RAFFLES UNITED HOLDINGS LTD
Co. Reg No. 197302030N
Unaudited Half Year Financial Statement Announcement for the half year ended 30 June 2017

Part 1 - Information required for announcements of quarterly (Q1, Q2 & Q3), half-year and full year results

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

(i) **Consolidated Statement of Profit or Loss**

		Group		
		S$'000		%
		6 months ended 30/06/2017	6 months ended 30/06/2016	Change
Revenue	Note 1	39,171	37,732	4
Other income including interest income		8	8	-
Changes in inventories		(5,194)	(7,257)	(28)
Raw materials and consumables used		(26,497)	(23,075)	15
Staff costs	Note 2	(3,642)	(3,956)	(8)
Depreciation of property, plant and equipment		(426)	(445)	(4)
Foreign exchange loss, net	Note 3	(74)	(241)	(69)
Write-back of trade doubtful debts, net	Note 4	94	22	327
Provision for slow moving inventories	Note 5	(287)	(17)	NM
Other operating expenses	Note 6	(1,572)	(1,813)	(13)
Finance costs	Note 7	(512)	(711)	(28)
Profit before tax		1,069	247	333
Income tax expense	Note 8	(314)	(122)	157
Profit for the period		755	125	504
Profit attributable to:				
Owners of the Company		578	11	NM
Non-controlling interests		177	114	55
		755	125	504

(ii) **Consolidated Statement of Comprehensive Income**

		Group		
		S$'000		%
		6 months ended 30/06/2017	6 months ended 30/06/2016	Change
Profit for the period		755	125	504
Other comprehensive income:				
Item that may be reclassified subsequently to profit or loss				
Foreign currency translation	Note 9	(169)	(524)	(68)
		(169)	(524)	(68)
Other comprehensive loss for the period, net of tax		(169)	(524)	(68)
Total comprehensive income/(loss) for the period		586	(399)	NM
Total comprehensive income/(loss) attributable to:				
Owners of the Company		407	(477)	NM
Non-controlling interests		179	78	129
		586	(399)	NM

NM - Not meaningful

Notes to the Income Statement

1 Group revenue registered a 4% increase to S$39.2 million in 1H17 from S$37.7 million in 1H16. This was largely attributed to the:
- significant increase in sales contribution from the Original Equipment Manufacturer ("OEM") market in Singapore and Malaysia; and
- contribution from the Group's subsidiary, Acee Electric Pte Ltd ("ACEE") which was acquired in March 2017.

The increase was however, offset by the:
- absence of revenue contribution in 1H17 following the disposal of the Group's Taiwan subsidiary in 2H16;
- stiff competition in the dealers' market primarily in Western countries; and
- inventory clearance at reduced prices in 1H16.

Gross profit margin was relatively stable at 19.1% (1H16: 19.6%) despite intense price competition in the global dealers' market.

2 Staff costs declined 8% primarily due to:
- headcount reduction, following the cessation of the Group's Taiwan operations; and
- continual prudent approach towards headcount management across the Group, including natural staff attrition as well as optimising of operations.

The decrease in staff cost as a result of the above was partially offset by the acquisition of ACEE in 1H17.

3 The Group incurred a foreign exchange loss due to the weakening of USD against SGD and RMB; and strengthening of JPY against IDR during the period.

4 The net write-back of trade doubtful debts was due to collections from customers during the period for debts previously provided for.

5 In view of the challenging and uncertain global economic environment, the Group made a S$0.3 million provision for slow moving inventories in 1H17. The provisions were adequate as at 30 June 2017.

6 Other operating expenses declined by 13% in view of the disposal of the Group's Taiwan operations since 2H16 and continued tight control on overheads.

7 The decline in finance costs by 28% was primarily attributed to:
- significant reduction in total Group borrowings due to repayments made during the period; and
- the disposal of its Taiwan subsidiary in 2H16.

This was partially offset by a general increase in cost of borrowings.

8 The effective tax rate for the Group was higher than the Singapore tax rate of 17% (2016: 17%) mainly due to higher tax rate of 25% for its Malaysia subsidiary and certain non-deductible expenses of the Group for tax purposes.

9 The loss on translation reserve was mainly due to the translation losses arising from the quasi equity loans to subsidiaries that were carried forward during the period.

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

Statements of Financial Position

		Group		Company	
		30.06.2017 S$'000	31.12.2016 S$'000	30.06.2017 S$'000	31.12.2016 S$'000
Assets					
Non-current assets					
Property, plant and equipment	Note 1	23,597	23,767	22,240	22,590
Investment in subsidiaries	Note 4	-	-	14,126	14,445
Investment in associates		764	764	463	463
Investment properties		56,393	56,527	4,130	4,130
Other investments		51	57	51	57
		80,805	81,115	41,010	41,685
Current assets					
Trade debtors	Note 2	17,666	14,311	-	-
Other debtors	Note 3	1,510	958	896	896
Prepayments		177	124	27	3
Amounts due from subsidiaries	Note 4	-	-	22,403	23,914
Amounts due from an associate	Note 5	521	724	333	354
Inventories	Note 6	31,240	36,721	-	-
Cash at banks and on hand		4,008	11,414	62	6,197
		55,122	64,252	23,721	31,364
Total assets		135,927	145,367	64,731	73,049
Equity and liabilities					
Current liabilities					
Interest bearing loans and borrowings	Note 7	15,795	28,349	6,221	14,714
Trade creditors and accruals	Note 8	13,950	11,325	228	434
Other creditors	Note 9	857	1,007	400	70
Amounts due to related parties		2,396	2,393	-	-
Provision for taxation		39	53	-	-
		33,037	43,127	6,849	15,218
Net current assets		22,085	21,125	16,872	16,146
Non-current liabilities					
Interest bearing loans and borrowings	Note 7	22,887	23,437	-	-
Deferred tax liabilities		2,876	2,750	2,267	2,267
		25,763	26,187	2,267	2,267
Total liabilities		58,800	69,314	9,116	17,485
Net assets		77,127	76,053	55,615	55,564
Equity attributable to owners of the Company					
Share capital		31,658	31,658	31,658	31,658
Assets revaluation reserve		11,891	11,891	10,705	10,705
Foreign currency translation reserve		(6,334)	(6,163)	-	-
Revenue reserve		31,122	30,544	13,252	13,201
		68,337	67,930	55,615	55,564
Non-controlling interests		8,790	8,123	-	-
Total equity		77,127	76,053	55,615	55,564
Total equity and liabilities		135,927	145,367	64,731	73,049

Notes to the Statements of Financial Position

1 The decrease in property, plant and equipment for both the Company and the Group was mainly attributable to the depreciation charges partially offset by addition of motor vehicles during the period.

2 Group trade debtors increased largely due to the consolidation of ACEE's trade debtors into the Group's accounts following its acquisition in 1H17 and higher revenue generated by the OEM sector in 1H17.

3 The increase in other debtors was due to the deposit paid in relation to the acquisition of a property in Singapore as announced by the Group on 29 June 2017.

4 The net decline in investments in subsidiaries takes into account the partial settlement of quasi equity loans during the period as well as investment in ACEE.

The drop in amounts owing from subsidiaries was due to partial settlements made by certain subsidiaries during the period.

5 The decrease in amounts due from an associate was due to partial settlements made during the period.

6 The decrease in inventories was mainly due to continued stringent control on purchases and improved sales generated from existing inventory holding. In addition, significant purchase orders placed by the Group to replenish its inventory holding were pending delivery from suppliers.

7 Bank borrowings by both the Group and the Company declined primarily due to net repayments of S$13m made during the period.

8 Group trade creditors increased primarily due to the consolidation of ACEE's trade creditors into the Group's accounts following ACEE's acquisition in 1H17, and higher purchases for the Group's OEM sector in line with the increase in sales activities during the period.

The decline in trade creditors at Company level was mainly due to the settlement of outstanding GST payable and accrued expenses.

9 Group other creditors declined primarily due to lower advances from customers during the period. Company level other creditors increased in view of the deferred capital injection balance in ACEE.

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

Amount repayable in one year or less, or on demand

As at 30.06.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
1,040	14,755	1,017	27,332

Amount repayable after one year

As at 30.06.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
22,887	-	23,437	-

Details of any collaterals

The Group's borrowings were secured on certain properties of the Group.

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

Consolidated Statement of Cash Flows

	Group	
	6 months ended 30/06/2017	**6 months ended 30/06/2016**
	S$'000	**S$'000**
Operating activities		
Profit before tax	1,069	247
Adjustments for:		
Depreciation of property, plant and equipment	426	445
Write-back of trade doubtful debts, net	(94)	(22)
Provision for slow moving inventories	287	17
Foreign currency adjustments	23	48
Interest expense	512	711
Interest income	(4)	(4)
Operating cash flows before changes in working capital	2,219	1,442
Changes in working capital		
Increase in trade debtors	(1,600)	(2,796)
Decrease/(increase) in amount due from an associate	203	(59)
(Increase)/decrease in other debtors	(592)	61
Decrease in inventories	5,283	6,720
Increase in trade creditors and accruals	989	1,666
Decrease in other creditors	(198)	(155)
Increase in trade amounts owing to related parties	3	163
Cash flows generated from operations	6,307	7,042
Income tax paid	(229)	(290)
Interest paid	(512)	(711)
Interest income received	4	4
Net cash flows generated from operating activities	5,570	6,045
Investing activities		
Purchase of plant and equipment	(150)	(52)
Acquisition of subsidiary	400	-
Net cash flows generated from/(used in) investing activities	250	(52)
Financing activities		
Proceeds from term loans from banks	11,803	21,051
Repayment of term loans from banks	(24,448)	(25,311)
Proceeds from trade financing	-	7,217
Repayment of trade financing	(618)	(9,487)
Non-trade amounts owing to related parties	-	(130)
Proceeds from loan from ultimate holding company	-	2,250
Repayment of loan from ultimate holding company	-	(2,250)
Net cash flows used in financing activities	(13,263)	(6,660)
Net decrease in cash and cash equivalents	(7,443)	(667)
Effect of exchange rate changes on cash and cash equivalents	37	50
Cash and cash equivalents at 1 January	11,414	5,099
Cash and cash equivalents at 30 June	4,008	4,482
Cash and cash equivalents comprise of:-		
Cash at banks and on hand	4,008	4,482

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

Statements of Changes in Equity

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share Capital	Assets revaluation reserve	Foreign currency translation reserve	Revenue reserve		
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
Balance at 1 January 2016	31,658	11,418	(5,637)	37,533	9,255	84,227
Profit for the period	-	-	-	11	114	125
Other comprehensive loss for the period	-	-	(488)	-	(36)	(524)
Total comprehensive loss for the period	-	-	(488)	11	78	(399)
Balance at 30 June 2016	31,658	11,418	(6,125)	37,544	9,333	83,828
Balance at 1 January 2017	31,658	11,891	(6,163)	30,544	8,123	76,053
Profit for the period	-	-	-	578	177	755
Other comprehensive loss for the period	-	-	(171)	-	2	(169)
Total comprehensive income for the period	-	-	(171)	578	179	586
Contributions by and distributions to owners						
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	488	488
Total transactions with owners recognised directly in equity	-	-	-	-	488	488
Balance at 30 June 2017	31,658	11,891	(6,334)	31,122	8,790	77,127
Company						
Balance at 1 January 2016	31,658	10,359	-	13,157	-	55,174
Loss for the period	-	-	-	(39)	-	(39)
Total comprehensive loss for the period	-	-	-	(39)	-	(39)
Balance at 30 June 2016	31,658	10,359	-	13,118	-	55,135
Balance at 1 January 2017	31,658	10,705	-	13,201	-	55,564
Profit for the period	-	-	-	51	-	51
Total comprehensive income for the period	-	-	-	51	-	51
Balance at 30 June 2017	31,658	10,705	-	13,252	-	55,615

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

There was no change in the Company's share capital during the financial period.

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

The total number of issued ordinary shares excluding treasury shares as at 30 June 2017 was 234,060,000 (2016: 234,060,000).

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

The Company has no treasury shares.

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

The figures have not been audited or reviewed by the Company's auditors.

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

Not applicable.

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

Except as disclosed in Section 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financials for the current period as compared with the audited financial statements for the year ended 31 December 2016.

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

The Group has adopted all the new and revised Singapore Financial Reporting Standards (FRS) and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017. The adoption of these new/revised FRSs and INT FRSs has no significant impact to the Group.

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

	Group	
	30.06.2017	**30.06.2016**
	in cents	**in cents**
Earnings per ordinary share for the period:-		
Based on existing issued share capital	0.247	0.005
On a fully diluted basis	0.247	0.005

The computation of earnings per share is based on 234,060,000 (2016: 234,060,000) weighted average number of ordinary shares in issue during the period.

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

	Group		Company	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
	in cents	in cents	in cents	in cents
Net asset value per ordinary share based on issued share capital	29.20	29.02	23.76	23.74

The above is computed based on the number of issued ordinary shares as at the respective balance sheet dates amounting to 234,060,000 (2016: 234,060,000) shares.

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

Group revenue registered a 4% increase to S$39.2 million in 1H17 from S$37.7 million in 1H16. This was largely attributed to the:
- significant increase in sales contribution from the OEM market in Singapore and Malaysia; and
- contribution from the Group's subsidiary, ACEE, which was acquired in March 2017.

The increase was however, offset by the:
- absence of revenue contribution in 1H17 following the disposal of the Group's Taiwan subsidiary in 2H16;
- stiff competition in the dealers' market primarily in Western countries; and
- inventory clearance at reduced prices in 1H16.

Gross profit margin was relatively stable at 19.1% (1H16: 19.6%) despite intense price competition in the global dealers' market.

Group profit before taxation ("PBT") improved to S$1.1 million in 1H17 from S$0.25 million in 1H16 primarily due to the:
- Positive contribution from ACEE, which was acquired during the period;
- S$0.3 million decline in staff costs;
- S$0.2 million reduction in finance costs;
- S$0.2 million decrease in foreign exchange loss; and
- S$0.2 million fall in other operating expenses

offset by:
- a S$0.3 million increase in the provision for slow moving inventories.

The property segment continued to contribute positively to the Group’s revenue and PBT.

Please refer to notes to the income statement for further details.

The Group's net cash generated from operating activities at S$5.6 million (1H16: S$6.0 million) was mainly due to higher revenue generated during the period.

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

Not applicable.

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

The Group expects that the performance of the bearings and seals business may be affected by volatility in the global market environment in the months ahead. Hence, the Group will continue to exercise prudence on its business operations especially in the management of its inventory and overheads to maintain its healthy balance sheet and working capital position.

The bearings and seals and property segments are expected to contribute positively to the Group for the current financial year.

In the ensuing months, the Group will continue to focus on generating positive cashflow amid the uncertainty in the global business environment. Barring unforeseen circumstances, the Directors expect the performance of the Group for the financial year 2017 to remain profitable.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial year reported on? No

(b) Corresponding period of the Immediately Preceding Financial Year?

Any dividend declared for the corresponding period of the Immediately Preceding Financial Year? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

Not applicable.

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

The Group has not obtained a general mandate for Interested Person Transactions from the shareholders.

14. Confirmation by the Board pursuant to Rule 705(5).

The Board of Directors of Raffles United Holdings Ltd (the "Company"), do hereby confirm on behalf of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the half year ended 30 June 2017 to be false or misleading in any material aspects.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Tan Saik Hock
Chairman

Teo Teng Beng
Managing Director

4 August 2017