Raffles United
Holdings Ltd

ADVANCING OUR GROWTH STRATEGY

ANNUAL REPORT **2018**

TABLE OF CONTENTS

OVERVIEW

FINANCIAL CONTENTS & INVESTOR REFERENCE

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 BEARINGS (THAILAND) CO., LTD **49%**(1)
- PT. RADIANT THOMPSON INDONESIA **51%**(1)
- ACEE ELECTRIC PTE LTD **70%**(1)

GREATER CHINA

- ACKER MACHINERY (SHANGHAI) CO., LTD **100%**
- KIAN HO SHANGHAI CO., LTD **100%**(1)
- KIAN HO (H.K.) COMPANY LIMITED **100%**(1)
- EXCEL (HANGZHOU) POWER TRANSMISSIONS CO., LTD **70%**(1)

AUSTRALIA

- KH BEARINGS AND SEALS AUSTRALIA PTY LTD **100%**(1)

PROPERTY

SOUTHEAST ASIA

- RAFFLES CAPITAL ENTERPRISE PTE LTD **51%**
- RAFFLES ACRES PTE LTD **100%**
- RAFFLES LAND & INVESTMENTS PTE LTD **100%**
- RAFFLES MAJESTIC REALTY PTE LTD **100%**
- RAFFLES LAND MANAGEMENT PTE LTD **100%**
- RAFFLES GLOBAL INVESTMENTS PTE LTD **100%**(1)
- RAFFLES MAJESTIC INVESTMENTS PTE LTD **100%**(1)
- RAFFLES PROPERTY MANAGEMENT PTE LTD **100%**(1)
- RAFFLES REALTY INVESTMENTS PTE LTD **100%**(1)
- RAFFLES CENTURY PROPERTIES PTE LTD **100%**(1)
- RAFFLES ROYAL PROPERTY PTE LTD **100%**(1)
- RAFFLES CAPITAL LAND PTE LTD **100%**(1)
- POH LENG REALTY PTE LTD **20%**

BEAUTY

SOUTHEAST ASIA

- RAFFLES BEAUTE PTE LTD **100%**
- ALLURE BEAUTE INTERNATIONAL PTE LTD **100%**
- ALLUREATE BEAUTE PTE LTD **100%**(1)

Note:
(1) These companies are dormant companies.

CHAIRMAN'S STATEMENT

"...THE GROUP GENERATED $6.0 MILLION NET CASH FROM OPERATING ACTIVITIES IN FY18 DUE TO RECEIPTS FROM OPERATIONS DURING THE YEAR."

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 2018.

YEAR IN REVIEW

For the financial year 2018, the Group registered a 6% decline in revenue to $68.4 million, from $73.0 million in 2017. This was primarily due to the bearings and seals segment following the stiff competition in the dealers' market mainly in ASEAN and Other Asian countries and cyclical downturn in the Original Equipment Manufacturer market in Singapore.

A decline in after-tax profit to $1.9 million was recorded in FY18 from $3.6 million in the prior year. This was largely due to increase in foreign exchange losses in FY18 and a one-off income tax refund received in FY17.

Meanwhile, the Group generated $6.0 million net cash from operating activities in FY18 due to receipts from operations during the year. This was in line with our strategy to generate positive operating cash flow to maintain a healthy balance sheet and working capital position.

DIVIDEND

In anticipation of the uncertain global economy, the Group is keenly aware of the need to be prudent and conserve its resources in order to achieve long term capital growth. Keeping in mind the Group's best interest, it has thus not declared any dividend for the current financial year reported on.

APPRECIATION

I wish to thank our fellow directors, management and staff for their relentless support and cooperation throughout the year. The Board noted that Ms Teo Xian-Hui Amanda Marie had resigned as an Executive Director on 19 September 2018. I wish to thank Ms Teo for her dedicated service, contribution and support to the Group during her tenure as Director. The Board would also like to express its appreciation to Ms Teo for her contributions to the Company. She will continue to serve as Executive Secretariat of the Company

On behalf of the Board, I would like to extend our appreciation to our valued shareholders, suppliers, customers, business associates and bankers for their continued confidence and support. Our deepest appreciation also goes to all our staff for their invaluable commitment and hard work in the past year. We look forward to many more years of fruitful partnership and cooperation in the years ahead.

TAN SAIK HOCK
Chairman

LETTER TO SHAREHOLDERS

"...THE GROUP WILL CONTINUE TO EXERCISE PRUDENCE IN ITS OPERATIONS AS WELL AS GENERATE POSITIVE CASHFLOW TO MAINTAIN A HEALTHY BALANCE SHEET AND WORKING CAPITAL POSITION."

DEAR SHAREHOLDERS,

YEAR IN REVIEW

Raffles United Holdings Ltd ("RUH" or "the Group") has generated lower revenue of $68.4 million in FY18 from $73.0 million in FY17 primarily due to:

- stiff competition in the dealers' market primarily in ASEAN and Other Asian countries;
- cyclical downturn in Original Equipment Manufacturer market in Singapore; and
- longer delivery lead time from certain suppliers resulting in the delay in the fulfillment of certain customers' back orders during the year.

Revenue from the property segment also declined by $0.2 million, to $1.9 million in FY18, due to vacant units for certain property units during the year. This was offset by full year sales from the beauty division in 2018.

The Group recorded a decline in profit before taxation ("PBT") of $0.5 million from $3.0 million in FY17 to $2.5 million in FY18, primarily due to the:

- $0.7 million increase in foreign exchange loss;
- $0.5 million increase in other operating expenses;

offset by:

- $0.4 million net impact on the reversal of impairment loss recognised on sundry debtors; and
- $0.3 million net impact on reversal of impairment loss recognised on amounts due from an associate.

OUTLOOK FOR 2019

The Group expects the business operating environment to remain challenging globally in the year ahead. The Group will continue to exercise prudence in its operations as well as generate positive cashflow to maintain a healthy balance sheet and working capital position. Barring any unforeseen circumstances, the Directors expect the performance of the Group for the financial year 2019 to remain profitable.

The Company hopes to complete the Rights Issue to raise funds towards improving the Group's working capital and gearing and further strengthening the Group's financial position.

APPRECIATION

I would like to thank our principal suppliers, valued customers, bankers and employees, for their unwavering confidence and invaluable support throughout the year.

Together, we will continue to put our best foot forward to be able to weather the challenges ahead and be better positioned in the years to come in order to enhance shareholder value.

TEO TENG BENG
Managing Director

TURNOVER ($'M)	PROFIT BEFORE TAX ($'M)	PBT MARGIN	PROFIT AFTER TAX ($'M)	EPS (SGP CENTS)
FY2018	FY2018	FY2018	FY2018	FY2018
68.4	2.5	3.7%	1.9	0.78
CHANGE (6%)	CHANGE (17%)	CHANGE (11%)	CHANGE (49%)	CHANGE (46%)
AGAINST 73.0 FY2017	AGAINST 3.0 FY2017	AGAINST 4.1% FY2017	AGAINST 3.6 FY2017	AGAINST 1.45 FY2017

BOARD OF DIRECTORS

TAN SAIK HOCK

Independent Chairman

Mr Tan was appointed as an 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 and as Independent Chairman of the Board since 20 April 2015. He was last re-elected at the Annual General Meeting in 2017. 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 (Marketing) degree and a Bachelor of Business (Accounting).

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES (AS AT 31 DEC 2018): 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

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 last re-elected at the Annual General Meeting in 2001. 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. He is the father of Ms Teo Xian-Hui Amanda Marie and Mr Teo Teck Yao Glenn Ashley, the deemed controlling shareholders of the Company.

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES (AS AT 31 DEC 2018): Nil

MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS): Nil

PAST DIRECTORSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS: Nil

TEH GEOK KOON

Executive Director and Chief Operating Officer

Mr Teh was appointed as an Executive Non-Independent Director and Chief Operating Officer on 29 April 2013. He was last re-elected at the Annual General Meeting in 2016. He had been Head, Group Operations of the Company since April 2008 and was appointed as the Chief Executive Officer of the Group's principal subsidiary, Kian Ho Pte Ltd, since May 2017. Mr Teh oversees the Group operations including sales and marketing, purchasing, and warehouse logistics issues. He 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 2018): 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. He was last re-elected at the Annual General Meeting in 2017. 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 LISTED COMPANIES (AS AT 31 DEC 2018):
1) SinoCloud Group Limited (formerly "Armarda Group Limited")
2) Hyflux Ltd
3) Lung Kee (Bermuda) Holdings Limited
4) PGG Wrightson Limited
5) IPC Corporation Ltd

MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS): Nil

PAST DIRECTORSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS:
1) IPC Corporation Ltd

DR. NGOI SING SHANG
Independent Director

Dr Ngoi is an Independent Non-Executive Director and Member of the Audit Committee and Remuneration Committee since 16 June 2015. He was last re-elected at the Annual General Meeting in 2018. Dr Ngoi has been Medical doctor and surgeon with Ngoi Surgery Pte Ltd since 2004. Dr Ngoi also holds directorships in other companies and serves as a Director of Ngoi Surgery Pte Ltd., Ngoi Healthcare Investment Pte Ltd., The Surgical Practice Pte Ltd. and NSK Farrer Park Pte Ltd. He served as a Director of Medi-rad Associates Ltd from 2000 to 2002 and Asiamedic Limited from 1997 to 1998.

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES (AS AT 31 DEC 2018): Nil

MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS):
1) Medical doctor and surgeon with Ngoi Surgery Pte Ltd
2) Council Member of Singapore Medical Council
3) Visiting Consultant, Dept. of Surgery, NUH. Adjunct Associate Professor of Surgery, NUS.

PAST DIRECTORSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS: Nil

CORPORATE PROFILE

Raffles United Holdings Ltd ("RUH") 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.

In 2014, RUH realigned its organisational structure to include property investment and property development to its current core business. This expansion has provided RUH an additional revenue stream and growth prospects for the Group. Currently, RUH has investment properties in Singapore and China as part of its Group strategy to build upon its property portfolio.

In its Bearings and Seals segment, RUH has a sizeable local customer network spanning across automotive parts 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. RUH's strength lies in the universal application of its bearings, seals and electrical 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 has expanded its business segments to include Gearbox and Beauty divisions since 2017. RUH currently has six branches in Singapore and five outlets in neighbouring Malaysia. It also has two associates and several local and overseas subsidiaries in Malaysia, Hong Kong, China, Vietnam, Indonesia, Australia and Thailand.

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, bankers and the community.

While we continue to gear up for better profitability prospects and long-term growth, we continuously seek better avenues to integrate our sustainability efforts into the core of our daily operations. This, we believe, will create lasting value for our stakeholders and the world beyond.

CORPORATE GOVERNANCE

The Company believes in maintaining high standards in corporate governance and disclosures to enhance transparency and integrity in all aspects of our business. 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 and long-term sustainability. In this regard, risk management is integrated into the day-to-day operational activities, decision-making and business planning process of the Group.

The Company engaged the Internal Auditors, Shinewing Risk Services Limited, to conduct annual enterprise risk assessment ("ERA") or review and establish and review the risk management framework for the Group. The Internal Auditors would present to the Audit Committee annually a risk management report highlighting potential key risks relating to the Group's business operations and measures to mitigate such risks.

ERA provides the Company a clear view of risk factors that it may be exposed to in both internal and external environment where the Group is operating in. It provides an important basis for the management to define the Group's risk appetite, tolerance and risk response, which enable the management to better identify, evaluate and exploit the right opportunities at the right time while ensuring all the appropriate controls are in place to mitigate risks and prevent any non-compliance issues.

SUSTAINABILITY REPORT

In 2018, the key risks identified during the ERA review were as follows:

Risk Category	Risk Description	Risk Mitigation Measures
Strategic and Operational	Uncertainties arising around the globe: The Group maintains customers and suppliers around the globe. Uncertainties arise due to global economic, environmental and political factors which could affect the Group's financial performance.	Several measures have been taken by management to mitigate the risks which include the following: • Target customers in different industries worldwide; and • Leverage on the Group's network of suppliers and customers.
Operational	Heavy reliance on principal suppliers: The Group places heavy reliance on certain principal suppliers for its bearings distribution business. Any significant changes in the business processes of the principal suppliers, such as forward integration, will have a significant impact on the Group's operations and performance.	The Group maintains regular communication with its principal suppliers to ensure timely delivery of quality products and provide immediate support for any technical issues on the products. The Group engages in strategic partnership and close relationships with its principal suppliers.
Operational	Customer risk: The risk associated on reliance placed on certain customers. The loss of these customers may lead to plunge in revenue of the Group.	The Group continues to build and strengthen its relationship with its customers through regular customer visits, efficient delivery of quality products and technical support, and competitive pricing, amongst others, with the concerted efforts of our people and principal suppliers.
Financial	Liquidity risk: Insufficient monitoring activities over cash positions may lead to shortage of funds to deal with daily operations.	The Group regularly monitors and maintains cashflow projections to ensure it has adequate cash and cash equivalents for its daily financial operations. Close and cordial relationships with its various banks are also carefully maintained. The Group also manages its available bank facilities and internal funds to ensure adequate liquidity and reduce reliance on external financing. Compliance with bank loan covenants are also reviewed to ensure there is no breach.
Financial	Credit risk: Risk of bad debts when credit customers default on their contractual obligations.	Credit risk assessments are performed before approving credit terms and limits to credit-worthy customers. The Company also monitors customers for past due balances on a regular basis to mitigate credit risks. Major collectability issues are reported regularly and relevant actions are taken as appropriate.
Financial	Interest rate risk: The Group is exposed to interest rate fluctuations from bank loan facilities.	The Group keeps abreast of current interest rate movements and negotiates with banks to reduce adverse volatility in finance costs.
Financial	Foreign currency risk: Fluctuation in foreign currency may negatively impact the financials of the Group.	The Group performs certain forward currency contracts when deemed necessary to minimise its currency exposure for certain currencies.

The Group ensures that its business activities are still within its risk appetite and the key risks are identified and managed on an ongoing basis.

As part of the ERA process, risk registers are also maintained for each risk event which are reviewed annually by Management and escalated to the Audit Committee as necessary. These risk registers provide framework for each relevant staff to understand their responsibility for the overall management of 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 prevent potential losses and take advantage of opportunities that may arise.

SUSTAINABLE BUSINESS STRATEGIES

In pursuing our business objectives and long-term sustainability, the Group has taken the following key strategies after taking into consideration the extent of our risk appetite:

- **Business Optimization** – Optimizing our existing bearings and seals business operations and management of inventory and overheads to maintain a healthy balance sheet and working capital position.

  The Group realigned its operations into three operating businesses which are separately organised and managed as follows:

  - Bearings and seals, electrical products and gearbox – the Company's wholly-owned subsidiary, Kian Ho Pte Ltd expanded its business portfolio by establishing a gearbox division since 2017, with the aim of increasing its profitability and shareholder value. We serve widespread industries including transportation, electronics, construction, oil and gas, and others. During the year, the electrical operations have been merged under the Group's subsidiary, Kian Ho Pte Ltd ("KHPL") to provide wider offerings of electrical, bearings and seals products to our customers under KHPL.

  - Property investment and development – the Group expanded into property investment and development following the mandatory takeover of the controlling shareholder of the Company, Raffles United Pte Ltd ("RU"), which is owned by the family of the Company's Managing Director. It was intended for RU to consider offering its experience and business contacts in property investment to the Company for future growth prospects in addition to carrying on its existing businesses. The expansion was expected to allow the Group to have better profitability prospects and ensure long-term growth.

  - Beauty – the business segment is currently being operated under Allure Beaute International Pte Ltd, which is engaged in the distribution and trading of OPI brand of nail products.

- **Tight Cash Flow Management** – Continued focus on generating positive cash flow for the Group amid the uncertainty in the global business environment and regularly re-evaluating all sectors of the business.

- **Strategic Partnerships** – Continued building of strong partnerships with suppliers, customers, banks, and other stakeholders.

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 a 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.

Equal opportunity

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 department or budget meetings, and work autonomously. Our employees are encouraged to take initiative and lead, thus giving them opportunity to be more confident and be able to employ their current skill set, improve it further and gain new ones.

Performance and rewards

The Company rewards the employees in terms of promotion, compensation, sales incentive and other benefits based on their responsibilities, individual work performance and achievement of sales targets and depending on company performance. We also provide a comprehensive range of benefits such as leave entitlements, medical and dental benefits, mobile phone and transport allowance, if applicable. Performance reviews of our employees are conducted regularly.

Health and safety

To ensure the health, safety and welfare of employees are protected in the workplace, the Company:

a. Provides safe access, operations and maintenance of the workplace. The Company conducts regular maintenance on its building facilities;
b. Provides training to staff on workplace safety and Safe Work Procedure;
c. Performs risk assessment of its work place especially on the warehouse environment where there are many potential hazards and associated risks;
d. Provides staff welfare provisions at work which includes clean drinking water, sufficient lighting, basement car park, gym facility, and pantry area;
e. Providing sufficient equipment and protective gear, where necessary, to employees; and
f. Encouraging team-building through its corporate social responsibility programs.

SUSTAINABILITY REPORT

Staff training and development

In order to achieve our goals and keep abreast of latest industry or business standards and practices, employees are encouraged to undertake various training and development programmes. Employees are also granted examination leave for any courses sponsored or approved by the Company.

Anti-Corruption and Fraud activities

The Company maintains a strong stance against bribery and corruption. Employees are expected not to engage in any corrupt or unethical activities. 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.

Culture and values

We recognize and respect the cultural values and diversity of our people and the community where we are operating in. We believe that by properly leveraging our differences, it will create innovation and improved performance to the Group. We strive to create a culture where our employees have a strong sense of personal accountability and responsibility.

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 continue with our green initiatives in the workplace by reducing consumption, implementing energy-efficient measures and increasing paper recycling to reduce resource depletion. We continually perform the below environmental activities to support the campaign of long-term protection and preservation of our planet.

Reduce, Reuse, Recycle

a. Automated ERP system approval for the entire spectrum of operations, including warehouse and inventory, sales and credit control, purchasing and accounting processes.
b. Aim to go paperless including:
   – Abolish printing of duplicate invoices and credit notes for filing as these are already archived in the ERP system;
   – Email or fax invoices and statements of accounts to customers through the ERP system where possible without having to print;
   – Automate packing list from system without going through any manual process.
   – Integration of e-leave system with Time Management System to enhance automation and electronic recording of employee attendance and leave.
   – Implementation of electronic overtime monitoring for the Singapore operations.
   – Use of electronic board papers for board and board committee meetings.
   – Use of electronic communication tools and presentations for weekly Management meetings.
   – Discontinue sending printed copies of Annual Reports and go for electronic version instead in order to go green.
c. Printing documents on both sides of the paper whenever applicable.
d. Recycling of pallets and boxes for business use.
e. Use of notice boards and email for internal corporate announcements.
f. Use of tablets for our mobile salespersons for a quicker and more efficient sales order processing for our Singapore operations.

Saving Energy

a. Converted lightings from fluorescent tubes to LED to save energy.
b. Installed motion sensor lighting in washrooms and common areas less frequently used.
c. Set computers/printers/copiers/fax machines to energy saving mode when not in use for more than 30 minutes.
d. Switched off electrical equipment, lights and air conditioners when not in use.
e. Batch printing of cheques leading to increased efficiency and energy savings.

The Company is continuously looking towards improving work processes while enhancing efforts to go paperless to increase automation, efficiency, accuracy and productivity. We believe in embracing technology to adapt to the radically changing market environment to remain competitive. Along with this, we endeavor to look for ways to reduce adverse environmental impacts in doing business.

OUR COMMUNITY

Corporate responsibility towards our community continues to be a shared work in progress at Raffles United Holdings. With our enduring commitment, we continue to actively develop and implement community activities through employee volunteerism. The meaningful results from our past activities drive us to persistently invest our time and resources as well as work on continually improving our community programs.

We strive to help make our community vibrant and sustainable. Although we are taking small steps at a time, we are optimistic that we will be able to significantly improve our social performance and the lives of those less fortunate in the long-term.

Ad-hoc Community program

In early 2018, the Company has partnered with Heartwarmers Volunteer Group, Sheng Siong and Kembangan-Chai Chee Community Centre in a social assistance programme called, “Project 100=50”. This programme was targeted at families that do not qualify for government and community assistance schemes, whereby they could purchase up to $100 worth of grocery items at 50% discount. In celebration of the Chinese New Year, however, the beneficiaries were allowed to purchase up to $200 worth of grocery items at 50% discount this time around.

The programme was a great help for the beneficiaries to buy their household needs at affordable prices; it also served as family bonding time as many of them brought their whole family to do grocery shopping together. It was indeed a wonderful sight to see and a heartwarming experience for our staff volunteers. A little help it may be, but we are happy to have touched the beneficiaries’ hearts in this activity.

In 2018, we continued to focus on community activities that preserve the sense of volunteerism of our employees. These activities also served as avenue for our employees to get together and interact in a relaxing environment. We hope to instill a spirit of volunteerism amongst our employees in Singapore and reach out to the under-privileged in Singapore to do our part for the community. Raffles United Holdings continues to look into developing a comprehensive Corporate Social Responsibility ("CSR") structure that evaluates all resources contributed to our CSR initiatives. We hope our contributions, monetary or otherwise, would be meaningfully spent on community investment activities that improve the living standards and quality of life for our beneficiaries.

Project 100 = 50

Outreach program

In partnership with Heartwarmers Volunteer Group, we pursued our organizational advocacies in fostering the culture of care at Christalite Methodist Home. It was a fulfilling experience for all the staff volunteers having the privilege to spread love and joy to the elderly residents who had nowhere else to go. The programme included a Bingo game with attractive prizes, as well as a tea break and lunch in the nearby food court. Adding up to their happiness were gifts given away during the Bingo game and some live singing performances from our volunteers. Witnessing the priceless smiles of the beneficiaries made all the volunteers feel happier and more grateful for being a part of it. We were proud that the programme created a lot of blissful moments the beneficiaries could surely keep for a lifetime.

Outreach at Christalite Methodist Home

PRODUCTS WE CARRY

Bearings and Seals:

IKO
EZO PRECISION BALL BEARINGS
NSK
KURODA
FAG
INA
BARDEN PRECISION BEARINGS
DAIDO METAL
ASAHI Bearing Units
KOYO
GCP
TIMKEN Where You Turn
GLH
URB
WON
REPAIR KHB KITS CYLINDER SEAL KITS
NOK
Hallite
Parker-Prädifa
SAKAGAMI HYDRAULIC&PNEUMATIC SEALS
SIMRIT CARL FREUDENBERG
DLI
NDK
KYB KAYABA

Others:

O·P·I
NGC
MK
TERASAKI
Schneider Electric
GRÄSSLIN

PROPERTIES WE OWN

SINGAPORE

OFFICE CUM WAREHOUSE UNIT
5 Changi South Street 3

COMMERCIAL SHOPHOUSE UNITS
296/298/300/302/304/306/308 Lavender Street

COMMERCIAL UNITS
#01-01 to 08 Peace Centre

COMMERCIAL UNITS
#02-01/02 Peace Centre

WAREHOUSE UNIT
#02-03 Citimac Industrial Complex

HDB SHOP
#01-65 Block 302 Ubi Avenue 1

HDB SHOP
#01-37 Block 302 Ubi Avenue 1

FACTORY UNIT
#04-01 Poh Leng Building

CORNER TERRACE WORKSHOP UNIT
#01-42 27A Jurong Port

SHOP UNIT
387F Woodlands Road

SHOPHOUSE UNIT
359 Jalan Besar

MALAYSIA

CORNER SHOP UNIT
Jln Segambut Atas Segambut, Kuala Lumpur

SHOPHOUSE UNIT
Jln Glasair Taman Tasek, Johor Bahru

SHOPHOUSE UNIT
Jln Lim Swee Sim, Kluang

CHINA

WAREHOUSE UNIT
Wai Gao Qiao Free Trade Zone, Shanghai

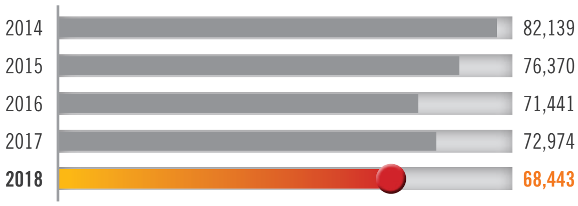
SHOPHOUSE UNIT
Jin Fu Hardware Centre Chengdu, Sichuan

FINANCIAL HIGHLIGHTS

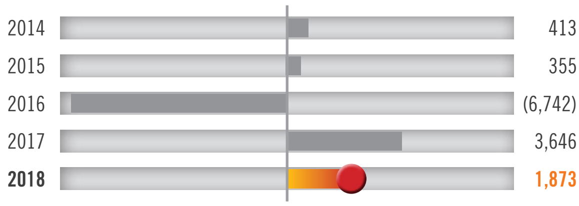
FIVE-YEAR FINANCIAL SUMMARY

	2014	2015	2016	2017	2018
Turnover ($'000)	82,139	76,370	71,441	72,974	**68,443**
Profit/(Loss) after taxation before non-controlling interests ($'000)	413	355	(6,742)	3,646	**1,873**
Shareholders' equity, net of non-controlling interests ($'000)	76,509	74,972	67,930	71,967	**79,098**
Net tangible assets per share (cents)	32.69	32.03	29.02	30.75	**33.79**
Basic earnings/(loss) per share (cents)	0.19	0.13	(2.99)	1.45	**0.78**

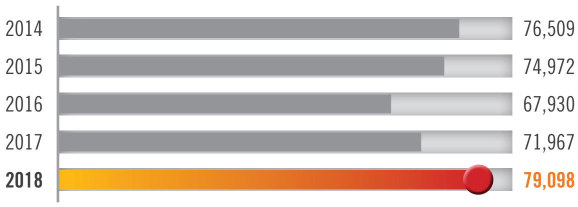
TURNOVER ($'000)



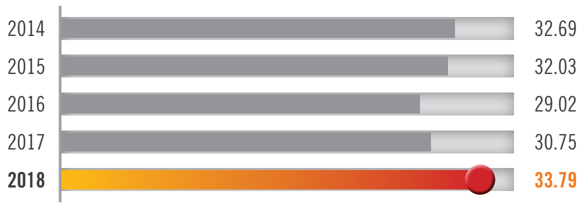
PROFIT/(LOSS) AFTER TAXATION BEFORE NON-CONTROLLING INTERESTS ($'000)



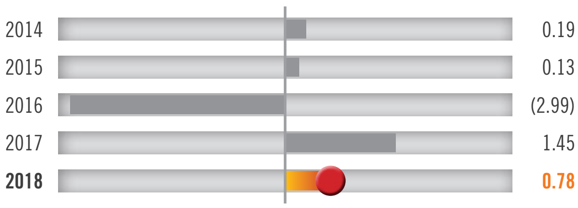
SHAREHOLDERS' EQUITY, NET OF NON-CONTROLLING INTERESTS ($'000)



NET TANGIBLE ASSETS PER SHARE (CENTS)



BASIC EARNINGS/(LOSS) PER SHARE (CENTS)



FINANCIAL CONTENTS & INVESTOR REFERENCE

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 ensure long-term sustainability of the Company's businesses and overall performance.

This Report describes the Company's corporate governance practices with reference to the principles of the Code. For the financial year ended 31 December 2018, the Company has adhered to the principles and guidelines of the Code. Any deviation from any principle or guideline is appropriately explained in this Report.

Principle 1: THE BOARD'S CONDUCT OF ITS AFFAIRS

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

Guideline 1.1- Board's Role

The principal functions of the Board are:

- Assume the responsibility and uphold high standard of corporate governance framework and policies.
- Approve broad policies, strategies and financial objectives of the Company.
- Approve annual business plans, budgets, major funding proposals, investment and divestment proposals and monitor the performance of Management.
- Oversee the framework and processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance.
- Approve the nominations of Directors recommended by Nominating Committee.
- Assume responsibility for corporate governance.
- Establish and maintain exemplary values and standards for the Company.
- Consider sustainability issues including environmental, social and governance factors, as part of its strategic formulation.

Guideline 1.2- Fiduciary Duties of Directors

As corporate gatekeepers, the Board exercises due diligence and independent judgement in the Company's business and affairs and continuously work with Management to make objective decisions in order to dicharge their duties and responsibilities at all times as fiduciaries in the best interests of the Company.

Guideline 1.3- Delegation of Authority by the Board

To enhance the Company's corporate governance framework and to discharge its duties, the Board delegates the authority to make decisions to 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 they are to operate and how decisions are to be taken.

The Board approves transactions exceeding certain thresholds, while delegating authority for transactions below the threshold to the Management via a structured authority limit matrix. This matrix is reviewed by the Board on a regular basis and revised accordingly when necessary. The last review was on 1 Aug 2018.

CORPORATE GOVERNANCE REPORT

Guideline 1.4- Board and Board Committees' Meetings and Attendance Records

The Board and its committees conduct regular scheduled meetings. Ad-hoc meetings are convened as and when circumstances require. Board proceedings are generally initiated and conducted by the Chairman of the Board or the respective committees. The Constitution of the Company allows the Directors to hold meetings via tele-conference or video-conference. It also allows the Board to approve decisions by way of written resolutions. On occasions when Directors were unable to attend meetings in person, electronic communication enable the Directors to participate at the meetings. To enable the members of the Board and its committees to be equipped and prepared for the meetings, agendas and materials were circulated in advance prior to the meetings.

The Company Secretary or her representative assists to convene Board and Board Committee meetings by circulating the meeting calendar for the year, prepare meeting agendas and materials, and prepare minutes of the meeting proceedings thereafter.

A record of the Directors' attendance at meetings of the Board and Board Committees during the financial year ended 31 December 2018 is set out below:

Name of Directors	Board	Audit Committee ("AC")		Nominating Committee ("NC")		Remuneration Committee ("RC")		Annual General Meeting
	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Attendance
Tan Saik Hock	4 (Chairman)	Yes	2	Yes (Chairman)	2	Yes (Chairman)	1	1
Teo Teng Beng	4	No	*2	Yes	2	No	*1	1
Teh Geok Koon	4	No	*2	No	–	No	–	1
Teo Xian-Hui Amanda Marie	#3	No	*2	No	–	No	–	1
Lee Joo Hai	4	Yes (Chairman)	2	Yes	2	Yes	1	1
Ngoi Sing Shang	4	Yes	2	No	*1	Yes	1	1
No. of meetings	**4**		**2**		**2**		**1**	**1**

* Attendance by invitation.
\# Resigned on 19 September 2018

During FY2018, Independent Non-Executive Directors had also met up amongst themselves and/or with the CEO and senior management on informal or adhoc basis to approve and/or discuss specific issues or matters requiring immediate decision relating to the Group. Such informal discussions and meetings are not included in the above table.

Guideline 1.5- Guidelines on Matters Requiring Board Approval

The Company has adopted internal guidelines which set out all matters requiring Board approval:

° Company's annual budget, strategic, operating plans

° Acquisitions and divestment of businesses exceeding certain material limits

° Material funding/financial arrangements/financial restructuring including all material term loans, lines of credit and credit supports from banks and financial institutions

° Interested person transactions

° Material capital expenditures

CORPORATE GOVERNANCE REPORT

Guideline 1.6- Board Orientation and Training
Guideline 1.7- Letter of Appointment for New Director

The Board recognizes the importance of continuous professional development in order to contribute effectively to the Board. The Company conducts a detailed briefing for newly appointed Directors to familiarise themselves with the Group's organization, business operations, strategic direction, industry trends and developments, governance practices as well as their statutory duties and responsibilities as Directors in order for them to discharge those duties. The briefing includes meetings with certain key executives of the Management and orientation on key areas of the Company's operations, accounting, risks and industry-specific knowledge to ensure that they understand their duties and the Company's businesses and governance practices.

Upon new appointment to the Board, a formal service contract setting out their duties and obligations shall be provided to all newly-appointed Directors. During FY2018, there was no new Director appointed.

The Directors are provided with updates and/or briefings from time to time by professional advisers, internal/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, Companies' Act, Listing Manual and industry-related matters.

To equip the Directors to effectively discharge their duties and enhance their knowledge, the Directors are regularly kept informed of the availability of appropriate courses, conferences and seminars such as those run by the Singapore Institute of Directors and various professional bodies and organisations. 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. The Company is prepared to fund the Directors' seminars or training programmes in connection with their duties as Directors.

Principle 2: BOARD COMPOSITION AND GUIDANCE

Guideline 2.1- Independent Element on the Board
Guideline 2.2- Composition of Independent Directors

The Board currently consists of a strong and independent element with five members, two of whom are Executive Directors and three are Independent and non-Executive Directors. The Directors are not related to each other.

Executive Directors
Teo Teng Beng (Managing Director)
Teh Geok Koon (Chief Operating Officer)

Independent and Non-Executive Directors
Tan Saik Hock (Chairman)
Lee Joo Hai
Ngoi Sing Shang

Our Chairman is an Independent Director. The Chairman of the Board and the CEO are different persons.

Guideline 2.3- Independence Definition

In 2018, more than 50% of the Board are Independent Directors, including the Chairman of the Board.

The NC conducted annual review of the Directors' independence during the year and all the directors have to complete and submit the independence declaration to the NC for review. The NC made a formal assessment for the Directors due for re-election and those Directors who have served on the Board for more than 9 years. The NC took into account the relationship as set out in the Code such as whether a Director has business relationships with the Group, and if so, whether such relationships could interfere, or to be reasonably perceived to interfere, with the exercise of the Director's independent judgements. The NC was satisfied that the Company has complied with the guidelines of the Code.

CORPORATE GOVERNANCE REPORT

Guideline 2.4- Independence of Directors who have served beyond 9 years

The Director, 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. After assessing and deliberating, 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;

c) He continues to demonstrate qualities of independence and judgement in all matters when discharging his duties as Director. He also expresses his views independently at all times;

d) He continues to provide valuable contribution objectively to the Board; and

e) His external commitments have not negatively impaired his commitments to the Company.

As such, the NC recommended that in the best interest of the Company, Mr Lee Joo Hai be continued as an independent Director in the Board as he not only knows the history of the Company but is also knowledgeable in accounting matters. The Board agreed with the NC's assessment and recommendation that Mr Lee is to be considered independent. The Board is further of the view that an individual's independence cannot be determined arbitrarily on the basis of a set period of time.

Guideline 2.5- Board composition and size
Guideline 2.6- Competency and diversity of the Board

The Company recognises and views diversity at the board level as a critical aspect in achieving its strategic objectives and long-term sustainability. The Directors of the Company come from different backgrounds and possess core competencies, qualifications and skills. Their wealth of experiences have enhanced the overall quality of the Board and enable the Board to function competently and efficiently.

To ensure a balance representation at the Board, factors such as the diversity of skills, knowledge, experience and background of all the Directors are taken into consideration. The NC reviews the Board's age and composition annually to ensure they commensurate with the Group's businesses and operations. The review includes the Directors' respective areas of specialisation and expertise and other relevant core competencies in areas such as accounting and finance, strategic planning, business and management experience. Key information of the Directors including their qualifications, experience, knowledge of the Company, and directorships, among others, is disclosed separately under pages 6 to 7 of this Annual Report.

The Board's decision-making process is not dominated by any individual or group of individuals. The Independent Directors make up more than half of the Board, thus providing a strong and independent element to the Board and exercising objective judgement on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision making.

In view of the aforesaid, the Board concurred with the NC that the current Board's size and composition is appropriate and adequate for effective decision making and are of the view that the current Board has a good mix of skills and expertise and will be able to function smoothly notwithstanding any resignation or retirement by any Director given the present number of members and mix of competencies on the Board.

Guideline 2.7- Role of non-Executive Directors

The Independent and non-Executive Directors constructively challenged and helped develop the Group's business strategies. They are regularly kept updated by Management on the progress of the agreed business strategies and they will monitor the results or suggest any further actions, if required.

CORPORATE GOVERNANCE REPORT

Guideline 2.8- Regular meetings of non-Executive Directors

During FY2018, Independent Non-Executive Directors met amongst themselves regularly, without the presence of Management, to exchange views both within and outside the formal environment of the Board and Board Committees meetings and discuss specific issues or matters relating to the effectiveness of the Management. The non-Executive Directors are pleased with Management's access and information provided to them.

Principle 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Guideline 3.1- Separate roles of Chairman and CEO

To maintain greater independent decision making and ensure a balance of power and authority, the Chairman and CEO of the Company are not related. The roles of the Chairman and CEO have been assumed by Mr Tan Saik Hock and Mr Teo Teng Beng separately. Each of them bring to the Board his own area of responsibilities and accountabilities to ensure an appropriate balance of power and independence.

Guideline 3.2 – Chairman's Role

The Company's Chairman, Mr Tan Saik Hock, 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 and promote high standards of corporate governance. Prior to each Board meeting, the Chairman ensures that Board members are provided with the agenda of the meeting as well as adequate and timely information in advance in order for the Directors to be adequately prepared for the meeting. The Chairman leads the meetings and ensures full discussion of each agendum. He also ensures that Board members are able to engage the Management in constructive debate on various matters including strategic, business and other key issues pertinent to the businesses and operations of the Group. Members of the management team who have prepared the meeting papers, or who can provide additional insights into the matters to be discussed are invited to present their papers during the meetings. At Annual General Meetings ("AGMs") and other shareholder meetings, the Chairman endeavours to foster constructive dialogue between shareholders, the Board and the Management.

Guideline 3.3 – Lead Independent Director
Guideline 3.4 – Lead Independent Director to meet periodically with other Independent Directors

In view of the Chairman being an Independent and non-Executive Director, there was no Lead Independent Director appointed in 2018.

Principle 4: BOARD MEMBERSHIP

Guideline 4.1 – NC membership and terms of reference

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 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.

CORPORATE GOVERNANCE REPORT

The Terms of Reference, include:

- Maintaining a formal and transparent process for the appointment of new Directors to the Board, including identifying and reviewing criteria of candidates for nomination for appointment to the Board of Directors and to propose their appointment to the Board for approval.
- Ensure all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years.
- To determine how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.
- 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.
- To review and determine the independence of the Directors on an annual basis.

Guideline 4.2 – NC Role

The Board believes in carrying out succession planning for itself and the MD to ensure continuity of leadership. Board renewal is a continuing process. In this regard, the NC reviews annually the composition of the Board, which includes size and mix. NC also 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 Company's Constitution provides that at each AGM of the Company, 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 AGM. Newly appointed Directors shall submit themselves for re-election at the AGM immediately following the appointment.

The NC reviews annually the retirement of the relevant Directors for re-election at the AGM, taking into account their attendance record and participation at Board meetings, contribution to the effectiveness of the Board as well as their time commitment especially for Directors who have multiple board representations.

Mr Teh Geok Koon and Mr Teo Teng Beng are the Directors due for retirement at this forthcoming AGM as required under the provision of the Constitution and the Listing Rule.

Guideline 4.3 – NC's Review on Independence

The NC reviewed the independence of each Non-Executive Directors based on the respective Directors' self-declaration in the Directors' Independence Checklist. The Directors will abstain from voting on any resolution in respect of matters in which he is interested.

The NC was satisfied that there was no relationship or other factors such as gifts or financial assistance, past association, business dealings, financial dependence, or relationship with the Group or the Group's Management, etc. which would impair the independent judgement or which would deem the Directors to be not independent. The NC had reviewed the independence of the 3 Independent Directors and is of the view that the 3 Independent Directors remain independent.

Guideline 4.4 – Multiple Directorships

In determining whether Directors who sit on multiple boards have committed adequate time to discharge their responsibilities towards the Company's affairs, the NC has determined that Directors should not have more than 10 listed companies' board representation and other principal commitments. The NC also takes into account the Directors' actual conduct and participation at the Board and board committees, including their attendance and contributions to the Board. During the year, the NC was satisfied that none of the Directors has more than 10 listed companies' board representation and all the Directors spent adequate time on the Company's affairs and have discharged their duties adequately.

CORPORATE GOVERNANCE REPORT

Guideline 4.5 – Appointment of Alternate Directors

As at 31 December 2018, the Company has no alternate director on its Board.

Guideline 4.6 – Selection and Appointment 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 other Board Committees.

In reviewing and recommending to the Board any new Director appointment, 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.

Guideline 4.7 – Key Information on Directors

Key information of each member of the Board including directorships and chairmanships both present and those held over the preceding three years in other listed companies, other principal commitments, academic/professional qualifications, membership/chairmanship in the Company's Board committees, date of appointment and last re-election and other information, are disclosed on pages 06 and 07 in this Annual Report.

***Principle 5:* BOARD PERFORMANCE**

Guideline 5.1 – Board Evaluation Process

The Company has implemented a formal evaluation process to evaluate the performance of the Board as a whole, its Board Committees, as well as the contribution of each Director to the effectiveness of the Board. The evaluation of the Board is carried out on an annual basis. The evaluation results completed by the Directors will be submitted to the Company Secretary or her representative for compilation.

The NC would then review the results of the performance evaluation and feedback received from the Directors, act on their comments accordingly and submit the same to the Board for discussion. The NC when evaluating the performance of the Board as a whole and the Board Committees, would assess the ability of the Board to provide stewardship and oversight of Management's performance.

The Board was satisfied with the results of the assessment and performance objectives were met for FY2018. There was no need to do follow up action by the Chairman on the results of the performance evaluation.

Guideline 5.2 – Board Performance Criteria

The evaluation of the Board includes assessment criteria such as board composition, board information, board process, and board accountability. During the year, the NC was satisfied with the performance criteria used in the evaluation process and do not consider it necessary to change the performance criteria.

CORPORATE GOVERNANCE REPORT

Guideline 5.3 – Individual Director Evaluation

In evaluating the contribution of each Director to the effectiveness of the Board, 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, were considered. In each financial year, the NC would also review each Director's attendance for at least 75% of the Board and relevant Board Committees' meetings held during the year. Hence, the NC is satisfied that all the Directors have spent adequate time on the Company's affairs to fulfill their responsibilities and no appointment of new director or resignation of director is necessary.

Principle 6: ACCESS TO INFORMATION

Guideline 6.1 – Management Providing Complete, Adequate and Timely 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. The Board has separate and independent access to Management. 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 of any required or additional information as needed to make informal decision. A system of communication between the Management and the Board has been established and improved over time.

Guideline 6.2 – Provision of Information to the Board

The Directors receive regular supply of adequate and timely information from the Management about the Company and the Group so that they are able to effectively participate in Board meetings. Management provides the Board with detailed Board papers and related materials which were circulated in advance for each scheduled and ad-hoc meetings of the Board and its committees. The Board papers include sufficient information on budgets, forecasts, financial statements, business and corporate issues and explain any material variance between the projections and actual results, if any, to enable the Directors to be properly briefed on issues to be deliberated at the Board meetings.

Guideline 6.3 – Company Secretary

The role of the Company Secretary is clearly defined which includes, *inter alia*, advising the Board on all matters regarding the proper functioning of the Board, including compliance with the Company's Constitution and applicable regulations, including requirements of the Singapore Companies Act, Cap. 50 ("Companies Act"), the Securities and Futures Act and the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual. She assists the Board in implementing and strengthening corporate governance policies and procedures.

Under the direction of the Chairman, the Company Secretary ensures good information flow within the Board and its committees and between the Management and Non-Executive Directors.

Directors have separate and independent access to the Company Secretary or her representative through electronic mail, telephone and face-to-face meetings. During the year, the Company Secretary or her representative attended all meetings of the Board and its committees and minuted the proceedings of such meetings. The minutes of the meetings were circulated to all members of the Board and Board Committees and properly updated into the Company's minute book accordingly.

Guideline 6.4 – Appointment and removal of Company Secretary

The appointment and removal of the Company Secretary are subject to the approval of the Board.

Guideline 6.5 – Independent Professional Advice

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

CORPORATE GOVERNANCE REPORT

Principle 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Guideline 7.1 – RC Composition

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)
Ngoi Sing Shang	(Independent and non-Executive)

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

° 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 recommending to the Board for approval.

° Reviewing and recommending the remuneration for independent and non-Executive Directors.

° 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.

° Reviewing the appropriateness and transparency of remuneration matters disclosed to shareholders.

Guideline 7.2 – Remuneration Framework

To attract, retain and motivate Directors and employees, the RC establishes appropriate remuneration frameworks for the Directors and key management personnel of the Company. Such frameworks are reviewed periodically to ensure that they remain relevant. No member of the RC was involved in deciding his own remuneration.

The remuneration framework has been endorsed by the Board. In reviewing the remuneration packages for Executive Directors and key executives, the RC will 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 Executive Directors are paid based on their Service Agreements with the Company which are subject to review every three years. 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.

Non-Executive Directors receive remuneration packages consisting of Directors' fees and attendance fees which are based on a scale of fees divided into basic retainer fees as Director, additional fees for serving on any of the Board committees and attendance fees for participation in meetings at the Board and any of the Board committees.

In determining the quantum of such fees, factors such as frequency of meetings, time spent, responsibilities of Non-Executive Directors, and the need to be competitive in order to attract, motivate and retain these Directors are taken into account. The Chairman and members of the AC receive higher additional fees taking into account the nature of their responsibilities. The remuneration framework for the Non-Executive Directors remains unchanged.

The framework for the Board and Board Committees' remuneration packages (on an annual basis) is as follows: –

Role	Member	Chairman	Attendance fees
Board of Directors	$35,000	$43,000	N/A
Audit Committee	$2,500	$5,000	$300 per meeting
Other Committees	$1,000	$2,000	$300 per meeting

CORPORATE GOVERNANCE REPORT

Guideline 7.3 – Independent Expert Advice

The RC has direct access to the Company's CFO & Corporate Head who is in charge of Human Resources should they have any queries on human resources matters. The RC referred to independent salary guides from three external sources online.

During FY2018, the RC did not require the services of an external remuneration consultant. Nevertheless, the RC has explicit authority to investigate any matter within its Terms of Reference and to seek external expert advice should such need arise, at the Company's expense.

Guideline 7.4 – Termination Clauses in Service Contracts

The Company's obligations arising in the event of termination of service contracts of its Executive Directors and key management personnel are contained in their respective employment letters or service contracts. The RC was satisfied that such contracts of service for Executive Directors and key management personnel as well as contracts for service for Independent Directors are prudent and provide for fair and reasonable termination clauses applicable to the respective employment class.

Principle 8: LEVEL AND MIX OF REMUNERATION

Guideline 8.1 – Remuneration of Executive Directors and Key Management Personnel

The Company's remuneration packages for Executive Director(s) and Key Management Personnel ("KMP") 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 and KMP's performance. This is designed to align Directors' interests with those of shareholders' and link rewards to corporate and individual performance.

The RC's remuneration policy is to provide remuneration packages at competitive market rates which not only reward successful performance, but retain and motivate Executive Directors and key executives. The RC and the Board have considered these packages and are of the view that the Company's remuneration packages are appropriate and fair.

Guideline 8.2 – Long-term Incentive Scheme

Currently, the Company does not have any long-term incentive schemes such as offer of shares or grant of options or any other forms of deferred remuneration as the existing remuneration schemes are considered prudent and not excessive.

Guideline 8.3 – Remuneration of Non-Executive Directors

During the year, the RC evaluated and proposed to the Board, the non-Executive Directors' fees for the year ended 31 December 2018, the Board concurred and will recommend the same to the shareholders for approval at the forthcoming AGM. The RC and the Board are of the view that the proposed fees for the non-Executive Directors are appropriate and not excessive, taking into account factors such as effort and time spent, and the increasingly onerous responsibilities of the Directors. The aggregate fees of the Non-Executive Directors are subject to the approval of the shareholders at each AGM.

Guideline 8.4 – Contractual provisions to reclaim incentive components of remuneration

The RC is of the view that there is no need to use contractual provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel as the existing remuneration schemes are prudent and not excessive.

CORPORATE GOVERNANCE REPORT

Principle 9: DISCLOSURE ON REMUNERATION

Guideline 9.1 – Remuneration Report

Details on the remuneration of Directors and key management personnel for FY2018 are disclosed below on a named basis for reporting to the shareholders. During FY2018, the aggregate amount of termination benefits that may be granted to the Managing Director, Executive Directors and the top 6 executives amounted to $129,320. Besides this amount, there are no other retirement and post-employment benefits.

Guideline 9.2 – Remuneration of Directors

A summary of each non-Executive and Executive Director's remuneration for FY2018 is shown below:

Name of Directors	Status*	Breakdown of remuneration in percentage (%)				Total Remuneration ($'000)
		Directors' fee	Salary	Transport and other allowances	Total	
Teo Teng Beng	Exec, NI	–	84	16	100	286
Teh Geok Koon	Exec, NI	–	82	18	100	228
Teo Xian-Hui Amanda Marie	Exec, NI	–	91	9	100	96
Tan Saik Hock	NE, Ind	100	–	–	100	51
Lee Joo Hai	NE, Ind	100	–	–	100	44
Ngoi Sing Shang	NE, Ind	100	–	–	100	39
Total Directors' Remuneration (%)		**18**	**69**	**13**	**100**	744

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

The non-Executive Directors' fee structure consists of a base fee as member or Chairman of the Board or any particular Board committee and an additional attendance fee for each Board committee meeting attended.

Guideline 9.3 – Remuneration of Top 6 Key Management Personnel

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

Name of Top 6 Executives	Position	Breakdown of remuneration in percentage (%)			Total Remuneration in Compensation Bands of $250,000
		Salary	Variable Bonus/ Directors' fees for a subsidiary	Total	
Teo Xian-Hui Amanda	Executive Secretariat	100	–	100	<$250,000
Ho Hui Min	Chief Financial Officer and Corporate Head	91	9	100	<$250,000
Tiang Lay Geok Alta	Head, OEM Sales (Kian Ho Pte Ltd)	78	22	100	<$250,000
Li Bao Hua	Head, MRO & Export Sales and Gearbox Division (Kian Ho Pte Ltd) and Head, Indo-China Operations	71	29	100	<$250,000
Koh Hai Yang	Business Development Director (Kian Ho Pte Ltd)	99	1	100	<$250,000
Wong Fock Mang	Managing Director (Kian Ho Bearings (M) Sdn Bhd)	62	38	100	<$250,000
		83	**17**	**100**	
Total gross remuneration of the Top 6 Executives during the year					**$649,000**

CORPORATE GOVERNANCE REPORT

Guideline 9.4 – Employee related to Directors or CEO

During the year, there was no employee who is an immediate family member of any Director whose remuneration exceeds $50,000 except for Teo Xian-Hui Amanda Marie, daughter of our Managing Director, Teo Teng Beng, as disclosed on page 28 of this Annual Report.

Guideline 9.5 – Employee Share Scheme

The Company does not have any employee share scheme nor any other long-term incentive scheme.

Guideline 9.6 – Executive Directors and Key Management Personnel's Remuneration and Performance

The information on the link between remuneration paid to the Executive Director and key management personnel, and performance is set out under Guideline 8 of this Report.

Principle 10: ACCOUNTABILITY

Guideline 10.1 – Balanced and Understandable Assessment

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 disclosure of material information to the shareholders through announcements via SGXNET. The financial results announcements provide detailed analysis and a balanced and understandable assessment of the Group's performance, position and prospects.

Guideline 10.2 – Compliance with Legislative and Regulatory Requirements

The Board receives regular updates and briefings on any changes to the laws and regulations to ensure compliance with legislation and regulatory requirements, and observes the obligations of continuing disclosure under the Listing Manual.

All its Directors and executive officers had submitted their undertakings forms as set out in Appendix 7.7, pursuant to Listing Rule 720(1) of the SGX-ST Listing Manual.

Guideline 10.3 – Management Accounts

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

Guideline 11.1 – Risk Management and Internal Control Systems
Guideline 11.2 – Adequacy and Effectiveness of Risk Management and Internal Control Systems

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 Board is responsible in overseeing the risk management in the Company and has assigned AC to assist the Board in overseeing the Company's risk management framework and internal control policies. The Board has implemented internal control in order to identify and manage significant business risks and they are monitored by the Management and AC.

CORPORATE GOVERNANCE REPORT

The AC examines the effectiveness of the Group's risk management and internal control systems. The AC's responsibilities over the Group's internal controls are complemented by the work of the internal auditors. The internal auditors, Messrs Shinewing Risk Services Ltd ("Shinewing"), were engaged to conduct an annual risk assessment or review of the risk management system for the Company. The internal audit is conducted to assess the adequacy and effectiveness of the Company's internal controls in addressing financial, operational, compliance and information technology controls. In addition, the external auditors, Messrs Deloitte & Touche LLP ("D&T"), also report to the AC on any matters relating to internal financial controls which came to their attention during the course of their audit and related recommendations for improvements.

All audit findings and recommendations made by the internal and external auditors are reported to the AC and significant findings are discussed at the AC meetings. Management follows up on all recommendations to ensure timely remediation of audit issues and reports the status to the AC. The work of the internal auditors and the report of the external auditors have enabled the identification of key risks which are reported to the AC to facilitate the Board's oversight of the effectiveness of risk management and the adequacy of mitigating measures taken by management to address the underlying risks.

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 is satisfied that the Group internal controls are in order.

Guideline 11.3 – Board's Comment on Adequacy and Effectiveness of Internal Controls

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 Board has received assurance from the Managing Director, Executive Director & COO and CFO & Corporate Head for the financial year ended 31 December 2018:–

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

(b) that the system of risk management and internal controls and risk management systems in place within the Group are adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

The Board, with the concurrence of the AC, wishes to comment 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 financial risks and management policies of the Group are laid out on pages 97 to 101 of the Annual Report.

Guideline 11.4 – Risk Committee

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC with the assistance of the internal and external auditors. Having considered the Group's business and operations as well as its existing internal control and risk management systems, the Board is of the view that a separate Risk Committee is not required as the Company has already in place a system addressing internal controls and risk management.

***Principle 12:* AUDIT COMMITTEE**

Guideline 12.1 – AC Composition

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)
Ngoi Sing Shang	(Independent and non-Executive)

CORPORATE GOVERNANCE REPORT

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.

Guideline 12.2 – Expertise of AC Members

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.

Guidelines 12.3 & 12.4 – Authority, Roles and Responsibilities of AC

The AC is authorised to investigate any matter within its terms of reference. The AC also has full access to and co-operation by 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 submission to the Board for approval prior to the 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 seek the approval of shareholders.

Guideline 12.5 – External and Internal Auditors

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 had reviewed the Audit Plan and was 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, D&T, and internal auditors, Shinewing, met separately with the AC without the presence of Management annually.

Member firms of D&T are appointed to audit the accounts of the following subsidiaries:

1) Kian Ho Pte Ltd and
2) Kian Ho (Vietnam) Co., Ltd.

CORPORATE GOVERNANCE REPORT

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., and
3) Acker Machinery (Shanghai) Co., Ltd

The AC had also reviewed the scope and quality of D&T's work after taking into account the size and complexity of the audit for the Group, its businesses and operations, the resources and experience of D&T and the audit engagement partner assigned as well as the number and experience of the staff assigned by D&T to the audit to ensure that their ability provide value to money professional services.

In view of the aforesaid factors, the Company has complied with the Rule 712 and Rule 715 read together with Rule 716 of the Listing Manual in which a suitable audit firm has been appointed by the Company.

Guideline 12.6 – Independence of External Auditors

During the financial year ended 31 December 2018, there was no non-audit related work carried out by the external auditors, hence, there was no fee paid in this respect.

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. The external auditors have also provided a confirmation of their independence to the AC.

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 2018 was $45,000/–.

The AC has recommended the re-appointment of D&T as the external auditors of the Company for the ensuing year. The re-appointment of the external auditor is subject to the shareholders' approval at the 2019 AGM.

The Board and AC are satisfied that the appointment of the other audit firms for the rest of the subsidiaries, the details as set out on pages 78 to 80 in the Annual Report, 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. Therefore, the Company has complied with Rule 716 of the Listing Manual.

Guideline 12.7 – Whistle-blowing Policy

The AC has also established and reviewed from time to time the whistle-blowing policy which provides a channel for staff of the Group to 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 details of the whistle-blowing policy are available to all employees.

Guideline 12.8 – Disclosure on AC's activities and measures taken by AC to keep abreast of changes to Accounting Standards

The AC met two times during FY2018. The Managing Director, Executive Director & COO and CFO & Corporate Head were invited to attend these meetings. In addition to the activities undertaken to fulfil its responsibilities, the AC is kept abreast by the Management, external and internal auditors on changes to accounting standards, Stock Exchange Rules and other codes and regulations which could have an impact on the Group.

In the review of the financial statements for FY2018, the AC had discussed with the Management and the external auditors on changes to accounting standards and significant issues and assumptions that impact the financial statements. The most significant matters had also been included in the Independent Auditor's Report to the members of the Company under "Key Audit Matters". Following the review, the AC is satisfied that those matters, including the allowance for inventory obsolescence, recoverability of the Group's trade receivables and valuation of investment properties, had been properly dealt with and recommended the Board to approve the financial statements. The Board had on 4 February 2019 approved the financial statements for the year ended 31 December 2018.

CORPORATE GOVERNANCE REPORT

Guideline 12.9 – Cooling-off Period for Partners or Directors of the Company's Auditing Firm

No former partner or director of the Company's existing auditing firm or its member firms is an AC member.

***Principle 13:* INTERNAL AUDIT**

Guidelines 13.1 & 13.2 – Internal Auditors and Compliance

In ensuring that the Company has a robust, adequate, and effective system of internal controls, the Company has established an effective internal audit function that is independent of the activities of the external audit. The internal auditors' primary line of reporting is to the AC, Chairman and administratively to the CEO.

The Company outsourced its Group internal audit function to Shinewing during the financial year. Upon recommendation by the AC, the Board has approved the re-engagement of Shinewing as Internal Auditors (IA) of the Group.

Guidelines 13.3 & 13.4 – Adequate Resource and Qualifications of Internal Audit Function

Shinewing is a professional firm specializing in corporate governance, internal audit and internal control review services since 2007. The firm is staffed with professionals with relevant qualifications and experience, including HKICPA and ACCA. Our engagement with Shinewing stipulates that its work is in accordance with the 'Internal Control Integrated Framework' issued by the Committee of Sponsoring Organizations of the Treadway Commission and 'Control Objectives for Information and Related Technologies' issued by the IT Governance Institute which are aligned to the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The 3-year internal audit plan which entails the review of the selected functions or business units of the Group is developed and agreed by the AC. Having reviewed the audit plan of Shinewing, the AC is satisfied that Shinewing is not only independent of the Company but is able to provide adequate resources to perform the internal audit works for the Company and the Group.

Guideline 13.5 – Adequacy and Effectiveness of Internal Audit Function

The AC annually reviews the adequacy and effectiveness 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's 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 IA and accepted by the AC are monitored for implementation.

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**

Guideline 14.1 – Sufficient Information to Shareholders

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 Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Company's business development and financial performance which could have a material impact on the price or value of its shares so as to enable the shareholders to make informed decisions in respect of the investments in the Company.

Guideline 14.2 – Providing Opportunity for Shareholders to Participate and Vote at General Meetings

To enhance transparency in the voting process, all resolutions tabled at the shareholders' meetings are voted by way of Poll. The polling voting procedures are clearly explained to the shareholders by either the independent scrutineer or share registrar at such general meetings.

CORPORATE GOVERNANCE REPORT

Guideline 14.3 – Proxies for Nominee Companies

Following the amended clause 181 (1C) of the Companies Act, the Company allows the appointment of more than two proxies for nominee companies or custodian banks or CPF agent banks or relevant intermediaries. This is to facilitate shareholders holding shares through nominee companies to attend any general meeting as proxies.

Guideline 15.1 – Communication with Shareholders

The Company recognises the importance of activity engaging with stakeholders to promote effective and fair communication. The Board also acknowledge its obligations to furnish timely information to shareholders to ensure full disclosure of material information to comply with statutory and the Listing Manual requirements.

Guideline 15.2 – Disclosure of Information on a Timely Basis

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 and through the Company's website, circulation of its Annual Report/Notice of AGM/EGM, and advertisement of the Notice of AGM/EGM in a major local newspaper. On rare occasion, when unpublished price-sensitive information is inadvertently disclosed to a select group, the Company will make the same disclosure immediately to the public via SGXNET.

Guideline 15.3 – Interaction with Shareholders

The shareholders are given the opportunity to communicate their views and encouraged to ask the Directors and Management questions regarding matters affecting the Company at the AGM and other general meetings. The Chairman 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.

Guideline 15.4 – Soliciting and Understanding Views of Shareholders

The Company also has its "Feedback Form" page on its corporate website to enhance the process of soliciting inputs, queries or concerns from shareholders and other stakeholders as well as potential investors.

Guideline 15.5 – Dividend Policy

The Board conducted a review of the dividend policy during the year.

In view of the Group's priority to achieve long-term capital growth, the Directors aim to provide sustainable dividends subject to future investment plans, as well as operational and strategic financing requirements that may arise from time to time.

The Directors are thus not recommending any dividend to be declared for the current financial year reported on.

Guideline 16.1 – Effective Shareholders Participation & Absentia Voting

To facilitate shareholders' effective participation at general meetings, the Group holds its general meetings at our corporate office. Shareholders are also informed of these meetings in advance through notices in its annual reports or circulars at least 14 days before the meetings for ordinary resolutions and/or 21 days before the meetings for special resolutions. These notices are also released via SGXNet, published in the newspapers and a copy posted to the shareholders.

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.

Guideline 16.2 – Separate Resolutions at General Meetings

The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. Detailed information on each item in the AGM agenda is also provided in the explanatory notes to the Notice of AGM in this Annual Report.

CORPORATE GOVERNANCE REPORT

Guideline 16.3 – Attendees at General Meetings

In general, the Chairman of the Board and the Chairman of each of the Board committees attend all general meetings to address issues raised by shareholders. The external auditors and legal advisers will also be present at the general meetings to assist the Board in addressing any relevant queries from shareholders.

Guideline 16.4 – Minutes of General Meetings

The minutes of general meetings, which include substantial comments or queries raised by shareholders and answers or responses given by the Board and the Management will be prepared by the Company and are available to shareholders upon written request.

Guideline 16.5 – Voting By Poll at General Meetings

The Company conducted poll voting for all resolutions passed at its last AGM held on 12 April 2018.

The independent legal adviser was appointed as the scrutineer to conduct the polling process at the last AGM/EGM. The results of the poll voting on each resolution tabled at the last AGM/EGM, including the total number of votes cast for or against each resolution, were also announced after the said meeting via SGXNet.

OTHER CORPORATE GOVERNANCE MATTERS

INTERESTED PERSON TRANSACTIONS – Listing Manual Rule 907

Interested Person Transactions ("IPTs") are conducted fairly and on arm's length basis regardless of nature and size. Report on IPTs entered into by the Group is submitted to the AC every half yearly for review. Under the SGX-ST listing rules, where any IPT requires shareholders' approval, the interested person will abstain from voting and the decision will be made by disinterested shareholders. When a potential conflict of interest arises, the Director concerned should refrain from participating in board discussions and decision-making process on the particular agenda and exercising any influence over other members of the Board.

Disclosure of IPTs is presented under page 105 of this Annual Report.

DEALINGS IN SECURITIES – Listing Manual Rule 1207(19)

The Company has issued an internal compliance memorandum 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.

The Directors and Executives covered by this memorandum 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 Memorandum 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 declaration on their compliance to the Board.

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 was no material contract (including loans) of the Company or its subsidiary companies involving the interests of the CEO or 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' STATEMENT

The Directors are pleased to present their statement 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 2018.

In the opinion of the Directors, 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 42 to 104 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and 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.

DIRECTORS OF THE COMPANY

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

Tan Saik Hock
Teo Teng Beng
Teh Geok Koon
Lee Joo Hai
Ngoi Sing Shang

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

None of the 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.

There is no change to the Director's interests in shares and debentures as at 21 January 2019.

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.

OPTIONS

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

DIRECTORS' STATEMENT

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 Tan Saik Hock and Dr Ngoi Sing Shang. 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 positions of the Company and the Group;
- the interested person transactions as specified under Chapter 9 of the SGX-ST Listing Manual Rules;
- 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

Tan Saik Hock Chairman	Teo Teng Beng Managing Director

4 February 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RAFFLES UNITED HOLDINGS LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Raffles United Holdings Ltd (the "**Company**") and its subsidiaries (the "**Group**") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 104.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	Our audit performed and responses thereon
Allowance for Inventory Obsolescence	
Due to the nature of the Group's business, the Group has significant inventory balances relating to bearings and seals which are carried at the lower of cost and net realisable value. The determination of the net realisable value is critically dependent upon the management's assessment of the inventory obsolescence. This assessment involves the exercise of significant judgement in determining the allowance for inventory obsolescence which includes the age and type of inventory items, likelihood of obsolescence, presence of distributorships, past history of sales transactions, the condition of the inventory items, the demand for the products and whether the allowance for inventory is adequate such that they are carried in the Group's accounting records at the lower of cost or net realisable value. The Group's disclosure on inventories is set out in Note 18 to the financial statements.	We performed procedures to understand management's methodology and process of assessing for inventory obsolescence and challenged on the appropriateness of the methodology applied by management in calculating the allowance for inventory obsolescence. We also challenged management's judgement on the adequacy of the allowance recorded by reviewing the bases of allowance held across the Group and recalculating the allowance and testing the reliability of the data used on a sample basis to underlying supporting documents.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RAFFLES UNITED HOLDINGS LTD

Key Audit Matters	Our audit performed and responses thereon
Investment properties – Valuation of investment properties	
As at 31 December 2018, the Group has a portfolio of investment properties, which represented a significant portion of assets on the Statement of Financial Position, at $57.0 million. These investment properties are substantially located in Singapore and are stated at fair value, determined based on valuations by professional external valuers engaged by the Group. The valuation of the properties requires the application of significant judgement and estimation in the selection of the appropriate valuation methodology to be used and in estimating the key assumptions applied. These key assumptions include market comparables used, taking into consideration for differences such as location, size and tenure. A change in the key assumptions will have an impact on the valuation. Disclosure on key assumptions and valuation techniques of investment properties are found in Note 14 to the financial statements.	We performed procedures to assess the objectivity and independence of the external valuers. We also evaluated the competence and qualification of the external valuers. We considered the appropriateness of the valuation techniques used by the external valuers, taking into account the profile of the investment properties. We held discussions with management and the external valuers, and compared the key assumptions used against externally published market comparables or industry data where available. We also considered the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.
Trade receivables – Allowance for doubtful debts	
As at 31 December 2018, the Group has outstanding trade receivables of $10.8 million, which represented 23% of the Group's current assets. The recoverability of the trade receivables and the level of allowance for doubtful debts are considered to be a significant risk due to the importance of cash collections in relation to the working capital management of the business. Significant judgement by management is required in determining the appropriate level of allowance to be held, in particular, in respect of significant past due trade receivables. The Group's disclosure on trade receivables is set out in Note 16 to the financial statements.	We performed procedures to understand management's process over the monitoring of trade receivables, the collection process and assessment of allowance for doubtful trade receivables. We reviewed the appropriateness of the Group's methodology on allowance for trade receivables and assessed the adequacy of the allowance, including discussing with management on the credit quality and collectability of significant past due trade receivables. We assessed the reasonableness of the allowance for doubtful debts by comparing the ageing of the trade receivables between the current and prior period. For significant past due amounts yet to be collected, we considered amongst other factors, such as past payment history, settlement arrangements, subsequent receipts and on-going business dealings with the debtors involved to assess the appropriateness of any allowance for doubtful debts to be made.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RAFFLES UNITED HOLDINGS LTD

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the Chairman's Statement, Letter to Shareholders, Sustainability Report, Financial Highlights, Corporate Governance Report, Directors' Statement and Interested Person Transactions, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Shareholders Information, which is expected to be made available to us after that date.

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

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

When we read the Shareholders Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RAFFLES UNITED HOLDINGS LTD

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this Independent Auditor's Report is Hoe Chi-Hsien.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

4 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group	
	Note	2018 $'000	2017 $'000
Revenue	5	**68,443**	72,974
Other income including interest income	6	**94**	31
Changes in inventories	7	**(430)**	(7,886)
Raw materials and consumables used	7	**(52,990)**	(50,344)
Staff costs	7	**(7,585)**	(7,409)
Depreciation of property, plant and equipment	11	**(955)**	(879)
Foreign exchange loss, net		**(983)**	(278)
Impairment loss recognised on trade debtors	16	**(227)**	(89)
Write-back of provision for slow-moving inventories, net	7	**943**	886
Impairment loss reversed/(recognised) on amounts due from an associate	13	**73**	(250)
Impairment loss reversed/(recognised) on sundry debtors	17	**117**	(295)
Impairment loss on other investments	15	**–**	(57)
Gain on changes in fair value of investment properties	14	**323**	408
Plant and equipment written off, net/Gain on disposal of plant and equipment		**(32)**	58
Other operating expenses		**(3,261)**	(2,804)
Finance costs	8	**(1,031)**	(1,053)
Share of results of associates	13	**16**	10
Profit before tax		**2,515**	3,023
Income tax (expense)/credit	9	**(642)**	623
Profit for the year	7	**1,873**	3,646
Profit attributable to:			
Owners of the Company		**1,827**	3,394
Non-controlling interests		**46**	252
		1,873	3,646
Earnings per share			
– Basic (cents)	10	**0.78**	1.45
– Fully diluted (cents)	10	**0.78**	1.45

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group	
	2018	2017
	$'000	$'000
Profit for the year	**1,873**	3,646
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Revaluation of land and buildings, net of tax	**4,419**	510
	4,419	510
Item that may be reclassified subsequently to profit or loss		
Foreign currency translation	**888**	139
	888	139
Other comprehensive income for the year, net of tax	**5,307**	649
Total comprehensive income for the year	**7,180**	4,295
Total comprehensive income attributable to:		
Owners of the Company	**7,131**	4,037
Non-controlling interests	**49**	258
	7,180	4,295

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 31 December 2018 $'000	Group 31 December 2017 $'000	Group 1 January 2017 $'000	Company 31 December 2018 $'000	Company 31 December 2017 $'000	Company 1 January 2017 $'000
ASSETS							
Non-current assets							
Property, plant and equipment	11	**36,019**	29,355	23,767	**26,876**	22,483	22,590
Investment in subsidiaries	12	**–**	–	–	**13,051**	13,762	14,445
Investment in associates	13	**780**	764	764	**453**	453	463
Investment properties	14	**57,031**	56,818	56,527	**4,520**	4,520	4,130
Other investments	15	**–**	–	57	**–**	–	57
		93,830	86,937	81,115	**44,900**	41,218	41,685
Current assets							
Trade debtors	16	**10,831**	13,722	14,311	**–**	–	–
Other debtors	17	**81**	332	958	**27**	44	896
Prepayments		**302**	231	124	**15**	3	3
Amounts due from subsidiaries	12	**–**	–	–	**30,433**	28,090	23,914
Amounts due from an associate	13	**–**	8	724	**–**	–	354
Inventories	18	**30,234**	29,721	36,721	**–**	–	–
Cash at banks and on hand	25	**4,847**	6,128	11,414	**36**	118	6,197
		46,295	50,142	64,252	**30,511**	28,255	31,364
Total assets		**140,125**	137,079	145,367	**75,411**	69,473	73,049
EQUITY AND LIABILITIES							
Current liabilities							
Interest bearing loans and borrowings	19	**12,800**	10,109	28,349	**8,000**	8,800	14,714
Trade creditors and accruals	20	**13,313**	13,500	11,325	**577**	411	434
Other creditors	20	**844**	1,014	1,007	**28**	388	70
Amounts due to related parties	21	**2,384**	2,389	2,393	**–**	–	–
Provision for taxation		**119**	124	53	**–**	–	–
		29,460	27,136	43,127	**8,605**	9,599	15,218
Net current assets		**16,835**	23,006	21,125	**21,906**	18,656	16,146
Non-current liabilities							
Interest bearing loans and borrowings	19	**18,410**	26,080	23,437	**–**	–	–
Deferred tax liabilities	22	**4,124**	3,027	2,750	**3,229**	2,364	2,267
		22,534	29,107	26,187	**3,229**	2,364	2,267
Total liabilities		**51,994**	56,243	69,314	**11,834**	11,963	17,485
Net assets		**88,131**	80,836	76,053	**63,577**	57,510	55,564
Equity attributable to owners of the Company							
Share capital	23	**31,658**	31,658	31,658	**31,658**	31,658	31,658
Assets revaluation reserve		**16,820**	12,401	11,891	**15,402**	11,180	10,705
Foreign currency translation reserve		**(5,145)**	(6,030)	(6,163)	**–**	–	–
Revenue reserve		**35,765**	33,938	30,544	**16,517**	14,672	13,201
		79,098	71,967	67,930	**63,577**	57,510	55,564
Non-controlling interests	12	**9,033**	8,869	8,123	**–**	–	–
Total equity		**88,131**	80,836	76,053	**63,577**	57,510	55,564
Total equity and liabilities		**140,125**	137,079	145,367	**75,411**	69,473	73,049

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2017	31,658	11,891	(6,163)	30,544	67,930	8,123	76,053
Profit for the year	–	–	–	3,394	3,394	252	3,646
Other comprehensive income for the year	–	510	133	–	643	6	649
Total comprehensive income for the year	–	510	133	3,394	4,037	258	4,295
Contributions by and distributions to owners							
Acquisition of a subsidiary	–	–	–	–	–	488	488
Total transactions with owners recognised directly in equity	–	–	–	–	–	488	488
Balance at 31 December 2017	31,658	12,401	(6,030)	33,938	71,967	8,869	80,836
Balance at 1 January 2018	**31,658**	**12,401**	**(6,030)**	**33,938**	**71,967**	**8,869**	**80,836**
Profit for the year	**–**	**–**	**–**	**1,827**	**1,827**	**46**	**1,873**
Other comprehensive income for the year	**–**	**4,419**	**885**	**–**	**5,304**	**3**	**5,307**
Total comprehensive income for the year	**–**	**4,419**	**885**	**1,827**	**7,131**	**49**	**7,180**
Contributions by and distributions to owners							
Capital injection by non-controlling shareholders of a subsidiary	**–**	**–**	**–**	**–**	**–**	**115**	**115**
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**115**	**115**
Balance at 31 December 2018	**31,658**	**16,820**	**(5,145)**	**35,765**	**79,098**	**9,033**	**88,131**

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Share capital (Note 23)	Assets revaluation reserve[1]	Revenue reserve	Total equity
	$'000	$'000	$'000	$'000
Balance at 1 January 2017	31,658	10,705	13,201	55,564
Profit for the year	–	–	1,471	1,471
Other comprehensive income for the year	–	475	–	475
Total comprehensive income for the year	–	475	1,471	1,946
Balance at 31 December 2017	31,658	11,180	14,672	57,510
Balance at 1 January 2018	**31,658**	**11,180**	**14,672**	**57,510**
Profit for the year	**–**	**–**	**1,845**	**1,845**
Other comprehensive income for the year	**–**	**4,222**	**–**	**4,222**
Total comprehensive income for the year	**–**	**4,222**	**1,845**	**6,067**
Balance at 31 December 2018	**31,658**	**15,402**	**16,517**	**63,577**

(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.

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 $'000	2017 $'000
Operating activities		
Profit before tax	**2,515**	3,023
Adjustments for:		
Depreciation of property, plant and equipment	**955**	879
Impairment loss recognised on trade debtors	**227**	89
Write-back of provision for slow-moving inventories, net	**(943)**	(886)
Impairment loss (reversed)/recognised on sundry debtors	**(117)**	295
Impairment loss (reversed)/recognised on amounts due from an associate	**(73)**	250
Gain on changes in fair value of investment properties	**(323)**	(408)
Plant and equipment written off, net/Gain on disposal of plant and equipment	**32**	(58)
Share of results of associates	**(16)**	(10)
Fair value loss on other investments	**–**	57
Foreign currency adjustments	**993**	292
Interest expense	**1,031**	1,053
Interest income	**(3)**	(7)
Operating cash flows before changes in working capital	**4,278**	4,569
Changes in working capital		
Decrease in inventories	**407**	8,036
Decrease in trade debtors	**2,624**	2,146
Decrease in amounts due from an associate	**81**	466
Decrease in other debtors	**285**	226
(Decrease)/Increase in trade creditors and accruals	**(60)**	565
Decrease in other creditors	**(167)**	(41)
Decrease in trade amounts owing to related parties	**(5)**	(5)
Cash flows generated from operations	**7,443**	15,962
Income tax (paid)/received	**(434)**	849
Interest paid	**(1,031)**	(1,053)
Interest income received	**3**	7
Net cash flows generated from operating activities	**5,981**	15,765
Investing activities		
Purchase of property, plant and equipment	**(2,347)**	(5,753)
Acquisition of a subsidiary (Note 12)	**–**	400
Dividends received from an associate	**–**	10
Proceeds from disposal of plant and equipment	**–**	73
Net cash flows used in investing activities	**(2,347)**	(5,270)
Financing activities		
Proceeds from term loans from banks	**26,023**	22,973
Repayment of term loans from banks	**(31,002)**	(38,111)
Proceeds from trade financing	**625**	13,367
Repayment of trade financing	**(625)**	(13,985)
Capital injection by non-controlling shareholders of a subsidiary	**115**	–
Net cash flows used in financing activities	**(4,864)**	(15,756)
Net decrease in cash and cash equivalents	**(1,230)**	(5,261)
Effect of exchange rate changes on cash and cash equivalents	**(51)**	(25)
Cash and cash equivalents at 1 January	**6,128**	11,414
Cash and cash equivalents at 31 December (Note 25)	**4,847**	6,128

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 Singapore, which is also the Company's immediate and ultimate holding company.

The principal activities of the Company are those of investment holding. The principal activities of the subsidiaries and associates 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 2018 were authorised for issue by the Board of Directors on 4 February 2019.

For all periods up to and including the year ended 31 December 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended 31 December 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 2.

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 (International) ("SFRS(I)s").

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 SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *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 2018

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.2 Adoption of a new financial reporting framework

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended 31 December 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are not presented for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017) as there were no changes compared to amounts previously reported.

There is no significant change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, as (i) Management has not elected to take up any transition exemptions under SFRS(I) 1; (ii) the application of SFRS(I) 9 impairment requirements has not resulted in any material adjustment to allowance recognised; and (iii) no changes to the revenue recognition policy was assessed to be required upon application of SFRS(I) 15.

2.3 Standards issued but not effective

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application.

SFRS(I) 16 *Leases*

Effective for annual periods beginning on or after 1 January 2019

SFRS(I) 16 was issued in December 2017. The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17 *Leases* ("FRS 17").

Management is currently assessing the possible impact of implementing SFRS(I) 16. As at 31 December 2018, the Group had certain non-cancellable operating lease commitments of $6,132,000 as disclosed in Note 27 to the financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease under SFRS(I) 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. The new requirement to recognise a right-of-use asset and a related lease liability is not expected to have a significant impact on the amounts recognised in the financial statements of the Group and management is currently assessing its potential impact. Management does not anticipate that the application of SFRS(I) 16 will have a significant impact on the financial statements of the Company as the Company does not have any non-cancellable operating lease commitments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.4 ***Basis of consolidation*** *(Continued)*

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 SFRS(I)s). 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 SFRS(I) 9, 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.

<u>Business Combinations</u>

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 at fair value, 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 SFRS(I) 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 SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *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 SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (Continued)

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.

If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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 SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*. 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.

The requirements of SFRS(I) 9 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 SFRS(I) 1-36 *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 SFRS(I) 1-36 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 SFRS(I) 9. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (Continued)

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 functional 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 not retranslated. 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.

(b) Group companies

The assets and liabilities of the Group's 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 and accumulated under foreign currency translation reserve in equity. On disposal of a foreign operation, all of the accumulated foreign currency translation reserve in respect of that particular operation attributable to the owner of the company are reclassified to 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation 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.

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

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	–	50 years
Leasehold land and buildings	–	30 to 66 years (over the terms of lease) (2017: 30 to 63 years)
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 residual values, useful life and depreciation method are reviewed at end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to revenue reserve. No transfer is made from the asset revaluation reserve to revenue reserve except when an asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

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.

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.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

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.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any allowance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.10 Financial assets *(Continued)*

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “Foreign exchange loss, net” line item.

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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely the sale of bearings, seals, electrical and beauty products and property investment.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating performance or results of the debtor; and

- an actual or expected significant adverse change in the regulatory or economic environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are generally more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.11 Impairment of financial assets *(Continued)*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due based on factors considered such as past payment history, ongoing business dealings, settlement arrangements and financial status of the debtor, being reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

In considering the 90 days past due deemed defaulted presumption, it is not expected to be significantly consequential on the amount of expected credit losses measured because of the counterbalancing interaction between the way the Group defines default and the credit losses that arise as a result of that definition of default. Differences in default definition for the Group is not as pertinent because the Group does not have to determine the significant increase in credit risk indicators given that the Group has simplified approach to impairment model.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower; or

(b) a breach of contract, such as a default or past due event; or

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract or invoice and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group or individual basis.);
- Past-due status;
- Nature or industry of debtors; and
- External credit ratings where available.

The grouping is reviewed periodically by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 months ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

2.12 Inventories

Inventories, which consist of bearings, seals, electrical and beauty 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

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. Financial liabilities are classified by the Group according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

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, with interest expense recognised on an effective yield basis except for short-term balances when the effect of discounting is immaterial.

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

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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 loans and borrowings and bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

***2.19 Taxes** (Continued)*

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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(b).

2.21 Revenue recognition

The Group recognises revenue from contracts with customers for the sale of goods based on the five-step model as set out below:

(i) Identify contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group satisfies a performance obligation.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

(a) Sale of goods

The Group sells a range of bearings, seals, electrical and beauty products to distributors, stockists, contractors and salon customers. Revenue is recognised when control of the goods has been transferred, being when the goods have been shipped or delivered to the specific location. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised by the Group when the goods are delivered to the specific location as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.21 ***Revenue recognition*** *(Continued)*

(a) Sale of goods (Continued)

The Group also sells its range of bearings, seals, electrical and beauty products to retail or end-user customers through its branches and e-commerce outlets. Revenue from the sale of goods is recognised when a Group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the products.

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) 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.

(c) Interest income

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

(d) Dividends

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

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 2018

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 and associates and amounts due from subsidiaries and associates

During the year, the Company performed an assessment of impairment for the investment in subsidiaries and associates and amounts due from subsidiaries and associates based on the recoverable amounts of the subsidiaries and associates as disclosed in Notes 12 and 13 to the financial statements. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the market and economic environment in which the subsidiaries operate and economic performance of these subsidiaries and associates.

The carrying amount of the Company's investment in subsidiaries and associates and amounts due from subsidiaries and associates at the end of the reporting period are disclosed in Notes 12 and 13 to the financial statements.

(b) Loss allowance on trade receivables

The Group assesses at each reporting date the allowance required for its receivables. The Group considers factors such as the probability of significant financial difficulties of the debtor, historical defaults or significant delay in payments and economic conditions. Significant judgement is made by management in determining the amount and timing of future cash flows, estimated based on historical loss experience for assets with similar credit risk characteristics and any relevant forward-looking adjustments, including taking into consideration the credit-worthiness, past collection history, settlement arrangements, subsequent receipts and on-going dealings with the debtor. The carrying amount of the Group's receivables at the reporting date is disclosed in Note 16 to the financial statements.

(c) Valuation of investment properties

The Group's investment properties are stated at their estimated fair values which are mainly 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 such as location, size and tenure.

In relying on the 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 and determines the bases to remain unchanged from prior year.

The carrying amounts of the inventories are disclosed in Note 18 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(e) Disposal of investment property

On 29 January 2019, the Company announced that it has signed the applicable transfer documents in relation to the collective sale of a freehold warehouse unit at Citimac Industrial Complex #02-03 Singapore 368240 ("warehouse unit") (Note 14) for $6,133,000, which was due to complete on 6 March 2019, subject to full compliance of all owners with regards to the execution of documents in relation to the collective sale by 30 January 2019. Upon completion, the Company and the Group would record a net gain on disposal from this transaction amounting to $2,491,000 and cashflow from investing activities amounting to $6,133,000.

The directors had applied their judgement that the warehouse unit is not classified as non-current asset held-for-sale under SFRS(I) 5 as at the end of the reporting period, due to prolonged uncertainties on the completion of the collective sale since commencement and actions from opposing unit holders. They assessed that only upon the notification and signing of the relevant transfer documents, will the relevant conditions in SFRS(I) 5 be met.

4. SEGMENT INFORMATION

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

The Group is organised into three main business units – Bearings and Seals, Property and Others.

The Group's reportable operating divisions are as follows:

Bearings and Seals(1)	:	Distributors, stockists, retailers and end-users.
Property	:	Property investment and property development services.
Others	:	Distributors and retailers of gearbox products and distributors and retailers of beauty products.

(1) Includes Electrical which was previously in "Others".

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. During the year, the electrical operations (previously in "Others") have been merged under the Group's subsidiary, Kian Ho Pte Ltd ("KHPL") to provide wider offerings of Electrical, Bearings and Seals products to our customers under KHPL. Accordingly, the Company had reorganised the segments whereby the electrical operations results have been reclassified to the Bearings and Seals segment. The others business segment now refers to the gearbox and beauty divisions of the Group. The beauty division currently consists of OPI nail polish products. The segment information for the comparative year has been updated to reflect the above change.

The Bearings and Seals segment offers bearings, seals and electrical 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 the end of the reporting period, the Group has not yet started the property development business. The Others segment are the new business units of the Group having started in 2017, offering gearbox products to distributors as well as beauty products to consumers. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SEGMENT INFORMATION (CONTINUED)

The following tables present revenue and profit information regarding industry segments for the years ended 31 December 2018 and 2017 and certain assets and liabilities information regarding industry segments as at 31 December 2018 and 2017 for the Group.

Business segments

	Bearings and Seals[1]		Property		Others[1]		Total	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Segment revenue								
Revenue from external customers	**65,495**	70,595	**1,908**	2,094	**1,040**	285	**68,443**	72,974
Segment results	**1,733**	1,843	**1,766**	2,175	**28**	41	**3,527**	4,059
Adjustments A								
Interest income							**3**	7
Finance costs							**(1,031)**	(1,053)
Share of results of associates							**16**	10
Profit before tax							**2,515**	3,023
Other business segment information								
Capital expenditure	**2,343**	5,753	**–**	–	**4**	–	**2,347**	5,753
Depreciation	**955**	879	**–**	–	**–**	–	**955**	879
Other non-cash expense/(income)	**107**	25	**(323)**	(408)	**(4)**	4	**(220)**	(379)

(1) The electrical operations previously in "Others" segment are now included as part of "Bearings and Seals" segment.

	Bearings and Seals			Property			Others			Total		
	2018 $'000	2017 $'000	2016 $'000	**2018 $'000**	2017 $'000	2016 $'000	**2018 $'000**	2017 $'000	2016 $'000	**2018 $'000**	2017 $'000	2016 $'000
Segment assets	**81,421**	78,897	87,532	**57,475**	57,288	57,014	**449**	130	–	**139,345**	136,315	144,546
Adjustments B												
Investment in associates										**780**	764	764
Other investments										**–**	–	57
Per consolidated statement of financial position										**140,125**	137,079	145,367
Segment liabilities	**30,762**	26,771	39,204	**16,965**	26,267	27,307	**24**	54	–	**47,751**	53,092	66,511
Adjustments C												
Provision for taxation										**119**	124	53
Deferred tax liabilities										**4,124**	3,027	2,750
Per consolidated statement of financial position										**51,994**	56,243	69,314

Adjustments A

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

Non-cash expense/(income) information presented above consists of foreign currency adjustments, plant and equipment written off, net (gain)/loss on disposal of plant and equipment, gain on changes in fair value of investment properties, impairment loss recognised on trade debtors, impairment loss reversed/(recognised) on amounts due from an associate, impairment loss reversed/(recognised) on sundry debtors, impairment loss on other investments, write-back on provision for slow-moving inventories, and share of results of associates as presented in the consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. **SEGMENT INFORMATION** (CONTINUED)

Business segments (Continued)

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.

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		
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**	**2016 $'000**
Singapore	**25,421**	27,916	**87,439**	80,761	74,975
Other ASEAN countries	**26,580**	27,569	**1,283**	1,313	1,101
Other Asian countries	**13,420**	14,179	**4,328**	4,099	4,218
Western countries	**2,820**	3,020	**–**	–	–
Others	**202**	290	**–**	–	–
	68,443	72,974	**93,050**	86,173	80,294

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

Information about major customers

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

5. **REVENUE**

The Group derives its revenue from the transfer of goods and services at a point in time and over time in the following major product/service lines. This is consistent with the revenue that is disclosed for each reportable segment under SFRS(I) 8 (see Note 4).

A disaggregation of the Group's revenue for the year is as follows:

	Group	
	2018 $'000	**2017 $'000**
Sale of goods – Bearings, seals and electrical[(1)]	**65,495**	70,595
Sale of goods – Others[(1)]	**1,040**	285
Property rental income	**1,908**	2,094
	68,443	72,974

(1) Recognised at a point in time

There are no performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. OTHER INCOME INCLUDING INTEREST INCOME

	Group	
	2018 $'000	2017 $'000
Interest income from bank	**3**	7
Others	**91**	24
	94	31

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group	
	2018 $'000	2017 $'000
Staff costs (excluding Directors' remuneration)		
Salaries and bonus	**5,578**	5,492
Employer's contribution to defined contribution plans	**590**	567
Other benefits	**432**	367
	6,600	6,426
Directors' remuneration		
Company	**764**	807
Subsidiaries	**221**	176
	985	983
Aggregate staff costs	**7,585**	7,409
Cost of inventories recognised as expense	**53,420**	58,230
Write-back of provision for slow-moving inventories, net	**(943)**	(886)
Impairment loss on other investments	**–**	57
Audit fees:		
– auditors of the Company		
– Company	**45**	45
– A subsidiary	**25**	25
– other auditors		
– Current year	**66**	69
– Underprovision in prior year	**2**	–
Total audit fees	**138**	139
Aggregate amount of fees for auditors	**138**	139

8. FINANCE COSTS

	Group	
	2018 $'000	2017 $'000
Interest expense on:		
Term loans	**1,004**	1,029
Trust receipts	**2**	1
Others	**25**	23
	1,031	1,053

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. INCOME TAX EXPENSE/(CREDIT)

	Group	
	2018 $'000	2017 $'000
Current tax	**467**	504
Overprovision of current income tax in respect of prior years	**(35)**	(1,293)
Deferred tax (Note 22)	**198**	71
Under provision of deferred tax in respect of prior years (Note 22)	**12**	95
Total income tax expense/(credit)	**642**	(623)

Domestic income tax is calculated at 17% (2017: 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	
	2018 $'000	2017 $'000
Profit before tax	**2,515**	3,023
Tax at the applicable tax rate of 17% (2017: 17%)	**428**	514
Effect of reduction in tax rate	**–**	(26)
Expenses not deductible in determining taxable profit	**559**	204
Tax effect of income not taxable for tax purposes	**(164)**	(240)
Tax effect of different applicable tax rates for foreign subsidiaries	**237**	152
Benefits of previously unrecognised tax losses	**(529)**	(171)
Effect of partial tax exemption and tax relief	**(53)**	(86)
Overprovision in respect of prior years	**(23)**	(1,198)
Deferred tax asset not recognised	**187**	228
Total income tax expense/(credit)	**642**	(623)

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 $1,827,000 (2017: $3,394,000) by weighted average number of ordinary shares 234,060,000 (2017: 234,060,000) outstanding during the year. The fully diluted earnings per share and basic earnings per share are the same because there are no dilutive shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Freehold buildings $'000	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
Cost/valuation									
At 1 January 2018									
Cost	–	–	–	900	1,312	1,412	771	2,507	6,902
Valuation	4,666	1,070	22,773	–	–	–	–	–	28,509
	4,666	1,070	22,773	900	1,312	1,412	771	2,507	35,411
Revaluation surplus	7	34	5,278	–	–	–	–	–	5,319
Elimination on revaluation	–	(34)	(651)	–	–	–	–	–	(685)
Additions	–	–	2,153	132	31	18	13	–	2,347
Write-off	–	–	–	–	(7)	(3)	(20)	–	(30)
Disposal	–	–	–	(160)	(1)	(17)	(2)	–	(180)
Exchange adjustments	1	–	1	(2)	–	(19)	(2)	–	(21)
At 31 December 2018	4,674	1,070	29,554	870	1,335	1,391	760	2,507	42,161
Representing:									
Cost	–	–	–	870	1,335	1,391	760	2,507	6,863
Valuation	4,674	1,070	29,554	–	–	–	–	–	35,298
At 31 December 2018	4,674	1,070	29,554	870	1,335	1,391	760	2,507	42,161
Cost/valuation									
At 1 January 2017									
Cost	–	–	–	642	1,282	1,359	733	2,507	6,523
Valuation	356	143	22,775	–	–	–	–	–	23,274
	356	143	22,775	642	1,282	1,359	733	2,507	29,797
Revaluation surplus	(5)	25	591	–	–	–	–	–	611
Elimination on revaluation	–	(20)	(601)	–	–	–	–	–	(621)
Additions	4,310	920	–	358	37	88	40	–	5,753
Acquisition of a subsidiary	–	–	–	126	4	3	14	–	147
Write-off	–	–	–	–	(1)	(3)	(8)	–	(12)
Disposal	–	–	–	(225)	(10)	(30)	(5)	–	(270)
Exchange adjustments	5	2	8	(1)	–	(5)	(3)	–	6
At 31 December 2017	4,666	1,070	22,773	900	1,312	1,412	771	2,507	35,411
Representing:									
Cost	–	–	–	900	1,312	1,412	771	2,507	6,902
Valuation	4,666	1,070	22,773	–	–	–	–	–	28,509
At 31 December 2017	4,666	1,070	22,773	900	1,312	1,412	771	2,507	35,411

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land $'000	Freehold buildings $'000	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 2018	**–**	**–**	**–**	**485**	**1,247**	**1,283**	**637**	**2,404**	**6,056**
Charge for the year	**–**	**34**	**651**	**110**	**40**	**40**	**54**	**26**	**955**
Write-off	**–**	**–**	**–**	**–**	**(5)**	**–**	**(15)**	**–**	**(20)**
Disposal	**–**	**–**	**–**	**(135)**	**(1)**	**(21)**	**(1)**	**–**	**(158)**
Elimination on revaluation	**–**	**(34)**	**(651)**	**–**	**–**	**–**	**–**	**–**	**(685)**
Exchange adjustments	**–**	**–**	**–**	**(2)**	**–**	**(2)**	**(2)**	**–**	**(6)**
At 31 December 2018	**–**	**–**	**–**	**458**	**1,281**	**1,300**	**673**	**2,430**	**6,142**
Accumulated depreciation									
At 1 January 2017	–	–	–	583	1,219	1,275	574	2,379	6,030
Charge for the year	–	20	600	86	35	42	71	25	879
Write-off	–	–	–	–	(1)	(3)	(8)	–	(12)
Disposal	–	–	–	(212)	(8)	(30)	(5)	–	(255)
Acquisition of a subsidiary	–	–	–	29	3	2	8	–	42
Elimination on revaluation	–	(20)	(601)	–	–	–	–	–	(621)
Exchange adjustments	–	–	1	(1)	(1)	(3)	(3)	–	(7)
At 31 December 2017	–	–	–	485	1,247	1,283	637	2,404	6,056
Net carrying amount									
At 31 December 2018	**4,674**	**1,070**	**29,554**	**412**	**54**	**91**	**87**	**77**	**36,019**
At 31 December 2017	4,666	1,070	22,773	415	65	129	134	103	29,355
At 1 January 2017	356	143	22,775	59	63	84	159	128	23,767

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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
Cost/valuation							
At 1 January 2018							
Cost	**–**	**130**	**1,205**	**1,163**	**599**	**2,507**	**5,604**
Valuation	**22,249**	**–**	**–**	**–**	**–**	**–**	**22,249**
	22,249	**130**	**1,205**	**1,163**	**599**	**2,507**	**27,853**
Revaluation surplus	**5,087**	**–**	**–**	**–**	**–**	**–**	**5,087**
Elimination on revaluation	**(607)**	**–**	**–**	**–**	**–**	**–**	**(607)**
Additions	**–**	**–**	**14**	**–**	**–**	**–**	**14**
Disposal	**–**	**(112)**	**(1)**	**–**	**–**	**–**	**(113)**
At 31 December 2018	**26,729**	**18**	**1,218**	**1,163**	**599**	**2,507**	**32,234**
Representing:							
Cost	**–**	**18**	**1,218**	**1,163**	**599**	**2,507**	**5,505**
Valuation	**26,729**	**–**	**–**	**–**	**–**	**–**	**26,729**
At 31 December 2018	**26,729**	**18**	**1,218**	**1,163**	**599**	**2,507**	**32,234**
Cost/valuation							
At 1 January 2017							
Cost	–	130	1,197	1,163	585	2,507	5,582
Valuation	22,259	–	–	–	–	–	22,259
	22,259	130	1,197	1,163	585	2,507	27,841
Revaluation surplus	572	–	–	–	–	–	572
Elimination on revaluation	(582)	–	–	–	–	–	(582)
Additions	–	–	10	–	14	–	24
Disposals	–	–	(2)	–	–	–	(2)
At 31 December 2017	22,249	130	1,205	1,163	599	2,507	27,853
Representing:							
Cost	–	130	1,205	1,163	599	2,507	5,604
Valuation	22,249	–	–	–	–	–	22,249
At 31 December 2017	22,249	130	1,205	1,163	599	2,507	27,853

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 2018	**–**	**128**	**1,167**	**1,151**	**520**	**2,404**	**5,370**
Charge for the year	**607**	**1**	**26**	**9**	**39**	**26**	**708**
Elimination on revaluation	**(607)**	**–**	**–**	**–**	**–**	**–**	**(607)**
Disposal	**–**	**(112)**	**(1)**	**–**	**–**	**–**	**(113)**
At 31 December 2018	**–**	**17**	**1,192**	**1,160**	**559**	**2,430**	**5,358**
Accumulated depreciation							
At 1 January 2017	–	126	1,141	1,142	463	2,379	5,251
Charge for the year	582	2	26	9	57	25	701
Elimination on revaluation	(582)	–	–	–	–	–	(582)
At 31 December 2017	–	128	1,167	1,151	520	2,404	5,370
Net carrying amount							
At 31 December 2018	26,729	1	26	3	40	77	26,876
At 31 December 2017	22,249	2	38	12	79	103	22,483
At 1 January 2017	22,259	4	56	21	122	128	22,590

(a) The Group engaged independent valuers who have the appropriate qualifications and recent experience in the fair value measurement of the properties in the relevant locations 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 2018, 31 December 2017 and 1 January 2017, the fair value measurements of the Group's land and buildings are classified within 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	\$630 – \$25,830 (31 December 2017: \$630 – \$26,000) (1 January 2017: \$620 – \$1,960)	Any significant isolated increase (decrease) would result in a significantly higher (lower) fair value measurement.
Malaysia	Price per square metre of strata land area	\$970 – \$1,030 (31 December 2017: \$900 – \$1,350) (1 January 2017: \$940 – \$1,330)	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 2018

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Net carrying value	**17,477**	15,672	10,750	**9,964**	10,262	10,560

(b) As at 31 December 2018, the Group's freehold and leasehold properties with net carrying amounts of $885,000 (31 December 2017: $883,000; 1 January 2017: $871,000) are pledged as collateral for bank facilities (Note 19).

(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			
359 Jalan Besar Singapore 208992	236	Shop	Freehold
302 Ubi Avenue 1[(1)] #01-37 Singapore 400302	124	Shop	10.04.2018 to 02.10.2044
43, 43A, 43B, 43C Jln Glasair Taman Tasek Johor Bahru Malaysia	470	4 storey shophouse unit	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 shophouse	Freehold

(1) Acquired during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. INVESTMENT IN SUBSIDIARIES

	Company		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**
Unquoted shares at cost	**13,097**	12,997	12,207
Less: Allowance for impairment loss	**(704)**	(555)	(319)
	12,393	12,442	11,888
Loans to subsidiaries	**3,639**	5,121	6,987
Less: Allowance for impairment loss	**(2,981)**	(3,801)	(4,430)
	13,051	13,762	14,445
Amounts due from subsidiaries – trade	**15,036**	22,684	20,504
Amounts due from subsidiaries – non-trade	**15,397**	5,406	3,410
Amounts due from subsidiaries (Note 16)	**30,433**	28,090	23,914

In 2018, net allowance for impairment loss amounting to $149,000 (31 December 2017: $236,000; 1 January 2017: Nil) was made in respect of the Company's investments in a subsidiary to reduce the carrying value of the investments to recoverable amounts determined based on net asset value of respective subsidiaries, which approximated the fair value less costs to sell.

During the year ended 31 December 2018, allowance for impairment loss amounting to $820,000 (31 December 2017: $629,000; 1 January 2017: $1,545,000) in respect of the Company's loans to subsidiary was reversed due to repayment and positive results from a certain subsidiary.

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

Certain amounts due from and to subsidiaries have been offset in accordance with the Company's accounting policy. The following is the analysis of the Company's gross amounts due from subsidiaries balances for statement of financial position purposes:

	Company		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**
Amounts due from subsidiaries	**32,616**	32,299	28,248
Amounts due to subsidiaries	**(2,183)**	(4,209)	(4,334)
Net amounts presented in the statement of financial position	**30,433**	28,090	23,914

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries as at 31 December 2018 are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity and voting power held by the Group 31 December 2018 %	31 December 2017 %	1 January 2017 %
Bearings and Seals segment:				
Kian Ho Pte Ltd[1] (Singapore)	Dealer in bearings and seals, electrical and gearbox products (Singapore)	**100**	100	100
Raffles Logistics Operations Pte Ltd[6] (Singapore)	Logistics services (Singapore)	**100**	100	100
Kian Ho Bearings (M) Sdn. Bhd.[3] (Malaysia)	Dealer in bearings and seals (Malaysia)	**100**	100	100
Acker Machinery (Shanghai) Co., Ltd[3] (China)	Dealer in bearings and seals (China)	**100**	100	100
Kian Ho Shanghai Co., Ltd[7] (China)	Dormant (China)	**100**	100	100
Kian Ho (H.K.) Company Limited[5] (Hong Kong)	Dormant (Hong Kong)	**100**	100	100
PT. Kian Ho Indonesia[4] (Indonesia)	Dealer in bearings and seals and gearbox products (Indonesia)	**95**	95	95
Kian Ho (Vietnam) Co., Ltd[2] (Vietnam)	Dealer in bearings and seals (Vietnam)	**100**	100	100
KH Bearings and Seals Australia Pty Ltd[7] (Australia)	Dormant (Australia)	**100**	100	100
Excel (Hangzhou) Power Transmissions Co., Ltd[7] (China)	Dormant (China)	**70**	70	70
Directly held by Kian Ho Bearings (M) Sdn Bhd				
KWP Engineering & Industrial Supply Sdn. Bhd.[3] (Malaysia)	Dealer in bearings and seals (Malaysia)	**60**	60	60
Directly held by Kian Ho Pte Ltd				
PT. Radiant Thompson Indonesia[7] (Indonesia)	Dormant (Indonesia)	**51**	51	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity and voting power held by the Group		
		31 December 2018 %	31 December 2017 %	1 January 2017 %
Property segment:				
Raffles Acres Pte Ltd (Singapore)[6]	Property investment (Singapore)	**100**	100	100
Raffles Land & Investments Pte Ltd (Singapore)[6]	Property investment (Singapore)	**100**	100	100
Raffles Majestic Realty Pte Ltd (Singapore)[6]	Property investment (Singapore)	**100**	100	100
Raffles Capital Enterprise Pte Ltd (Singapore)[6]	Property investment (Singapore)	**51**	51	51
Raffles Land Management Pte Ltd (Singapore)[6]	Property investment (Singapore)	**100**	100	–
Raffles Property Management Pte Ltd (Singapore)[7]	Dormant (Singapore)	**100**	100	100
Raffles Global Investments Pte Ltd (Singapore)[7]	Dormant (Singapore)	**100**	100	100
Raffles Majestic Investments Pte Ltd (Singapore)[7]	Dormant (Singapore)	**100**	100	100
Raffles Realty Investments Pte Ltd (Singapore)[7]	Dormant (Singapore)	**100**	100	–
Raffles Century Properties Pte Ltd (Singapore)[7]	Dormant (Singapore)	**100**	100	–
Raffles Royal Property Pte Ltd (Singapore)[7]	Dormant (Singapore)	**100**	100	–
Raffles Capital Land Pte Ltd (Singapore)[7]	Dormant (Singapore)	**100**	100	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity and voting power held by the Group 31 December 2018 %	31 December 2017 %	1 January 2017 %
Other segment:				
Acee Electric Pte Ltd (Singapore)[6]	Dormant (Singapore)	**70**	70	–
Raffles Beaute Pte Ltd (Singapore)[7]	Investment Holding (Singapore)	**100**	100	–
Directly held by Raffles Beaute Pte Ltd				
Allure Beaute International Pte Ltd (Singapore)[6]	Dealer in beauty products (Singapore)	**100**	100	–
Allureate Beaute Pte Ltd (Singapore)[7]	Dormant (Singapore)	**100**	100	–

1 Audited by Deloitte & Touche LLP, Singapore.
2 Audited by member firms of Deloitte Touche Tohmatsu Limited.
3 Audited by member firms of Ernst & Young Global.
4 Audited by member firms of Nexia International.
5 Audited by Dicky Lau & Co.
6 Audited by Alfred PF Shee & Co.
7 Unaudited as these are dormant and not significant to the Group

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			(Loss)/Profit allocated to non-controlling interests			Accumulated non-controlling interests		
	31 December 2018 %	31 December 2017 %	1 January 2017 %	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Raffles Capital Enterprise Pte Ltd (Singapore)	**49**	49	49	**90**	204	217	**8,379**	8,289	8,085
Individually immaterial subsidiaries with non-controlling interests				**(44)**	48	30	**654**	580	38
Total							**9,033**	8,869	8,123

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	Raffles Capital Enterprise Pte Ltd		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**
Non-current assets	**30,000**	30,000	30,000
Current assets	**48**	2,154	2,226
Current liabilities	**(9,291)**	(3,173)	(3,156)
Non-current liabilities	**(3,656)**	(12,063)	(12,569)
Equity attributable to owners of the company	**8,722**	8,629	8,416
Non-controlling interests	**8,379**	8,289	8,085
Revenue	**718**	942	933
Expenses	**(535)**	(525)	(491)
Profit for the year	**183**	417	442
Profit attributable to owners of the company	**93**	213	225
Profit attributable to the non-controlling interests	**90**	204	217
Profit for the year	**183**	417	442
Total comprehensive income attributable to owners of the company	**93**	213	225
Total comprehensive income attributable to the non-controlling interests	**90**	204	217
Total comprehensive income for the year	**183**	417	442
Net cash inflow from operating activities	**283**	773	751
Net cash outflow from financing activities	**(349)**	(774)	(728)
Net cash (outflow)/inflow	**(66)**	(1)	23

Acquisition of a subsidiary

2017

On 1 March 2017, the Group acquired 70% of the issued and paid-up share capital of Acee Electric Pte Ltd ("Acee") through subscription of 116,667 new ordinary shares in the capital of Acee for a total subscription price of $689,500 based on the unaudited management accounts of Acee as at 31 January 2017. This transaction has been accounted for by the acquisition method of accounting.

As at 31 December 2017, the Group has injected $341,000 cash capital into Acee which is equivalent to 70% of its net tangible assets at fair value as at the acquisition date. The remaining balance to be injected into Acee is contingent on the amount of subsequent collection of certain trade receivables and sale of certain inventories as at the acquisition date by 28 February 2018. Management estimated the fair value of the contingent consideration to be $348,500.

Management estimated fair value of the identifiable assets and liabilities of Acee as at the acquisition date as follows:

	Total $'000
Non-current assets	122
Current assets	2,279
Current liabilities	(1,721)
Non-current liabilities (Note 19)	(192)
Non-controlling interest	(488)
Net assets acquired and liabilities assumed	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of a subsidiary (Continued)

Net cash inflow on acquisition of a subsidiary

	Total $'000
Cash and cash equivalent balances acquired	400

Disposal of subsidiaries

2016

Ascend Bearings Co., Ltd ("ABC")

On 30 November 2016, the Group entered into a sale and purchase agreement to fully dispose its interest in its subsidiary, ABC, to the non-controlling interest of ABC. As a consequence of the disposal, there was a one-off loss due to the waiver of intercompany trade debts which was attributable to the non-controlling shareholder.

Details of disposal are as follows:

Carrying amounts of net assets disposed

	Total $'000
Total non-current assets	44
Total current assets	14,000
Total current liabilities	(9,905)
Total non-current liabilities	(146)
Net assets derecognised	3,993
Consideration received:	
Total consideration received/receivable	1,037

	Total $'000
Net cash outflow arising on disposal	
Cash and cash equivalents disposed of	107

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. INVESTMENT IN ASSOCIATES

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Unquoted shares at cost	**453**	453	453	**453**	453	463
Share of post-acquisition reserves, net of dividends received	**327**	311	311	**–**	–	–
	780	764	764	**453**	453	463
Amounts due from an associate – trade	**677**	758	1,224	**596**	737	854
Provision for doubtful debts, associate – trade	**(677)**	(750)	(500)	**(596)**	(737)	(500)
Amounts due from an associate – trade (Note 16)	**–**	8	724	**–**	–	354

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 $313,000 (2017: $310,000), of which $3,000 (2017: $213,000) was the share of the current year's loss. The Group has no obligation in respect of these losses.

Impairment loss reversal of $73,000 (2017: $250,000 impairment recognised) in respect of repayment from an associate which has been credited/charged to profit or loss during the year.

Details of the associates are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity and voting power held by the Group		
		31 December 2018 %	31 December 2017 %	1 January 2017 %
Poh Leng Realty Pte Ltd (Singapore)[1]	Property investment (Singapore)	**20.14**	20.14	20.14
Kian Ho Bearings (Thailand) Co., Ltd[2] (Thailand)	Dormant (Thailand)	**49**	49	49

1 Audited by Christopher Chan & Associates.
2 Unaudited as dormant.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. INVESTMENT IN ASSOCIATES (CONTINUED)

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

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Assets and liabilities			
Non-current assets	**7,100**	7,120	7,126
Current assets	**260**	332	1,314
Total assets	**7,360**	7,452	8,440
Non-current liabilities	**438**	458	(24)
Current liabilities	**1,082**	1,224	2,244
Total liabilities	**1,520**	1,682	2,220
Results			
Revenue	**404**	1,293	1,815
Profit/(Loss) for the year	**73**	(390)	1,499
Dividends received from associates during the year	**–**	10	–

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Net assets of associates	**5,840**	5,770	6,220
Share of net assets of associates	**968**	956	1,178
Cumulative share of unrecognised losses	**313**	310	97
Pre-acquisition reserves	**(543)**	(543)	(543)
Exchange difference	**42**	41	32
Carrying amount of the Group's interest in associates	**780**	764	764

14. INVESTMENT PROPERTIES

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Balance at 1 January	**56,818**	56,527	56,809	**4,520**	4,130	4,130
Gain/(Loss) on changes in fair value	**323**	408	(73)	**–**	390	–
Exchange differences	**(110)**	(117)	(209)	**–**	–	–
Balance at 31 December	**57,031**	56,818	56,527	**4,520**	4,520	4,130

Fair value adjustments related to investment properties classified under Level 3 of the fair value hierarchy included in profit or loss amounted to a gain of $323,000 (2017: $408,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INVESTMENT PROPERTIES (CONTINUED)

The property rental income earned by the Group from its investment properties, most of which are leased out under operating leases, amounted to $1,908,000 (2017: $2,094,000). Direct operating expenses arising on the investment properties in the year amounted to $242,000 (2017: $264,000).

Details of the investment properties held by the Group are as follows:

Property location	Area (sq m)	Usage	Tenure years	Fair value 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Citimac Industrial Complex #02-03 Singapore 368240[1]	436	Warehouse unit	Freehold	**3,600**	3,600	3,210
Poh Leng Building #04-01 21 Moonstone Lane Singapore 328462	140	Flatted factory unit in an industrial building	Freehold	**920**	920	920
296/298/300/302/304/306/308 Lavender Street Singapore 338808/338809/ 338810/338811/338812/ 338813/338814	1,218	Shophouse unit	Freehold	**30,000**	30,000	30,000
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	**3,657**	3,429	3,527
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	**614**	629	648
Block 302 Ubi Avenue 1 #01-65 Singapore 400302	54	HDB shop	07.11.2015 to 31.10.2084	**2,490**	2,490	2,490
1 Sophia Road #01-01 to 08 Peace Centre Singapore 228149	260	Commercial unit	30.12.2015 to 01.06.2069	**9,750**	9,750	9,551
1 Sophia Road #02-01/02 Peace Centre Singapore 228149	260	Commercial unit	30.12.2015 to 01.06.2069	**6,000**	6,000	6,181
				57,031	56,818	56,527

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INVESTMENT PROPERTIES (CONTINUED)

(1) Subsequent to the end of financial year, the directors had, on 28 January 2019, signed the transfer documents as part of a collective sale, which is expected to complete in March 2019 subject to full compliance of all owners with regards to the execution of documents in relation to the collective sale. The directors considered that the collective sale value of the Group's warehouse unit included a collective sales premium which the buyer is willing to pay and acquire the whole development of Citimac Industrial Complex over the fair value of the warehouse unit as at 31 December 2018. As a result, the fair market value of the warehouse unit using market comparables as disclosed in Note 14 is the relevant measure to reflect the warehouse unit's value as at 31 December 2018.

The Group's investment properties in Singapore 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 recognised and relevant professional qualifications 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's investment properties in China are stated at fair value which has been determined based on capitalisation of net income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units. The capitalisation rate adopted is made by reference to the yield rates observed for similar properties in the locality during the tenancy period.

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 2018, the fair value measurements of the Group's investment properties are classified within Level 3 (31 December 2017: Level 3; 1 January 2017: Level 3) of the fair value hierarchy. There were no transfers between different levels in the fair value hierarchy 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	$6,250 – $9,150 (31 December 2017: $5,850 – $8,600) (1 January 2017: $5,850 – $7,680)	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	$11,390 – $50,700 (31 December 2017: $11,390 – $60,290) (1 January 2017: $15,090 – $51,640)	Any significant isolated increase/(decrease) would result in a significantly higher/(lower) fair value measurement
China (Commercial Units)	Capitalisation rate	7% – 7.5% (31 December 2017: 6.5% – 7%) (1 January 2017: 6.5% – 7%)	Any significant isolated increase/(decrease) would result in a significantly lower/(higher) fair value measurement
	Monthly market rent	Average of $11 – $17 (31 December 2017: $11 – $17) (1 January 2017: $10 – $16) per square metre ("sqm") per month.	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 2018

14. INVESTMENT PROPERTIES (CONTINUED)

As at 31 December 2018, investment properties amounting to $48,240,000 (31 December 2017: $48,240,000; 1 January 2017: $48,222,000) 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 19 to the financial statements.

15. OTHER INVESTMENTS

	Group and Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Financial assets at fair value through profit or loss			
Unquoted equity shares at fair value:			
At beginning of the year	–	57	57
Fair value loss during the year	–	(57)	–
At end of the year	–	–	57

16. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Trade debtors	**11,907**	14,635	14,874	**–**	–	–
Notes receivables	**40**	79	148	**–**	–	–
	11,947	14,714	15,022	**–**	–	–
Loss allowance for doubtful debts – trade	**(1,116)**	(992)	(711)	**–**	–	–
	10,831	13,722	14,311	**–**	–	–
Amounts due from subsidiaries (Note 12)	**–**	–	–	**30,433**	28,090	23,914
Amounts due from an associate – net (Note 13)	**–**	8	724	**–**	–	354
Other debtors (Note 17)	**81**	332	958	**27**	44	896
Total trade and other receivables	**10,912**	14,062	15,993	**30,460**	28,134	25,164
Add:						
Cash at banks and on hand (Note 25)	**4,847**	6,128	11,414	**36**	118	6,197
Total financial assets at amortised cost	**15,759**	20,190	27,407	**30,496**	28,252	31,361
Add:						
Other investments (Note 15)	**–**	–	57	**–**	–	57
Total financial assets	**15,759**	20,190	27,464	**30,496**	28,252	31,418

Trade and other receivables are non-interest bearing and are generally on 30 to 90 days' (2017: 30 to 90 days') credit terms.

Notes receivables relate to bills of exchange and have an average maturity of up to 180 days (2017: 180 days). These receivables issued by customers are interest-free.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors, adjusted for factors that may be specific to the debtors such as general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a significant loss allowance against its receivables over 120 days past due because historical experience has indicated that most of these receivables are generally not recoverable, unless the Group has reasonable and supportable information that demonstrates otherwise.

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

		Trade receivables – days past due		
31 December 2018	**Not past due $'000**	**1 to 120 days $'000**	**>120 days $'000**	**Total $'000**
Trade receivables	**6,818**	**3,944**	**1,185**	**11,947**
Less: individually assessed debtors	**(3,315)**	**(1,136)**	**(493)**	**(4,944)**
Adjusted trade receivables	**3,503**	**2,808**	**692**	**7,003**
ECL	**22**	**44**	**1,050**	**1,116**
Less: ECL for individually assessed debtors	**(22)**	**(42)**	**(360)**	**(424)**
Adjusted ECL	*	**2**	**690**	**692**
Expected credit loss rate	**	**	**100%**	
31 December 2017				
Trade receivables	8,778	4,432	1,504	14,714
Less: Individually assessed debtors	(2,556)	(652)	(648)	(3,856)
Adjusted trade receivables	6,222	3,780	856	10,858
ECL	*	27	965	992
Less: ECL for individually assessed debtors	*	(6)	(118)	(124)
Adjusted ECL	*	21	847	868
Expected credit loss rate	**	**	99%	
1 January 2017				
Trade receivables	9,317	3,589	2,116	15,022
Less: Individually assessed debtors	(5,792)	(1,189)	(1,497)	(8,478)
Adjusted trade receivables	3,525	2,400	619	6,544
ECL	*	1	710	711
Less: ECL for individually assessed debtors	*	(1)	(101)	(102)
Adjusted ECL	*	*	609	609
Expected credit loss rate	**	**	98%	

* denotes amount less than $1,000.

** denotes amount less than 1%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Trade receivables	**1,116**	992	711
Less: Loss allowance	**(1,116)**	(992)	(711)
	–	–	–
Movement in loss allowance account:			
Lifetime ECL – credit impaired			
At 1 January	**992**	711	523
Charge for the year	**720**	423	346
Written off	**(104)**	(321)	(12)
Written back	**(493)**	(334)	(134)
Acquisition of a subsidiary	**–**	524	–
Exchange differences	**1**	(11)	(12)
At 31 December	**1,116**	992	711

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. The Group's trade receivables that are past due at the reporting date but not impaired relates to debtors where there is no change in credit quality of these customers as the Group had assessed them to be recoverable based on past payment history, ongoing dealings and settlement arrangements, including subsequent receipts received after year-end.

17. OTHER DEBTORS

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Sundry debtors	**183**	510	858	**178**	295	852
Loss allowance	**(178)**	(295)	–	**(178)**	(295)	–
	5	215	858	**–**	–	852
Deposits	**76**	117	100	**27**	44	44
	81	332	958	**27**	44	896

In 2016, included in sundry debtors is the deferred consideration of $558,000 accounted for on the sale of shares of a Taiwan subsidiary to its minority shareholder (Note 12). This was fully repaid in 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. OTHER DEBTORS (CONTINUED)

In 2016, included in sundry debtors is the deferred consideration of $425,000 accounted for on the sale of shares of a China subsidiary to its minority shareholder in 2015, for which an amount of $300,000 remained outstanding as at 31 December 2016. In 2017, full provision was made on the remaining balance of $295,000 of which $117,000 was collected during the year.

	Group and Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Movement in loss allowance account:			
At 1 January	**295**	–	–
Charge for the year	**–**	295	–
Written back	**(117)**	–	–
	178	295	–

18. INVENTORIES

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Finished goods	**29,409**	28,719	35,276
Inventories-in-transit	**825**	1,002	1,445
	30,234	29,721	36,721

The inventories are stated net of allowance as follows:

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
At 1 January	**4,793**	5,926	2,122
(Written-back)/Charge for the year, net	**(943)**	(886)	4,187
Written off	**(684)**	(211)	(356)
Acquisition of a subsidiary	**–**	52	–
Exchange differences	**(21)**	(88)	(27)
At 31 December	**3,145**	4,793	5,926

During the year ended 31 December 2018 and 31 December 2017, previous write-downs have been reversed as a result of the sale of goods (that were previously written down) being sold above the previous net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. INTEREST BEARING LOANS AND BORROWINGS

	Group			Company		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**	**31 December 2018 $'000**	**31 December 2017 $'000**	**1 January 2017 $'000**
Repayable within 12 months:						
Trust receipts						
– unsecured	**–**	–	618	**–**	–	–
Term loans						
– secured	**1,100**	1,309	1,017	**–**	–	–
– unsecured	**11,700**	8,800	26,714	**8,000**	8,800	14,714
	12,800	10,109	28,349	**8,000**	8,800	14,714
Repayable after 12 months:						
Term loans						
– secured	**18,410**	26,080	23,437	**–**	–	–
	31,210	36,189	51,786	**8,000**	8,800	14,714

Bank borrowings of certain subsidiaries are secured on certain freehold and leasehold land and properties (Note 11), investment properties (Note 14) and corporate guarantees from holding company (Note 30(d)).

The term loans for Group and Company are repayable in fixed monthly, quarterly or half yearly instalments over a period ranging from 1 month to 3 months for the unsecured loans and up to 24 years for the secured loans. Other borrowings are repayable within twelve months.

The floating rate term loans bear interest of approximately 1.78% to 3.15% (31 December 2017: 1.40% to 2.75%; 1 January 2017: 1.76% to 2.75%) per annum, and are repriced on monthly to half-yearly basis.

As at 1 January 2017, trust receipts had an average maturity of 90 to 120 days and bore interest ranging from 1% to 2.55% per annum.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Group

	$'000
Loans and borrowings:	
As at 1 January 2017	51,786
Acquisition of a subsidiary	159
Financing cash flow[1]	(15,756)
As at 31 December 2017	36,189
Capital injection by non-controlling shareholders of a subsidiary	(115)
Financing cash flow[1]	(4,864)
As at 31 December 2018	**31,210**

(1) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. TRADE AND OTHER CREDITORS

	Group			Company		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**	**31 December 2018 $'000**	**31 December 2017 $'000**	**1 January 2017 $'000**
Trade creditors and accruals	**13,313**	13,500	11,325	**577**	411	434
Other creditors						
Contract liabilities	**417**	492	418	**12**	–	–
Rental deposits	**380**	394	417	**8**	6	14
Sundry creditors	**47**	128	84	**8**	382	56
Derivatives	**–**	–	88	**–**	–	–
	844	1,014	1,007	**28**	388	70
Amounts due to related parties (Note 21)	**2,384**	2,389	2,393	**–**	–	–
Loans and borrowings (Note 19)	**31,210**	36,189	51,786	**8,000**	8,800	14,714
Less: Contract liabilities and derivatives	**(417)**	(492)	(506)	**(12)**	–	–
Total financial liabilities carried at amortised cost	**47,334**	52,600	66,005	**8,593**	9,599	15,218

Trade and other creditors are non-interest bearing. Trade creditors are normally settled on 30 to 90 days terms (2017: 30 to 90 days terms) while other creditors are normally settled on 30 days terms (2017: 30 days terms).

During the financial year ended 31 December 2018, the deferred consideration of $348,500 has been waived following the transfer of operations from Acee to KHPL during the year to provide wider offerings of products to our customers under KHPL.

As at 31 December 2017, included in the Company's sundry creditors is a deferred consideration of $348,500 arising from acquisition of Acee (Note 12).

Contract liabilities mainly represent amounts received in advance of delivery for sale of goods. Information on revenue recognition of sale of goods is disclosed in Note 2.21 and Note 5. This amount is recognised as contract liabilities until the goods have been delivered to the customer.

21. AMOUNTS DUE TO RELATED PARTIES

	Group		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**
Trade:			
Amounts due to companies in which non-controlling shareholders of a subsidiary have interest in	–	5	9
Non-trade:			
Amounts due to non-controlling shareholders of a subsidiary	**2,384**	2,384	2,384
Total amounts due to related parties	**2,384**	2,389	2,393

The amounts due to the above related parties are unsecured, non-interest bearing and are due within 12 months from the financial year ended.

22. DEFERRED TAXATION

Deferred taxation as at 31 December relates to the following:

	Group								Company				
	Consolidated statement of financial position			Consolidated statement of profit or loss			Consolidated equity		Statement of financial position			Equity	
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000
Deferred tax liabilities													
Depreciation	**107**	103	107	**4**	(4)	(13)	**–**	–	**102**	102	102	**–**	–
Revaluations to fair value:													
– Investment properties	**903**	824	826	**102**	21	22	**–**	–	**–**	–	–	**–**	–
– Freehold and leasehold land and buildings	**3,357**	2,459	2,357	**–**	–	–	**900**	101	**3,134**	2,269	2,172	**865**	97
Other temporary differences	**(24)**	(64)	(14)	**28**	(82)	(13)	**–**	–	**(7)**	(7)	(7)	**–**	–
Tax losses	**(219)**	(295)	(526)	**76**	231	(211)	**–**	–	**–**	–	–	**–**	–
	4,124	3,027	2,750				**900**	101	**3,229**	2,364	2,267	**865**	97
Deferred tax expense/ (income) (Note 9)				**210**	166	(215)							

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. DEFERRED TAXATION (CONTINUED)

Certain deferred tax assets and liabilities have been offset in accordance with the Group and Company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Deferred tax liabilities	**4,356**	3,377	3,276	**3,229**	2,364	2,267
Deferred tax assets	**(232)**	(350)	(526)	**–**	–	–
	4,124	3,027	2,750	**3,229**	2,364	2,267

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 $16,151,000 (31 December 2017: $15,406,000; 1 January 2017: $14,567,000). 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.

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group and Company has unutilised tax losses of $13,324,000 (31 December 2017: $15,066,000; 1 January 2017: $13,936,000) and $1,043,000 (31 December 2017: $2,095,000; 1 January 2017: $1,569,000) respectively, available for offset against future profits. A deferred tax asset at the Group and Company has been recognised in respect of $966,000 (31 December 2017: $1,305,000; 1 January 2017: $2,114,000) and $Nil (31 December 2017: $Nil; 1 January 2017: $Nil), respectively of such losses. No deferred tax asset has been recognised at the Group and Company in respect of the remaining $12,358,000 (31 December 2017: $13,761,000; 1 January 2017: $11,822,000) and $1,043,000 (31 December 2017: $2,095,000; 1 January 2017: $1,569,000) respectively due to the unpredictability of future profit streams.

23. SHARE CAPITAL

	Group and Company					
	31 December 2018 '000	31 December 2017 '000	1 January 2017 '000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
	No. of shares					
Issued and fully paid ordinary shares:						
Balance at beginning and end of the year	**234,060**	234,060	234,060	**31,658**	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

There was no declared and paid dividend in 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. CASH AND CASH EQUIVALENTS

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

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Cash at banks and on hand	**4,847**	6,128	11,414	**36**	118	6,197
Cash and cash equivalents in the statement of cash flows	**4,847**	6,128	11,414	**N/A**	N/A	N/A

26. DERIVATIVES

	Group		
	Contract/ Notional amount $'000	Assets $'000	Liabilities $'000
31 December 2018			
Forward currency contracts	–	–	–
31 December 2017			
Forward currency contracts	136	–	*
1 January 2017			
Forward currency contracts	2,445	–	(88)

Forward currency contracts are used to manage significant foreign currency risk arising from the Group's sales and purchases denominated in EUR, JPY and USD where practicable and are due for settlement within 6 months (2017: 6 months) from the end of the reporting period.

Net unrealised loss on derivatives of $Nil (2017: $1,000) has been included in foreign exchange loss in the consolidated statement of profit or loss.

* denotes amount less than $1,000

27. COMMITMENTS

(a) Capital commitments

	Group	
	31 December 2018 $'000	31 December 2017 $'000
Commitment for acquisition of an investment property	–	1,948

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. COMMITMENTS (CONTINUED)

(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 profit or loss for the financial year ended 31 December 2018 amounted to $595,000 (2017: $712,000).

Future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	31 December 2018 $'000	31 December 2017 $'000
Not later than one year	**419**	449
Later than one year but not later than five years	**863**	892
Later than five years	**4,850**	5,001
	6,132	6,342

As lessor

The Group has entered into commercial property leases on its investment properties. Rental income earned for these leases are disclosed in Note 5 to the financial statements.

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

	Group	
	31 December 2018 $'000	31 December 2017 $'000
Not later than one year	**1,310**	1,940
Later than one year but not later than five years	**335**	1,386
	1,645	3,326

28. CONTINGENT LIABILITY

On 28 December 2017, the Board announced that the Company and its wholly-owned subsidiary Kian Ho Pte Ltd ("**KHPL**") had, on 26 December 2017, been served with a writ of summons endorsed with a statement of claim, filed by Shenzhen Zhaoheng Industrial Co., Ltd ("**SZZH**") in the High Court of the Republic of Singapore ("HC/S1210/2017") dated 22 December 2017. SZZH is claiming from the Company a sum of approximately $335,000 and from KHPL a sum of approximately $215,000. The Company and KHPL have disputed the claims made by SZZH and the trial of HC/S 1210/2017 is currently fixed for April 2019.

The Group's legal counsel has advised that the Company and KHPL has more than an even chance of succeeding in its defence against the claim and the Board does not consider that there is currently any probability of loss, and accordingly no provision for any liability has been made in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. 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 and other transactions

	Group	
	2018 $'000	2017 $'000
Purchase of goods/services from companies in which non-controlling shareholders of a subsidiary have interest in	**117**	201
Sale of goods to an associate	**7**	13

(b) Compensation of directors and key management personnel

	Group	
	2018 $'000	2017 $'000
– Directors of the Company		
Short-term benefits	**744**	782
Post-employment benefits	**20**	25
– Other directors of subsidiaries		
Short-term benefits	**211**	157
Post-employment benefits	**10**	19
– Key management personnel		
Short-term benefits	**649**	691
Post-employment benefits	**68**	60

30. 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.

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 does not use forward currency contracts for speculative trading purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Foreign currency risk (Continued)

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) 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 $5,440,000 (31 December 2017: $6,549,000; 1 January 2017: $9,263,000) and $1,030,000 (31 December 2017: $1,585,000; 1 January 2017: $1,222,000) respectively denominated in United States dollars.

Significant financial liabilities of the Group that are not denominated in the functional currencies of the respective entities amounted to $3,512,000 (31 December 2017: $3,861,000; 1 January 2017: $2,819,000) 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 $52,000 (31 December 2017: increase/decrease by $79,000; 1 January 2017: increase/decrease by $61,000).

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 $96,000 (31 December 2017: increase/decrease by $134,000; 1 January 2017: $322,000).

(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 and Company's profit for the financial year ended 31 December 2018 would decrease/increase by $312,000 (31 December 2017: $362,000; 1 January 2017: $512,000) and $80,000 (31 December 2017: $88,000; 1 January 2017: $147,000) respectively.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

The Group develops and maintains its credit risk grading to categorise according to their degree of risk of default. The Group uses its own internal trading records to rate its major customers and other debtors.

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >120 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The assessment of the credit quality and exposure to credit risk of the Group's trade and other receivables have been disclosed in Note 16. The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

The table below details the credit quality of the Group's financial assets as well as maximum exposure to credit risk by credit risk rating grades:

Group 31 December 2018	Note	Internal credit rating	12-month or lifetime ECL $'000	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Trade receivables	16	(i)	Lifetime ECL (simplified approach)	**11,947**	**(1,116)**	**10,831**
Other receivables	17	Performing	12-month ECL	**259**	**(178)**	**81**
					(1,294)	

Group 31 December 2017	Note	Internal credit rating	12-month or lifetime ECL $'000	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Trade receivables	16	(i)	Lifetime ECL (simplified approach)	14,714	(992)	13,722
Other receivables	17	Performing	12-month ECL	627	(295)	332
					(1,287)	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Group 1 January 2017	Note	Internal credit rating	12-month or lifetime ECL $'000	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Trade receivables	16	(i)	Lifetime ECL (simplified approach)	15,022	(711)	14,311
Other receivables	17	Performing	12-month ECL	958	–	958
					(711)	

Company 31 December 2018	Note	Internal credit rating	12-month or lifetime ECL $'000	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Other receivables	17	Performing	12-month ECL	**205**	**(178)**	**27**
Amount due from subsidiaries	16	Performing	12-month ECL	**30,433**	**–**	**30,433**
					(178)	

Company 31 December 2017	Note	Internal credit rating	12-month or lifetime ECL $'000	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Other receivables	17	Performing	12-month ECL	339	(295)	44
Amount due from subsidiaries	16	Performing	12-month ECL	28,090	–	28,090
					(295)	

Company 1 January 2017	Note	Internal credit rating	12-month or lifetime ECL $'000	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Other receivables	17	Performing	12-month ECL	896	–	896
Amount due from subsidiaries	16	Performing	12-month ECL	23,914	–	23,914
					–	

(i) For trade and other receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items based on historical credit loss experience and the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Notes 16 and 17 include further details on the loss allowance for these receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

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 $53,084,000 (2017: $69,754,000) (Note 30(d)) relating to corporate guarantees given by the Company to financial institutions in connection with the financing facilities given to the subsidiaries and an associate.

Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

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

	31 December 2018				31 December 2017				1 January 2017			
	One year or less $'000	More than one year up to five years $'000	Adjustments $'000	Total $'000	One year or less $'000	More than one year up to five years $'000	Adjustments $'000	Total $'000	One year or less $'000	More than one year up to five years $'000	Adjustments $'000	Total $'000
Group												
Non-interest bearing	**16,124**	–	–	**16,124**	16,411	–	–	16,411	14,219	–	–	14,219
Variable interest rate instruments (Note 19)	**12,819**	**22,607**	**(4,216)**	**31,210**	10,199	32,024	(6,034)	36,189	28,375	29,969	(6,558)	51,786
	28,943	**22,607**	**(4,216)**	**47,334**	26,610	32,024	(6,034)	52,600	42,594	29,969	(6,558)	66,005
Company												
Non-interest bearing	**593**	–	–	**593**	799	–	–	799	504	–	–	504
Variable interest rate instruments (Note 19)	**8,011**	–	**(11)**	**8,000**	8,818	–	(18)	8,800	14,727	–	(13)	14,714
	8,604	–	**(11)**	**8,593**	9,617	–	(18)	9,599	15,231	–	(13)	15,218

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

The Company has given corporate guarantees of $53,084,000 (31 December 2017: $69,754,000; 1 January 2017: $54,118,000) to financial institutions in connection with financing facilities given to the subsidiaries.

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:

	One year or less $'000	Total $'000
At 31 December 2018	**53,084**	**53,084**
At 31 December 2017	69,754	69,754
At 1 January 2017	54,118	54,118

Non-derivative financial assets

The Group's and Company's non-derivative financial assets are due on demand or within 12 months from the end of reporting period and are interest free.

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.

31. 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:

Group

	(Level 1) $'000	(Level 2) $'000	(Level 3) $'000	Total $'000
Financial liabilities:				
Derivatives (Note 26)				
– Forward currency contracts:				
At 31 December 2018	**–**	**–**	**–**	**–**
At 31 December 2017	–	*	–	*
At 1 January 2017	–	(88)	–	(88)

* denotes amount less than $1,000

The fair value of forward foreign exchange contracts is determined using observable quoted forward currency rates for equivalent instruments with similar quantum and maturity dates as at the reporting date. Accordingly, these investments are classified as Level 2.

There was no transfer between Level 1 and Level 2 of the fair value hierarchy during the year and prior years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

32. CAPITAL MANAGEMENT

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

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 2018 and 31 December 2017.

33. SUBSEQUENT EVENT

On 9 January 2019, the Company announced that it is proposing to undertake a renounceable non-underwritten rights issue of up to 234,060,000 new ordinary shares in the capital of the Company, subject to approval of shareholders.

INTERESTED PERSON TRANSACTIONS

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2018 TO 31 DECEMBER 2018

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, as follows:

Name of Interested Person	Particulars of the Transactions	Aggregate value of all interested person transactions during the year of which individual transactions was less than $100,000	Note
Teo Xian-Hui Amanda Marie	Rental expenses for premises at 5th floor, Sapphire Tower No. 267 Tianmu Zhong Road, Shanghai	$145,471	1
VIG Systems Pte Ltd	Purchase of services	$25,620	2
VIG Systems Pte Ltd	Rental income for warehouse space in 5 Changi South Street 3 Singapore 486117	$4,878	3

1. The rental of the premises is based on a signed agreement between Teo Xian-Hui Amanda Marie and Acker Machinery (Shanghai) Co., Ltd of which the rental amount is determined based on market rate.
2. The purchase of services is based on a maintenance contract between VIG Systems Pte Ltd and Raffles United Holdings Ltd of which the services are determined based on market rate.
3. The rental of the premises is based on a signed agreement between VIG Systems Pte Ltd and Raffles United Holdings Ltd of which the rental amount is determined based on market rate.

SHAREHOLDERS' INFORMATION

AS AT 4 MARCH 2019

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	10	0.55	229	0.00
100 – 1,000	195	10.64	109,769	0.05
1,001 – 10,000	1,158	63.21	5,115,481	2.19
10,001 – 1,000,000	457	24.95	24,283,988	10.37
1,000,001 AND ABOVE	12	0.65	204,550,533	87.39
TOTAL	**1,832**	**100.00**	**234,060,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 4 MARCH 2019
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Raffles United Pte Ltd (Note 1)	–	–	153,418,633	65.55
Teo Xian-Hui Amanda Marie (Note 2)	509,900	0.22	153,418,633	65.55
Teo Teck Yao Glenn Ashley (Note 3)	–	–	153,418,633	65.55
KHB Holdings Pte Ltd	16,159,700	6.90	–	–
Kwek Che Yong (Note 4)	1,193,000	0.51	16,159,700	6.90

Notes:–

(1) Raffles United Pte Ltd is deemed interested through Citibank Nominees Singapore Pte Ltd.

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

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

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

SHAREHOLDERS' INFORMATION

AS AT 4 MARCH 2019

TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	153,952,233	65.77
2	KHB HOLDINGS PTE LTD	16,159,700	6.90
3	KOH SWEE JIN	11,500,000	4.91
4	TAN TECK WAH	5,196,000	2.22
5	DBS NOMINEES (PRIVATE) LIMITED	3,998,700	1.71
6	LIM JOO BOON	3,210,000	1.37
7	SUWANTI	3,165,000	1.35
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,726,800	0.74
9	SBS NOMINEES PTE LTD	1,500,000	0.64
10	KWOK LO CHU	1,492,700	0.64
11	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,456,400	0.62
12	KWEK CHE YONG	1,193,000	0.51
13	RAFFLES NOMINEES (PTE.) LIMITED	872,200	0.37
14	CHUA LIAK CHNG	840,000	0.36
15	TEO TENG HO	784,900	0.34
16	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	726,300	0.31
17	LEE SUANG HEE	704,900	0.30
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	608,100	0.26
19	TIANG LAY GEOK ALTA	560,000	0.24
20	TEO XIAN-HUI, AMANDA MARIE	509,900	0.22
	TOTAL	**210,156,833**	**89.78**

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

25% 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, 8 April 2019 at 9.00am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Financial Statements of the Company for the year ended 31 December 2018 together with the Auditors' Report thereon.

(Resolution 1)

2. To re-elect Mr Teo Teng Beng, the Director retiring pursuant to Rule 720(5) of the SGX Listing Manual.

   Mr Teo Teng Beng is the Managing Director and a member of the Nominating Committee of the Company he will, upon re-election as a Director of the Company, remain as the Managing Director and a member of the Nominating Committee.

(Resolution 2)

3. To re-elect Mr Teh Geok Koon, the Director retiring pursuant to the Clause no. 89 of the Company's Constitution.

   Mr Teh Geok Koon is an Executive Director and the Chief Operating Officer of the Company.

(Resolution 3)

4. To approve the payment of Directors' Fees of $134,000/- for the year ended 31 December 2018 (2017: $134,800/-).

(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)

AS SPECIAL BUSINESS

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

6. **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

NOTICE OF ANNUAL GENERAL MEETING

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 and subsidiary holdings in each class (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of shares and Convertible Securities 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 and subsidiary holdings in each class (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 total number of issued shares excluding treasury shares and subsidiary holdings shall be based on the total number of issued shares excluding treasury and subsidiary holdings of shares at the time of the passing of this Resolution approving the mandate, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) 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

(c) 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 Constitution of the Company; and

(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, 22 March 2019

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% of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings in each class 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.

This page has been intentionally left blank

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

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.

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, 8 April 2019 at 9am 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' Statement and Financial Statements for the year ended 31 December 2018		
2.	Re-election of Mr Teo Teng Beng as a Director		
3.	Re-election of Mr Teh Geok Koon as a Director		
4.	Approval of Directors' Fees of $134,000/- for the year ended 31 December 2018		
5.	Re-appointment of Messrs Deloitte & Touche LLP as Auditors		
6.	Authority to issue shares		

Dated this ________ day of ________________ 2019

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 his/her stead. A proxy need not be a member of the Company.

3. A member who is a relevant intermediary such as bank, capital markets services licence to provide custodial services may appoint more than 2 proxies to attend and vote at a meeting of the Company.

4. Where a member appoints two or more 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.

5. 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.

6. 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.

7. 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.

8. 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 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of the member's proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CORPORATE INFORMATION

DIRECTORS
Tan Saik Hock *(Independent Chairman)*
Teo Teng Beng *(Managing Director)*
Teh Geok Koon *(Executive Director and Chief Operating Officer)*
Lee Joo Hai *(Independent Director)*
Ngoi Sing Shang *(Independent Director)*

AUDIT COMMITTEE
Lee Joo Hai *(Chairman)*
Tan Saik Hock
Ngoi Sing Shang

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

REMUNERATION COMMITTEE
Tan Saik Hock *(Chairman)*
Lee Joo Hai
Ngoi Sing Shang

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: 6438-8710

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:
Hoe Chi Hsien
(Since financial year 31 December 2016)

SINGAPORE
HEAD OFFICE
Raffles United Holdings Ltd
5 Changi South Street 3
Singapore 486117
Tel: (65) 6287-5866
Fax: (65) 6285-9852/3
Website: http://www.rafflesunited.com.sg
E-mail: sales@kianho.com.sg

SUBSIDIARIES & ASSOCIATE
Kian Ho Pte Ltd

BRANCHES
359 Jalan Besar
Singapore 208992
Tel: (65) 6292-3584/6294-2106/6294-6488
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

3024 Ubi Road 3 Singapore 408652
Tel: (65) 6299 3988/6742 2978
Fax: (65) 6297 5348

302 Ubi Avenue 1 #01-37 Singapore 400302
Tel: (65) 8383 7474
Fax: (65) 6841 7008

Allure Beaute International Pte Ltd
5 Changi South Street 3
Singapore 486117
Tel: (65) 6540-9860
Fax: (65) 6545-4517
Website http://www.opisingapore.com
E-mail: enquiry@allure-beaute.com

OVERSEAS ESTABLISHMENTS

MALAYSIA
Kian Ho Bearings (M) Sdn Bhd

Johor
43 Jalan Glasiar Taman Tasek
80200 Johor Bahru, Malaysia
Tel: (07) 237-2288
Fax: (07) 237- 4996

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 Ehsan
Malaysia
Tel: (03) 3341 8977/3342 8977
Fax: (03) 3343 1977

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

HONG KONG
Kian Ho (H.K.) Company Limited

INDONESIA
PT. Kian Ho Indonesia

Jakarta
Bizpark Commercial Estate Block A5 No.25
Jl. Raya Bekasi, Cakung
Jakarta Timur 13920
Indonesia
Tel: (62) 21 461 4084/2246 4648

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

VIETNAM
Kian Ho (Vietnam) Co., Ltd
No. 100 Street 218 Cao Lo, Ward 4, District 8
Ho Chi Minh city, Vietnam
Tel: (+84) 8 3852 0866
Fax: (+84) 8 3852 0886

AUSTRALIA
KH Bearings and Seals Australia Pty Ltd
18 Shelly Crescent
Beaumont Hills
New South Wales 2155
Australia

Raffles United Holdings Ltd

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

www.rafflesunited.com.sg