground floor corner shop unit	03.10.1978 to 02.10.2044
63 Jln Lim Swee Sim Kluang, Malaysia	150	2 storey shop house	Freehold
No 2193 Guang Yuan East Road, Room 2703, Tian He District, Guangzhou, China(1)	120	Office cum warehouse	19.12.2011 to 09.11.2065

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) Properties owned by the Group include: (Cont'd)

Property location ***Held by subsidiaries*** **(Cont'd)**	Area (sq m)	Usage	Tenure years
No 2193 Guang Yuan East Road, Room 2704, Tian He District, Guangzhou, China[1]	155	Office cum warehouse	24.05.2012 to 09.11.2065

[1] The previously owner-occupied office cum warehouse unit was transferred to investment property (Note 14) in 2014 due to change in use.

12. INVESTMENT IN SUBSIDIARIES

	Company 2014 $'000	Company 2013 $'000
Unquoted shares at cost	**6,181**	4,861
Less: Allowance for impairment loss	**(566)**	–
	5,615	4,861
Loans to subsidiaries	**7,472**	9,057
Less: Allowance for impairment loss	**(5,975)**	–
	7,112	13,918
Amounts due from subsidiaries – trade	**43,975**	7,262
Less: Allowance for amounts due from subsidiaries – trade	**(2,359)**	–
Amounts due from subsidiaries – trade, net	**41,616**	7,262
Amount due from subsidiary – non-trade	**6,626**	238
Amounts due from subsidiaries (Note 16)	**48,242**	7,500

During the year, allowance for impairment loss amounting to $566,000 (2013: $Nil) and $5,975,000 (2013: $Nil) was made in respect of the Company's investments and loans to certain subsidiaries respectively to reduce the carrying value of the investments and loans to recoverable amounts determined based on net asset value of respective subsidiaries, which approximates the fair value less costs to sell.

The amounts due from subsidiaries are unsecured, non-interest bearing, and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries as at 31 December are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity and voting power held by the Group 2014 %	2013 %
Bearings and Seals segment:			
Kian Ho Pte Ltd [1, 9] (Singapore)	Dealer in bearings, belts and seals (Singapore)	**100**	–
Raffles Logistics Operations Pte Ltd (Singapore) [1, 9]	Logistics services (Singapore)	**100**	–
Kian Ho Bearings (M) Sdn. Bhd. [3] (Malaysia)	Dealer in bearings, belts and seals (Malaysia)	**100**	100
Ascend Bearings Co., Ltd [2] (Taiwan)	Dealer in bearings, belts and seals (Taiwan)	**60**	60
Acker Machinery (Shanghai) Co., Ltd [3] (China)	Dealer in bearings, belts and seals (China)	**100**	100
Kian Ho Shanghai Co., Ltd [3] (China)	Dealer in bearings, belts and seals (China)	**100**	100
Kian Ho (H.K.) Company Limited [6] (Hong Kong)	Dealer in bearings, belts and seals (Hong Kong)	**100**	100
PT. Kian Ho Indonesia [4] (Indonesia)	Dealer in bearings, belts and seals (Indonesia)	**95**	80
Kian Ho (Vietnam) Co., Ltd [2] (Vietnam)	Dealer in bearings, belts and seals (Vietnam)	**100**	100
KH Bearings and Seals Australia Pty Ltd [5] (Australia)	Dealer in bearings, belts and seals (Australia)	**100**	100
Kian Ho Guangzhou Co., Ltd [3] (China)	Dealer in bearings, belts and seals (China)	**65**	65
Excel (Hangzhou) Power Transmissions Co., Ltd [8] (China)	Dormant (China)	**70**	70
Kian Ho (Thailand) Co., Ltd [8] (Thailand)	Dormant (Thailand)	**80**	80
Directly held by Kian Ho Bearings (M) Sdn Bhd			
KWP Engineering & Industrial Supply Sdn. Bhd. [3] (Malaysia)	Dealer in bearings, belts and seals (Malaysia)	**60**	60

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity and voting power held by the Group	
		2014 %	2013 %
Property segment:			
Raffles Acres Pte Ltd (Singapore) [7, 9]	Property investment (Singapore)	**100**	–
Raffles Land & Investments Pte Ltd (Singapore) [7, 9]	Property investment (Singapore)	**100**	–
Raffles Majestic Realty Pte Ltd (Singapore) [7, 9]	Property investment (Singapore)	**100**	–
Raffles Global Investments Pte Ltd (Singapore) [8]	Dormant (Singapore)	**100**	–
Raffles Property Management Pte Ltd (Singapore) [8]	Dormant (Singapore)	**100**	–
Raffles Majestic Investments Pte Ltd (Singapore) [8]	Dormant (Singapore)	**100**	–

1 Audited by Deloitte & Touche LLP, Singapore.
2 Audited by member firms of Deloitte & Touche.
3 Audited by member firms of Ernst & Young Global.
4 Audited by Kreston International.
5 Audited by Farmilo & Co Chartered Accountants.
6 Audited by Dicky Lau & Co.
7 Audited by Alfred PF Shee & Co.
8 Not required to be audited as these are dormant.
9 Newly incorporated during the year.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of company (Country of incorporation)	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2014 %	2013 %	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Ascend Bearings Co., Ltd (Taiwan)	**40**	40	**60**	58	**1,365**	1,383
Individually immaterial subsidiaries with non-controlling interests			**(85)**	(262)	**(187)**	(243)
Total					**1,178**	1,140

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Ascend Bearings Co., Ltd	
	2014	**2013**
	$'000	$'000
Current assets	**14,361**	16,024
Non-current assets	**44**	25
Current liabilities	**(10,725)**	(12,227)
Non-current liabilities	**(268)**	(366)
Equity attributable to owners of the company	**2,047**	2,073
Non-controlling interests	**1,365**	1,383

	Ascend Bearings Co., Ltd	
	2014	**2013**
	$'000	$'000
Revenue	**6,821**	6,783
Expenses	**(6,672)**	(6,637)
Profit for the year	**149**	146
Profit attributable to owners of the company	**89**	88
Profit attributable to the non-controlling interests	**60**	58
Profit for the year	**149**	146
Total comprehensive income attributable to owners of the company	**89**	88
Total comprehensive income attributable to the non-controlling interests	**60**	58
Total comprehensive income for the year	**149**	146
Dividends paid to non-controlling interests	**(52)**	(198)
Net cash inflow from operating activities	**1,854**	1,487
Net cash outflow from investing activities	**(395)**	(352)
Net cash outflow from financing activities	**(1,421)**	(1,241)
Net cash inflow/(outflow)	**38**	(106)

13. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Unquoted share at cost	**10**	10	**10**	10
Share of post-acquisition reserves	**(10)**	(10)	**–**	–
	–	–	**10**	10
Amounts due from an associate – trade	**1,308**	1,796	**1,281**	1,789
Provision for doubtful debts, associate – trade	**(100)**	–	**(100)**	–
Amounts due from an associate – trade (Note 16)	**1,208**	1,796	**1,181**	1,789

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13. INVESTMENT IN AN ASSOCIATE (CONT'D)

The Group has not recognised losses relating to Kian Ho Bearings (Thailand) Co., Ltd where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was $90,000 (2013: $58,000), of which $32,000 (2013: $36,000 share of loss) was the share of the current year's loss. The Group has no obligation in respect of these losses.

The Company has given corporate guarantees of $313,000 (2013: $942,000) to financial institutions in connection with financing facilities given to the associate.

The associate as at 31 December is as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity and voting power held by the Group 2014 %	2013 %
Kian Ho Bearings (Thailand) Co., Ltd (Thailand) [1]	Dealer in bearings, belts and seals (Thailand)	**49**	49

[1] Audited by ANS Audit Co., Ltd.

The summarised financial information of the associate (not adjusted for the proportion of ownership interest held by the Group), adjusted for differences in accounting policies between the Group and the associate is as follows:

	Group 2014 $'000	Group 2013 $'000
Assets and liabilities		
Non-current assets	**39**	34
Current assets	**2,816**	4,316
Total assets	**2,855**	4,350
Non-current liabilities	**(8)**	(35)
Current liabilities	**3,113**	4,563
Total liabilities	**3,105**	4,528
Results		
Revenue	**4,203**	4,196
Loss for the year	**(66)**	(74)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Group 2014 $'000	Group 2013 $'000
Net assets of the associate	**(250)**	(178)
Proportion of the Group's ownership interest in the associate	**49%**	49%
Share of net assets of the associate	**(122)**	(87)
Cumulative share of unrecognised losses	**90**	58
Exchange difference	**32**	29
Carrying amount of the group's interest in the associate	**–**	–

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For the financial year ended 31 December 2014

14. INVESTMENT PROPERTIES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Balance at 1 January	**5,687**	5,846	**3,150**	3,560
Additions	**18,295**	–	**–**	–
Transfer from property, plant and equipment (Note 11)	**942**	–	**–**	–
Disposed during the year	**–**	(685)	**–**	(685)
Gain on change in fair value recognised in the income statement	**2,195**	379	**880**	275
Exchange differences	**95**	147	**–**	–
Balance at 31 December	**27,214**	5,687	**4,030**	3,150

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to $384,000 (2013: $403,000). Direct operating expenses arising on the investment properties in the year amounted to $35,000 (2013: $31,000).

The investment properties held by the Group as at 31 December are as follows:

Property location	Area (sq m)	Usage	Tenure years	Fair value	
				2014	**2013**
				$'000	$'000
Citimac Industrial Complex #02-03 Singapore 368239	436	Warehouse unit	Freehold	**3,200**	2,350
Poh Leng Building #04-01 21 Moonstone Lane Singapore 328462	140	Flatted factory unit in an industrial building	Freehold	**830**	800
No. 220, Mei Gui Nan Road, Ground Floor Block 20 Shanghai Wai Gao Qiao Free Trade Zone, Shanghai, China	2,100	Ground floor warehouse	12.6.1993 to 12.6.2048	**3,283**	1,995
Chengdu Jinniu District, No. 777 Jinfu Road, Block 32 Unit 11 Jin Fu Hardware Centre Chengdu, Sichuan China 610031	260	Shophouse unit	07.07.2006 to 06.7.2046	**664**	542
No 2193 Guang Yuan East Road, Room 2703, Tian He District, Guangzhou, China(1)	120	Office unit	19.12.2011 to 09.11.2065	**406**	–
No 2193 Guang Yuan East Road, Room 2704, Tian He District, Guangzhou, China(1)	155	Office unit	24.05.2012 to 09.11.2065	**536**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

14. INVESTMENT PROPERTIES (CONT'D)

Property location	Area (sq m)	Usage	Tenure years	Fair value 2014 $'000	Fair value 2013 $'000
Block 302 Ubi Avenue 1 #01-65 Singapore 400302	54	Shophouse unit	07.11.2014 to 31.10.2084	**2,563**	–
1 Sophia Road #01-01 to 08 Peace Centre Singapore 228149	260	Commercial unit	30.12.2014 to 01.06.2069	**9,551**	–
1 Sophia Road #02-01/02 Peace Centre Singapore 228149	260	Commercial unit	30.12.2014 to 01.06.2069	**6,181**	–
				27,214	5,687

(1) The previously owner-occupied warehouse unit was transferred from property, plant and equipment (Note 11) in 2014 due to change in use.

Investment properties are stated at fair value, which has been determined based on valuations performed as at year end. The valuations were performed by independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The valuations were made on the basis of direct comparison with recent transactions of comparable properties within the vicinity.

The Group classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. As at end of 31 December 2014, the fair value measurements of the Group's investment properties are classified within Level 3 (2013: Level 3) of the fair value hierarchy. There were no transfers between different levels during the year.

Management considers that certain unobservable inputs used in the fair value measurement of the Group's investment properties are sensitive to the fair value measurement. The following information is relevant for the Group's investment properties:

Property Location/Type	Significant unobservable input(s)	Range	Sensitivity
Singapore (Commercial Units)	Price per square metre of strata floor area	$5,300 – $8,100 (2013: $4,900 – $6,300)	Any significant isolated increase/(decrease) would result in a significantly higher/(lower) fair value measurement
Singapore (Retail Units)	Price per square metre of strata floor area	$10,400 – $51,000 (2013: N/A)	Any significant isolated increase/(decrease) would result in a significantly higher/(lower) fair value measurement
China (Commercial Units)	Price per square metre of strata floor area	$1,400 – $4,500 (2013: $1,000 – $2,400)	Any significant isolated increase/(decrease) would result in a significantly higher/(lower) fair value measurement

As at 31 December 2014, investment properties amounting to $18,295,000 (2013: $Nil) included in the above balances were mortgaged to banks as security for borrowings. Information relating to the Group's loans and borrowings is disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

15. OTHER INVESTMENTS

	Group and Company	
	2014	**2013**
	$'000	$'000
Available-for-sale		
Unquoted equity shares at cost	**237**	237

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade debtors	**17,358**	15,572	**2,692**	8,920
Notes receivables	**1,282**	1,211	**–**	–
	18,640	16,783	**2,692**	8,920
Allowance for doubtful debts – trade debtors	**(850)**	(893)	**(110)**	(65)
	17,790	15,890	**2,582**	8,855
Amounts due from subsidiaries (Note 12)	**–**	–	**48,242**	7,500
Amounts due from an associate (Note 13)	**1,208**	1,796	**1,181**	1,789
Other debtors (Note 17)	**215**	222	**8**	18
Amount due from related parties (Note 18)	**1,093**	2,719	**–**	893
Total trade and other receivables	**20,306**	20,627	**52,013**	19,055
Add:				
Fixed deposits (Note 25)	**989**	649	**–**	–
Cash at banks and on hand (Note 25)	**7,525**	4,137	**2,889**	1,605
Total financial assets at amortised cost	**28,820**	25,413	**54,902**	20,660
Add:				
Available-for-sale investments (Note 15)	**237**	237	**237**	237
Total financial assets	**29,057**	25,650	**55,139**	20,897

Trade and other receivables are non-interest bearing and are generally on 30 to 90 days' terms.

Notes receivables are relating to bill of exchange and have an average maturity of up to 180 days (2013: 180 days). These receivables issued by customers are interest-free.

As of 31 December 2014, notes receivables carried by a subsidiary that amounted to $922,000 (2013: $813,000) were pledged to secure short term bank loans.

16. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group and Company has trade receivables amounting to $7,098,000 (2013: $5,867,000) and $2,813,000 (2013: $3,355,000) respectively that are past due at the reporting date but not impaired because there is no change in credit quality of the customers. These receivables are unsecured and the analysis of their aging by due date at the reporting date is as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade receivables past due:				
Lesser than 30 days	**3,595**	3,005	**974**	1,689
30 to 60 days	**1,732**	1,483	**729**	872
61 to 90 days	**913**	912	**692**	742
91 to 120 days	**362**	251	**266**	27
More than 120 days	**496**	216	**152**	25
	7,098	5,867	**2,813**	3,355

Receivables that are impaired

The Group has trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired		Company Individually impaired	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade receivables	**850**	893	**110**	65
Less: Allowance for impairment	**(850)**	(893)	**(110)**	(65)
	–	–	**–**	–
Movement in allowance accounts:				
At 1 January	**893**	846	**65**	8
Charge for the year	**372**	247	**109**	65
Written off	**(160)**	(94)	**–**	(1)
Written back	**(262)**	(142)	**(64)**	(7)
Exchange differences	**7**	36	**–**	–
At 31 December	**850**	893	**110**	65

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in financial difficulties and/or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Receivables that are neither past due nor impaired are considered recoverable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

17. OTHER DEBTORS

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Sundry debtors	**26**	23	**4**	–
Deposits	**84**	94	**4**	18
Tax recoverable	**105**	105	**–**	–
	215	222	**8**	18

18. AMOUNTS DUE FROM/TO RELATED PARTIES

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Trade:				
Amounts due from non-controlling shareholder of a subsidiary	**976**	2,585	**–**	893
Amounts due from companies in which non-controlling shareholders of a subsidiary have interest in	**117**	119	**–**	–
Total	**1,093**	2,704	**–**	893
Non-trade:				
Amounts due from non-controlling shareholders of a subsidiary	**–**	15	**–**	–
Total	**–**	15	**–**	–
Amounts due from related parties	**1,093**	2,719	**–**	893

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Trade:				
Amounts due to non-controlling shareholder of a subsidiary	**1,578**	3,855	**–**	108
Amounts due to companies in which non-controlling shareholders of a subsidiary have interest in	**233**	405	**–**	–
Total	**1,811**	4,260	**–**	108
Non-trade:				
Amounts due to non-controlling shareholders of a subsidiary	**5,847**	7,972	**–**	–
Amounts due to related parties	**7,658**	12,232	**–**	108

Amounts due from/to the above related parties are unsecured, non-interest bearing and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

19. INVENTORIES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Finished goods	**69,221**	80,508	**–**	37,882
Inventories-in-transit	**1,208**	1,464	**–**	1,274
	70,429	81,972	**–**	39,156

20. INTEREST BEARING LOANS AND BORROWINGS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Repayable within 12 months:				
Trust receipts				
– unsecured	**2,879**	6,633	**1,442**	6,355
Term loans				
– secured	**3,943**	2,662	**–**	–
– unsecured	**19,918**	20,717	**19,150**	17,302
	26,740	30,012	**20,592**	23,657
Repayable after 12 months:				
Term loans				
– secured	**12,291**	393	**–**	–
– unsecured	**8,750**	6,500	**8,750**	6,500
	21,041	6,893	**8,750**	6,500
	47,781	36,905	**29,342**	30,157

Bank borrowings of the subsidiaries are secured on certain freehold and leasehold properties, investment properties, fixed deposits (Note 25) and receivables of the subsidiaries and corporate guarantee from holding company.

The term loans are repayable in fixed monthly, quarterly or half yearly instalments over a period ranging from 1 month to 36 months. Other borrowings are repayable within twelve months.

The floating rate term loans bear interest of approximately 1.54% to 9% (2013: 1.45% to 12%) per annum, and are repriced on monthly to half-yearly basis.

Trust receipts have an average maturity period of 90 to 150 days (2013: 120 to 150 days) and bear interest ranging from 1.09% to 8.85% (2013: 1.20% to 8.60%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

21. TRADE AND OTHER CREDITORS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade creditors and accruals	**14,120**	9,141	**3,584**	5,049
Other creditors				
Sundry creditors	**220**	51	**117**	29
Advances from customers	**472**	432	**199**	288
Rental deposits	**260**	49	**27**	27
	952	532	**343**	344
Amounts due to related parties (Note 18)	**7,658**	12,232	**–**	108
Loans and borrowings (Note 20)	**47,781**	36,905	**29,342**	30,157
Less: Advances from customers	**(472)**	(432)	**(199)**	(288)
Total financial liabilities carried at amortised cost	**70,039**	58,378	**33,070**	35,370

Trade and other creditors are non-interest bearing. Trade creditors are normally settled on 30 to 90 days terms (2013: 30 to 90 days terms) while other creditors are normally settled on 30 days terms.

22. DEFERRED TAXATION

Deferred taxation as at 31 December relates to the following:

	Group						Company			
	Consolidated statement of financial position		Consolidated income statement		Consolidated equity		Statement of financial position		Equity	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities										
Depreciation	**110**	110	**–**	(25)	**–**	–	**102**	102	**–**	–
Revaluations to fair value:										
– Investment properties	**701**	354	**327**	49	**–**	–	**–**	–	**–**	–
– Leasehold land and buildings	**2,276**	1,977	**–**	–	**302**	332	**2,011**	1,744	**267**	329
Other temporary differences	**(94)**	(69)	**(25)**	(18)	**–**	–	**(7)**	(25)	**–**	–
	2,993	2,372			**302**	332	**2,106**	1.821	**267**	329
Deferred income tax expense (Note 9)			**302**	6						

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $16,929,000 (2013: $16,384,000). No liability has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Unrecognised tax losses

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of $5,062,000 (2013: $3,035,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

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For the financial year ended 31 December 2014

23. SHARE CAPITAL

	Group and Company			
	2014	**2013**	**2014**	**2013**
	'000	'000	$'000	$'000
	No. of shares			
Issued and fully paid ordinary shares:				
Balance at beginning and end of the year	**234,060**	234,060	**31,658**	31,658

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

24. DIVIDEND

	Group and Company	
	2014	**2013**
	$'000	$'000
Declared and paid during the financial year:		
– First and final exempt (one-tier) dividend for 2013: $0.002 per ordinary share (2012: $0.002 per ordinary share)	**468**	468

Proposed but not recognised as a liability as at 31 December:

	Group and Company	
	2014	**2013**
	$'000	$'000
Dividend on ordinary shares, subject to shareholders' approval at the AGM:		
First and final exempt (one-tier) dividend of $0.001 per ordinary share (2013: $0.002 per ordinary share)	**234**	468

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Cash at banks and on hand	**7,525**	4,137	**2,889**	1,605
Cash and cash equivalents in the statement of cash flows	**7,525**	4,137	**N/A**	N/A

Certain cash at banks earn interest at floating rates based on daily bank deposit rates.

Fixed deposits of the Group amounting to $989,000 (2013: $649,000) with tenures within 12 months (2013: 12 months) from end of reporting period are pledged to banks for short term loan facilities and bank guarantee, and are excluded from cash and cash equivalents. The weighted average effective interest rate of short term deposits is 0.39% (2013: 1.17%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

26. DERIVATIVES

	Group		
	Contract/ Notional amount	Assets	Liabilities
	$'000	$'000	$'000
2014			
Forward currency contracts	**1,259**	**–**	**(1)**
2013			
Forward currency contracts	2,484	–	(28)

Forward currency contracts are used to manage foreign currency risk arising from the Group's sales and purchases denominated in EUR, JPY and USD.

Net unrealised loss on derivatives of $1,000 (2013: $28,000) has been included in foreign exchange loss in the income statement.

27. COMMITMENTS

(a) Capital commitments

There was no capital expenditure contracted but not recognised in the financial statements as at 31 December 2014 and 2013.

(b) Operating lease commitments

As lessee

The Group leases certain properties under lease agreements for operating use. The leases expire at various dates till 2057. Minimum lease payment recognised as an expense in the income statement for the financial year ended 31 December 2014 amounted to $988,000 (2013: $1,075,000).

Future minimum lease payments are as follows:

	Group	
	2014	2013
	$'000	$'000
Not later than one year	**1,002**	864
Later than one year but not later than five years	**1,185**	1,266
Later than five years	**5,278**	5,413
	7,465	7,543

As lessor

The Group has entered into commercial property leases on its investment properties.

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2014	2013
	$'000	$'000
Not later than one year	**958**	272
Later than one year but not later than five years	**1,064**	109
	2,022	381

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group entities with related parties took place during the year at terms and rates agreed between the parties:

(a) Sale and purchase of goods and services

	Group	
	2014	**2013**
	$'000	$'000
Sale of goods to an associate	**83**	176
Sale of goods to non-controlling shareholder of a subsidiary	**367**	328
Sale of goods to companies in which non-controlling shareholders of a subsidiary have interest in	**250**	701
Purchase of goods from non-controlling shareholder of a subsidiary	**701**	808
Purchase of goods from companies in which non-controlling shareholders of a subsidiary have interest in	**592**	578

(b) Compensation of directors and key management personnel

	Group	
	2014	**2013**
	$'000	$'000
– Directors of the Company		
Short-term benefits	**875**	789
Post-employment benefits	**15**	10
– Other directors of subsidiaries		
Short-term benefits	**317**	339
Post-employment benefits	**17**	22
– Other key management personnel		
Short-term benefits	**759**	967
Post-employment benefits	**60**	117

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdraft and cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group may also enter into derivative transactions, including principally interest rate swaps and forward currency contracts as and when it is required. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of financing.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Foreign currency risk

The Group has exposure to foreign currency risks as a result of transactions denominated in a currency other than the respective functional currencies of Group entities, arising from sales and purchases, mainly by movements in exchange rates for the United States Dollars (USD). The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Foreign currency risk (Cont'd)

The Group aims to use forward currency contracts to minimise currency exposures. It is the Group's policy not to enter into forward contracts until a firm payment commitment is in place. The Group reviews regularly the currency exposures and enters into forward contracts as and when deemed necessary.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Indonesia, People's Republic of China (PRC), Taiwan and Hong Kong. The Group's investments are not hedged as currency positions in the subsidiaries are considered to be long term in nature.

Significant financial assets of the Group and Company that are not denominated in the functional currencies of the respective entities amounted to $14,904,000 (2013: $7,530,000) and $8,131,000 (2013: $6,853,000) respectively denominated in United States dollars.

Significant financial liabilities of the Group and Company that are not denominated in the functional currencies of the respective entities amounted to $6,534,000 (2013: $6,383,000) and $2,303,000 (2013: $4,949,000) respectively denominated in United States dollars.

The sensitivity rate used is 5% which is the change in foreign exchange rate that Management deems reasonably possible which will affect outstanding foreign currency denominated monetary items at period end.

For the Company, if the United States dollars was to strengthen/weaken by 5% against the Singapore dollar, profit before tax will increase/decrease by $189,000 (2013: decrease/increase by $95,200).

For the Group, if the United States dollar was to strengthen/weaken by 5% against the Singapore dollar, profit before tax will increase/decrease by $222,000 (2013: decrease/increase by $57,000).

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from interest bearing loans and borrowings.

<u>Sensitivity analysis for interest rate risk</u>

If interest rates had been 100 basis points higher or lower with all other variables were held constant, the Group's profit for the financial year ended December 31, 2014 would decrease/increase by $437,000 (2013: $297,000).

(c) Credit risk

Credit risk is the risk that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group and the Company have no significant concentration of credit risk with any single customer or group of customers. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with reputable counterparties.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Credit risk (Cont'd)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the statements of financial position and

– an amount of $35,752,000 (2013: $17,690,000) relating to corporate guarantees by the Company to financial institutions in connection with the financing facilities given to the subsidiaries and associate.

(d) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with various banks.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2014				2013			
	One year or less	More than one year up to five years	Adjustments	Total	One year or less	More than one year up to five years	Adjustments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Non-interest bearing	**22,258**	**–**	**–**	**22,258**	21,473	–	–	21,473
Variable interest rate instruments (Note 20)	**26,740**	**21,204**	**(163)**	**47,781**	30,012	7,094	(201)	36,905
	48,998	**21,204**	**(163)**	**70,039**	51,485	7,094	(201)	58,378
Company								
Non-interest bearing	**3,728**	**–**	**–**	**3,728**	5,213	–	–	5,213
Variable interest rate instruments (Note 20)	**20,592**	**8,881**	**(131)**	**29,342**	23,657	6,669	(169)	30,157
	24,320	**8,881**	**(131)**	**33,070**	28,870	6,669	(169)	35,370

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity risk (Cont'd)

The Company has given corporate guarantees of $35,752,000 (2013: $17,690,000) to financial institutions in connection with financing facilities given to the subsidiaries and associate.

The maximum amount of the corporate guarantee provided by the Company to its subsidiaries are allocated to the earliest period in which the guarantee could be called are as follows:

	2014		2013	
	One year or less	Total	One year or less	Total
	$'000	$'000	$'000	$'000
Company				
Corporate guarantees	**35,752**	**35,752**	17,690	17,690

Non-derivative financial assets

The Group's and Company's non-derivative financial assets are due on demand and interest free.

The Group is exposed to interest rate risk on its fixed deposits. No sensitivity analysis is prepared on the Group's financial assets as the management does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial assets at the end of the reporting period.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

A. *Fair value of financial instruments that are carried at fair value*

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	2014 $'000			
	(Level 1)	(Level 2)	(Level 3)	Total
Financial liabilities:				
Derivatives (Note 26)				
– Forward currency contracts	**–**	**(1)**	**–**	**(1)**
At 31 December 2014	**–**	**(1)**	**–**	**(1)**

	2013 $'000			
	(Level 1)	(Level 2)	(Level 3)	Total
Financial liabilities:				
Derivatives (Note 26)				
– Forward currency contracts	–	(28)	–	(28)
At 31 December 2013	–	(28)	–	(28)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

A. *Fair value of financial instruments that are carried at fair value* (Cont'd)

The fair value of forward foreign exchange contracts is determined using quoted forward currency rates at the reporting date. Accordingly, these investments are classified as Level 2.

There were no transfer between Level 1 and Level 2 of the fair value hierarchy in 2014 and 2013.

B. *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

Management has determined that the carrying amounts of cash and short term deposits, trade and other receivables, bank borrowings, trade and other payables, amount due from an associate, amount due from/to related parties and bank loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently.

Fair value information has not been disclosed for the Group and Company's investment for unquoted equity that was carried at cost because the fair value cannot be measured reliably. The unquoted equity represents ordinary shares in Poh Leng Realty Pte Ltd that are not quoted on any market. In the opinion of the Directors, the expected cash flows from these investments are believed to be in excess of their carrying amounts.

31. CAPITAL MANAGEMENT

The capital structure of the Group consists of equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings.

The Group manages its capital and structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

32. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements in line with the Group's realignment of its organisational structure to include property investment and property development in its current core business with effect from 8 December 2014.

As a result, certain line items have been amended in the consolidated income statement and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The items were reclassified as follows:

	Group	
	Previously reported 2013	**After reclassification 2013**
	$'000	$'000
Revenue	78,754	79,157
Other income including interest income	467	64

The effect of this reclassification is not significant and has no impact on the consolidated statement of financial position of the Group for the financial year ended December 31, 2012. Consequently a restated consolidated statement of financial position for the Group at the start of the previous reporting period has not been presented.

INTERESTED PERSON TRANSACTIONS

For the financial year ended 31 December 2014

The Company does not have a shareholders' mandate pursuant to Rule 920 for recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations such as the sale and purchase of supplies and materials. However, during the financial year under review, there were interested person transactions and the value of these individual transactions was less than $100,000, as follows:

Name of Interested Person	Particulars of the Transactions	Aggregate value of all interested person transactions during the financial year under review	Note
KHB Holdings Pte Ltd	Rental expenses for premises at 204 & 206 Jalan Besar, Singapore	S$120,000	1
Teo Xian-Hui Amanda Marie	Rental expenses for premises at 5th floor, Sapphire Tower No.267 Tianmu Zhong Road, Shanghai	S$178,718	2
VIG Systems Pte Ltd	Purchase of services	S$2,606	3

1. The rental of the premises is based on a signed agreement between KHB Holdings Pte Ltd (Landlord) and Raffles United Holdings Ltd (Tenant) of which the rental amount is determined based on market rate.

2. The rental of the premises is based on a signed agreement between Teo Xian-Hui Amanda Marie (Landlord) and Acker Machinery (Shanghai) Co., Ltd (Tenant) of which the rental amount is determined based on market rate.

3. The purchase of services is based on a maintenance contract between VIG systems (Vendor) and Raffles United Holdings Ltd which the services are determined based on market rate.

SHAREHOLDERS' INFORMATION

As at 17 March 2015

Class of equity securities	Number of equity securities	Voting Rights
Ordinary Shares	234,060,000	One vote per share

There are no treasury shares held in the issued capital of the Company.

STATISTICS OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	11	0.57	244	0.00
100 – 1,000	192	9.92	111,369	0.05
1,001 – 10,000	1,230	63.57	5,448,481	2.33
10,001 – 1,000,000	489	25.27	23,691,673	10.12
1,000,001 AND ABOVE	13	0.67	204,808,233	87.50
TOTAL	**1,935**	**100.00**	**234,060,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 17 MARCH 2015
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Raffles United Pte Ltd	153,418,633	65.55	–	–
Teo Xian-Hui Amanda Marie (Note 1)	110,000	0.05	153,418,633	65.55
Teo Teck Yao Glenn Ashley (Note 2)	–	–	153,418,633	65.55
KHB Holdings Pte Ltd (Note 3)	259,700	0.11	27,400,000	11.71
Kwek Che Yong (Note 4)	1,193,000	0.51	27,659,700	11.82

Notes: -

(1) Teo Xian-Hui Amanda Marie is deemed interested through Raffles United Pte Ltd.

(2) Teo Teck Yao Glenn Ashley is deemed interested through Raffles United Pte Ltd.

(3) KHB Holdings Pte Ltd is deemed interested through Hong Leong Finance Nominees Pte Ltd and SBS Nominees Private Limited.

(4) Mr Kwek Che Yong is deemed interested through KHB Holdings Pte Ltd.

SHAREHOLDERS' INFORMATION

As at 17 March 2015

TWENTY LARGEST SHAREHOLDERS

No	Name of Shareholders	No. of Shares	%
1	RAFFLES UNITED PTE LTD	153,418,633	65.55
2	HONG LEONG FINANCE NOMINEES PTE LTD	23,400,000	10.00
3	CITIBANK CONSUMER NOMINEES PTE LTD	6,045,000	2.58
4	SBS NOMINEES PRIVATE LIMITED	5,510,000	2.35
5	HOKIMAN TJENDERA	2,654,000	1.13
6	TAN TECK WAH	2,149,000	0.92
7	KWOK LO CHU	2,050,000	0.88
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,917,400	0.82
9	LIM JOO BOON	1,779,000	0.76
10	DBS NOMINEES (PRIVATE) LIMITED	1,632,000	0.70
11	SUWANTI	1,557,000	0.67
12	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,503,200	0.64
13	KWEK CHE YONG	1,193,000	0.51
14	CHUA LIAK CHNG SC	840,000	0.36
15	LEE SUANG HEE	726,000	0.31
16	TEO TONG HOW	685,000	0.29
17	KOH HAI YANG (XU HAIYANG)	652,000	0.28
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	602,000	0.26
19	TIANG LAY GEOK ALTA	560,000	0.24
20	UOB KAY HIAN PRIVATE LIMITED	532,000	0.23
	TOTAL	**209,405,233**	**89.48**

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

21% of the Company's Shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

RAFFLES UNITED HOLDINGS LTD
(Company Registration No. 197302030N)
(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Raffles United Holdings Ltd ("the Company") will be held at 5 Changi South Street 3, Singapore 486117 on Monday, 20 April 2015 at 10 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon.

(Resolution 1)

2. To declare a first and final tax exempt one-tier dividend of 0.1 Singapore cent per ordinary share for the year ended 31 December 2014 (2013: final dividend of 0.2 Singapore cent per ordinary share).

(Resolution 2)

3. To re-elect Mr Lee Joo Hai the Director retiring pursuant to Article 89 of the Articles of Association of the Company.

   Mr Lee Joo Hai is an Independent director and will upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees.

(Resolution 3)

4. To approve the payment of Directors' Fees of S$134,800/- for the year ended 31 December 2014 (2013: S$145,001/-).

(Resolution 4)

5. To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

(Resolution 5)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

   (a) To note the retirement of Mr Kwek Che Yong who has attained the age of 70 years and indicated that he does not wish to seek for re-appointment as a Director of the Company pursuant to Section 153 of the Companies Act, Cap. 50.

   (b) To note the retirement of Mr Yeo Wee Kiong who has indicated that he does not wish to seek for re-election as a Director of the Company pursuant to Article 89 of the Articles of Association of the Company.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolution, with or without any modification:

7. **Authority to issue shares up to 50 per centum (50%) of the total number of issued shares in the capital of the Company**

"THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:–

(a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options or other instruments convertible into shares (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,

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

provided that:–

(A) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed 50 per cent (50%) of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 20 per cent (20%) of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (B) below);

(B) (subject to such manner of calculation as may be prescribed by SGX-ST), for the purpose of determining the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) that may be issued under sub-paragraph (A) above, the percentage of issued shares excluding treasury shares shall be based on the total number of issued shares excluding treasury shares at the time of the passing of this Resolution, after adjusting for:–

a. new shares arising from the conversion or exercise of any convertible securities, new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing of the resolution approving this Resolution provided the options or awards were granted in compliance with requirements prescribed by SGX-ST; and

b. any subsequent bonus issue, consolidation or subdivision of shares;

(C) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST) and the Articles of Association of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

(D) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." [See Explanatory Note]

(Resolution 6)

By Order of the Board

Jennifer Lee Siew Jee
Secretary

Singapore, 2 April 2015

Explanatory Note to Resolution 6

The proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company from the date of the above Meeting to issue shares in the Company up to an amount not exceeding in total 50 per centum of the total number of issued shares in the capital of the Company with a sub-limit of 20% other than on a pro-rata basis to shareholders for the time being for such purposes as they consider would be in the interests of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 5 Changi South Street 3, Singapore 486117 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Raffles United Holdings Ltd will be closed at 5.00 p.m. on 7 May 2015 for the preparation of Final Dividend entitlement and shall reopen on 8 May 2015.

Duly completed transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 7 May 2015 will be registered to determine shareholders' entitlements to the said dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 7 May 2015 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the AGM to be held on 20 April 2015, will be made on 19 May 2015.

IMPORTANT:
1. For investors who have used their CPF monies to buy Raffles United Holdings Ltd's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

RAFFLES UNITED HOLDINGS LTD
(Company Registration No. 197302030N)
(Incorporated In The Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

I/We, ____

of ____

being a member/members of Raffles United Holdings Ltd (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Monday, 20 April 2015 at 10am and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2014		
2	Payment of proposed first and final dividend of 0.1 Singapore cent per share for the year ended 31 December 2014		
3	Re-election of Mr Lee Joo Hai as a Director		
4	Approval of Directors' Fees of S$134,800/- for the year ended 31 December 2014		
5	Re-appointment of Messrs Deloitte & Touche LLP as Auditors		
6	Authority to issue shares		

Dated this ______________ day of ______________ 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 5 Changi South Street 3, Singapore 486117 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the 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 the instrument appointing a proxy or proxies. In addition, in the case of Shares 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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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CORPORATE INFORMATION

DIRECTORS
Yeo Wee Kiong *(Independent Chairman)*
Kwek Che Yong *(Deputy Chairman)*
Teo Teng Beng *(Managing Director)*
Teh Geok Koon *(Executive Director cum Chief Operating Officer)*
Lee Joo Hai *(Independent Director)*
Tan Saik Hock *(Independent Director)*

AUDIT COMMITTEE
Lee Joo Hai *(Chairman)*
Tan Saik Hock
Yeo Wee Kiong

NOMINATING COMMITTEE
Tan Saik Hock *(Chairman)*
Lee Joo Hai
Teo Teng Beng

REMUNERATION COMMITTEE
Tan Saik Hock *(Chairman)*
Lee Joo Hai
Yeo Wee Kiong

COMPANY SECRETARY
Jennifer Lee Siew Jee

REGISTERED OFFICE
5 Changi South Street 3
Singapore 486117
Tel: 6287-5866
Fax: 6545-4517

SHARE REGISTRAR
Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: 6536-5355
Fax: 6536-1360

AUDITORS
Deloitte & Touche LLP
(Public Accountants and
Chartered Accountants)
6 Shenton Way #33-00
OUE Downtown Two
Singapore 068809
Tel: 6224-8288
Fax: 6538-6166
Partner in charge:
Lee Boon Teck
(Since financial year
31 December 2011)

HEAD OFFICE
SINGAPORE
Raffles United Holdings Ltd
5 Changi South Street 3
Singapore 486117
Tel: (65) 6287-5866
Fax: (65) 6285-9852 / 3

Kian Ho Pte Ltd
Raffles Logistics Operations Pte Ltd
Raffles Acres Pte Ltd /
Raffles Land & Investments Pte Ltd /
Raffles Majestic Realty Pte Ltd /
Raffles Global Investments Pte Ltd /
Raffles Majestic Investments Pte Ltd /
Raffles Property Management Pte Ltd
5 Changi South Street 3
Singapore 486117
Tel: (65) 6287-5866
Fax: (65) 6285-9852 / 3
Website: http://www.kianho.com.sg
E-mail: sales@kianho.com.sg

BRANCHES
204/206 Jalan Besar
Singapore 208892
Tel: (65) 6298-5866, 6298-9582
Fax: (65) 6294-7755

27A Jurong Port Road
#01- 42 Singapore 619101
Tel: (65) 6268-3410 / 1, 6268-4672
Fax: (65) 6266-3367

Blk A1, 387F Woodlands Road
Yew Tee Industrial Estate
Singapore 677951
Tel: (65) 6893 9808
Fax: (65) 6893 2808

OVERSEAS ESTABLISHMENTS
MALAYSIA
Kian Ho Bearings (M) Sdn Bhd
Johor
43 Jalan Glasiar Taman Tasek
80200 Johor Baru, Malaysia
Tel: (07) 237-2288
Fax: (07) 237- 4996

111 Jalan Mutiara Emas 10/19
Taman Mount Austin
81100 Johor Bahru, Malaysia
Tel: (07) 361-6028
Fax: (07) 361-5766

Kuala Lumpur
Modules 0009-0011
Kompleks Sentral
33, Jalan Segambut Atas
51200 Kuala Lumpur
Tel: (03) 6251-8828
Fax: (03) 6251-8818

Kluang
63 Jalan Lim Swee Sim
Kluang Baru
86000 Kluang, Malaysia
Tel: (07) 772-1636, 772-8922
Fax: (07) 772-8921

Penang
47 (1st Floor), Jalan Todak 4
Bandar Sunway
13700 Seberang Jaya Prai, Malaysia
Tel: (04) 398-8828
Fax: (04) 398-6618

Selangor
KWP Engineering & Industrial Supply Sdn. Bhd.
196A Jalan Sentosa 53
Off Jalan Sg. Putus
41050 Klang
Selangor Darul Shsan
Malaysia
Tel: (03) 3341 8977 / 3342 8977
Fax: (03) 3343 1977

TAIWAN
Taipei
Ascend Bearings Co., Ltd.
1F. No.30, Ln.91, Sec.2, Chengde Road
Datong District, Taipei City 10353
Taiwan R.O.C.
Tel: (886) 2-2559-1166
Fax: (886) 2-2552-6333

CHINA
Kian Ho Shanghai Co., Ltd /
Acker Machinery (Shanghai) Co., Ltd
Shanghai
Tian Mu Zhong Road
No. 267, 5th Floor, The Sapphire Tower
Shanghai, China
Tel: (86) 21-5187 6293
Fax: (86) 21-5101 5836

Shenzhen
Tian Xia International Center,
Tower B, Room 1720, Tao Yuan Road,
NanShan District,
ShenZhen GD518000, China
Tel: 0755 8695 5992
Fax: 0755 8651 4093

Guangzhou
Kian Ho Guangzhou Co., Ltd
Room 203, North Tower
New World Times Centre
No. 2193 Guang Yuan East Rd
Guangzhou, China
Tel: (86) 20-8722 5255
Fax: (86) 20-8779 7122

HONG KONG
Kian Ho (H.K.) Company Limited
Workshop no. N, 12/F.
Wing Hong Factory Building
18 – 26 Kwai Fung Crescent
Kwai Chung, N.T., H.K.
Tel: (852) 2785 3669
Fax: (852) 2785 9661

INDONESIA
PT. Kian Ho Indonesia
Jakarta
Jl. Balikpapan Raya No. 19A
Jakarta Pusat 10160
Indonesia
Tel: (62) 21 3512281-82
Fax: (62) 21 3456970

Batam
Komplek Penuin Centre Blok E
No. 4 Batam 29436
Indonesia
Tel: (62) 778 427572
Fax: (62) 778 455370

VIETNAM
Kian Ho (Vietnam) Co., Ltd
No.68, C18 Street, Ward 12
Tan Binh Dist.,
Ho Chi Minh City, Vietnam
Tel: (84) 8 3948 1560
Fax: (84) 8 3811 8749

Hanoi representative office
No.6, Alley 76/6, Nguyen Chi Thanh Street
Dong Da District, Ha Noi city, Vietnam
Tel: (84) 4 3259 5552
Fax: (84) 4 3259 5553

AUSTRALIA
KH Bearings and Seals Australia Pty Ltd
Unit 2, 15 Bonz Place
Seven Hills NSW 2147
Tel: (61) 0 2 9604 5904
Fax: (61) 0 2 9604 5973

THAILAND
Kian Ho (Thailand) Co., Ltd /
Kian Ho Bearings (Thailand) Co., Ltd
99/8 Moo 13 T. Bangkaew, A. Bangplee,
Samutprakarn 10540 Thailand
Tel: (66) 02- 728 4622
Fax: (66) 02-728 4627

Raffles United Holdings Ltd

Company Registration No. 197302030N
5 Changi South Street 3
Singapore 486117
Tel: 6287-5866
Fax: 6545-4517
www.kianho.com.sg