

RAFFLES UNITED HOLDINGS LTD
Co. Reg No. 197302030N
Unaudited Half Year Financial Statement Announcement for the half year ended 30 June 2016
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 30/06/2016	6 months ended 30/06/2015	Change
Revenue	Note 1	37,732	39,754	(5)
Other income including interest income		8	27	(70)
Changes in inventories		(7,257)	900	NM
Raw materials and consumables used		(23,075)	(31,201)	(26)
Staff costs	Note 2	(3,956)	(4,843)	(18)
Depreciation of property, plant and equipment	Note 3	(445)	(492)	(10)
Foreign exchange loss, net	Note 4	(241)	(62)	NM
Write-back of trade doubtful debts, net		22	22	-
Provision for slow moving inventories	Note 5	(17)	(121)	(86)
Other operating expenses	Note 6	(1,813)	(2,092)	(13)
Finance costs	Note 7	(711)	(468)	52
Profit before tax		247	1,424	(83)
Income tax expense	Note 8	(122)	(317)	(62)
Profit for the period		125	1,107	NM
Profit attributable to:				
Owners of the Company		11	1,089	NM
Non-controlling interests		114	18	NM
		125	1,107	NM

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

		Group		
		S\$'000		%
		6 months ended 30/06/2016	6 months ended 30/06/2015	Change
Profit for the period		125	1,107	NM
Other comprehensive income:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Foreign currency translation	Note 9	(524)	(841)	(38)
		(524)	(841)	(38)
Other comprehensive loss for the period, net of tax		(524)	(841)	(38)
Total comprehensive (loss)/income for the period		(399)	266	NM
Total comprehensive (loss)/income attributable to:				
Owners of the Company		(477)	190	NM
Non-controlling interests		78	76	3
		(399)	266	NM

NM - Not meaningful

Notes to the Income Statement

- 1 Group revenue fell by 5% to \$37.7 million in 1H16 from \$39.8 million in 1H15. The decline reflects prevailing challenges faced by the Group in the Bearings and Seals division, namely:
 - pricing pressure arising from stiff competition in the dealer's markets in ASEAN countries;
 - a general slowdown in Original Equipment Manufacturer ("OEM") market in Malaysia;
 - lower business activity in the Singapore domestic Maintenance, Repair, and Overhaul ("MRO") market;
 - currency translation effects arising from the weakening MYR against the SGD currency; and
 - the cessation of operations in its Australia subsidiary and the disposal of its Guangzhou subsidiary in 2H15.

This was nevertheless, mitigated by:

- improvements in the performance of the OEM market in Greater China; and
- active inventory clearance to generate positive cashflow in view of the uncertain and challenging global market conditions during the period.

The Group also generated higher rental income from the Property division, following its acquisition of 51% of the issued and paid-up share capital of Raffles Capital Enterprise Pte Ltd ("RCE") in 2H15.

Gross profit margin declined to 20% (1H15: 24%) mainly due to active inventory clearance at reduced prices during the period offset by higher revenue contribution from the Property division.

- 2 Staff costs dropped 18% primarily due to:
 - continual prudent approach towards headcount management, including natural staff attrition as well as optimising of operations; and
 - cessation of operations in its Australia subsidiary.
- 3 The 10% decline in depreciation was mainly attributable to:
 - the disposal, in 2H15, of the Group's Guangzhou subsidiary along with its fixed assets; and
 - certain office equipment and motor vehicle being fully depreciated 1H16.
- 4 The Group incurred a foreign exchange loss due to the strengthening of JPY against IDR ; weakening RMB against USD and SGD ; and weakening of VND against SGD during the period.
- 5 In view of the challenging and uncertain global economic environment, the Group has been active in inventory clearance. The Group inventories were stated at net realizable value as at 30 June 2016.
- 6 Other operating expenses declined by 13% in view of:
 - a decline in business activity during the period;
 - the cessation of operations in the Group's Australia subsidiary in 2H15; and
 - the disposal of its Guangzhou subsidiary in 2H15.
- 7 While the Group made repayments on its borrowings during the period, finance costs rose by 52% primarily due to:
 - the consolidation of borrowing costs incurred by RCE, following its acquisition by the Group in 2H15; and
 - a general increase in cost of borrowings.
- 8 The effective tax rate for the Group was higher than the Singapore tax rate of 17% (2015: 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 depreciation of the RMB and NTD against SGD upon consolidation of the Group's overseas subsidiaries 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	
		30.06.2016 S\$'000	31.12.2015 S\$'000	30.06.2016 S\$'000	31.12.2015 S\$'000
Assets					
Non-current assets					
Property, plant and equipment	Note 1	23,617	24,015	22,465	22,809
Investment in subsidiaries		-	-	14,952	14,952
Investment in associates		456	456	463	463
Investment properties		56,515	56,809	4,130	4,130
Other investments		57	57	57	57
		80,645	81,337	42,067	42,411
Current assets					
Trade debtors	Note 2	17,657	14,953	-	-
Other debtors		637	641	434	527
Prepayments		151	196	28	28
Amounts due from subsidiaries	Note 3	-	-	31,282	44,122
Amounts due from an associate		1,044	985	826	909
Amounts due from related parties	Note 4	-	153	-	-
Inventories	Note 5	57,886	65,160	-	-
Fixed deposits		826	843	-	-
Cash at banks and on hand		4,482	5,099	144	1,707
		82,683	88,030	32,714	47,293
Total assets		163,328	169,367	74,781	89,704
Equity and liabilities					
Current liabilities					
Interest bearing loans and borrowings	Note 6	30,766	37,388	17,080	28,130
Trade creditors and accruals	Note 7	12,157	10,553	287	355
Other creditors		760	922	83	99
Amounts due to related parties	Note 4	8,778	6,686	-	-
Provision for taxation		152	220	-	-
		52,613	55,769	17,450	28,584
Net current assets		30,070	32,261	15,264	18,709
Non-current liabilities					
Interest bearing loans and borrowings	Note 6	24,150	24,157	-	3,750
Amounts due to related parties	Note 4	-	2,384	-	-
Deferred tax liabilities		2,737	2,830	2,196	2,196
		26,887	29,371	2,196	5,946
Total liabilities		79,500	85,140	19,646	34,530
Net assets		83,828	84,227	55,135	55,174
Equity attributable to owners of the Company					
Share capital		31,658	31,658	31,658	31,658
Assets revaluation reserve		11,418	11,418	10,359	10,359
Foreign currency translation reserve		(6,125)	(5,637)	-	-
Revenue reserve		37,544	37,533	13,118	13,157
		74,495	74,972	55,135	55,174
Non-controlling interests		9,333	9,255	-	-
Total equity		83,828	84,227	55,135	55,174
Total equity and liabilities		163,328	169,367	74,781	89,704

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 of these assets during the period.
- 2 Group trade debtors increased in line with higher revenue generated from the OEM sector in the second quarter of 2016 as compared to the fourth quarter of 2015.
- 3 The decline in amounts due from subsidiaries at the Company level was due to partial settlements made by certain subsidiaries during the period.
- 4 The current amounts due from/to related parties, who are mainly non-controlling shareholders of certain subsidiaries, were unsecured, interest-free and repayable within the next twelve months.

There was a reclassification of amount due to related party from non-current to current during the period, which pertains to the outstanding loan owing to the minority shareholder of RCE and deemed controlling shareholder of the Company, being repayable within a year.

- 5 The decrease in inventories was mainly due to continued tight control on purchases and active inventory clearance to generate positive cashflow in view of the uncertain and challenging global market conditions during the period.
- 6 Bank borrowings by both the Group and the Company declined primarily due to repayments made during the period.
- 7 Group trade creditors increased in line with higher purchases meant for the OEM sector following higher revenue generated in the second quarter of 2016 as compared to the fourth quarter of 2015.

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

Amount repayable in one year or less, or on demand

As at 30.06.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,058	26,708	4,290	33,098

Amount repayable after one year

As at 30.06.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
24,150	-	20,407	3,750

Details of any collaterals

The Group's borrowings were secured on certain properties, deposits and receivables 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 30/06/2016	6 months ended 30/06/2015
	S\$'000	S\$'000
Operating activities		
Profit before tax	247	1,424
Adjustments for:		
Depreciation of property, plant and equipment	445	492
Write-back of trade doubtful debts, net	(22)	(22)
Provision for slow moving inventories	17	121
Foreign currency adjustments	48	(260)
Interest expense	711	468
Interest income	(4)	(4)
Operating cash flows before changes in working capital	1,442	2,219
Changes in working capital		
(Increase)/decrease in trade debtors	(2,796)	1,196
Increase in amount due from an associate	(59)	(43)
Decrease/(increase) in other debtors	61	(91)
Decrease/(increase) in inventories	6,720	(1,114)
Increase in trade creditors and accruals	1,666	477
Decrease in other creditors	(155)	(73)
Increase in trade amounts owing from/to related parties	163	311
Cash flows generated from operations	7,042	2,882
Income tax paid	(290)	(255)
Interest paid	(711)	(468)
Interest income received	4	4
Net cash flows generated from operating activities	6,045	2,163
Investing activities		
Purchase of plant and equipment	(52)	(17)
Net cash flows used in investing activities	(52)	(17)
Financing activities		
Proceeds from term loans from banks	21,051	23,159
Repayment of term loans from banks	(25,311)	(28,722)
Proceeds from trade financing	7,217	7,534
Repayment of trade financing	(9,487)	(4,672)
Non-trade amounts owing from/to related parties	(130)	(971)
Proceeds from loan from ultimate holding company	2,250	-
Repayment of loan from ultimate holding company	(2,250)	-
Dividend paid on ordinary shares	-	(234)
Net cash flows used in financing activities	(6,660)	(3,906)
Net decrease in cash and cash equivalents	(667)	(1,760)
Effect of exchange rate changes on cash and cash equivalents	50	117
Cash and cash equivalents at 1 January	5,099	7,525
Cash and cash equivalents at 30 June	4,482	5,882
Cash and cash equivalents comprise of:-		
Cash at banks and on hand	4,482	5,882

Cash and cash equivalents as at 30 June 2016 excluded \$826K (2015: \$843K) of fixed deposits which had been pledged to banks for short term loan facilities for a certain subsidiary.

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

	<u>Attributable to owners of the Company</u>				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 2015	31,658	11,115	(3,564)	37,300	1,178	77,687
Profit for the period	-	-	-	1,089	18	1,107
Other comprehensive income for the period	-	-	(899)	-	58	(841)
Total comprehensive income for the period	-	-	(899)	1,089	76	266
Contributions by and distributions to owners						
Dividend paid	-	-	-	(234)	-	(234)
Total transactions with owners recognized directly in equity	-	-	-	(234)	-	(234)
Balance at 30 June 2015	<u>31,658</u>	<u>11,115</u>	<u>(4,463)</u>	<u>38,155</u>	<u>1,254</u>	<u>77,719</u>
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	<u>31,658</u>	<u>11,418</u>	<u>(6,125)</u>	<u>37,544</u>	<u>9,333</u>	<u>83,828</u>
Company						
Balance at 1 January 2015	31,658	9,920	-	12,326	-	53,904
Profit for the period	-	-	-	351	-	351
Total comprehensive income for the period	-	-	-	351	-	351
Contributions by and distributions to owners						
Dividend paid	-	-	-	(234)	-	(234)
Total transactions with owners recognized directly in equity	-	-	-	(234)	-	(234)
Balance at 30 June 2015	<u>31,658</u>	<u>9,920</u>	<u>-</u>	<u>12,443</u>	<u>-</u>	<u>54,021</u>
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	<u>31,658</u>	<u>10,359</u>	<u>-</u>	<u>13,118</u>	<u>-</u>	<u>55,135</u>

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 2016 was 234,060,000 (2015: 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 2015.

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 2016. 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.

Earnings per ordinary share for the period:-
Based on existing issued share capital
On a fully diluted basis

Group	
30.06.2016	30.06.2015
in cents	in cents
0.005	0.47
0.005	0.47

The computation of earnings per share is based on 234,060,000 (2015: 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	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	in cents	in cents	in cents	in cents
Net asset value per ordinary share based on issued share capital	31.83	32.03	23.56	23.57

The above is computed based on the number of issued ordinary shares as at the respective balance sheet dates amounting to 234,060,000 (2015: 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 fell by 5% to \$37.7 million in 1H16 from \$39.8 million in 1H15. The decline reflects prevailing challenges faced by the Group in the Bearings and Seals division, namely:

- pricing pressure arising from stiff competition in the dealer's markets in ASEAN countries;
- a general slowdown in Original Equipment Manufacturer ("OEM") market in Malaysia;
- lower business activity in the Singapore domestic Maintenance, Repair, and Overhaul ("MRO") market;
- currency translation effects arising from the weakening MYR against the SGD currency; and
- the cessation of operations in its Australia subsidiary and the disposal of its Guangzhou subsidiary in 2H15.

This was nevertheless, mitigated by:

- improvements in the performance of the OEM market in Greater China; and
- active inventory clearance to generate positive cashflow in view of the uncertain and challenging global market conditions during the period.

The Group also generated higher rental income from the Property division, following its acquisition of 51% of the issued and paid-up share capital of Raffles Capital Enterprise Pte Ltd ("RCE") in 2H15.

Gross profit margin declined to 20% (1H15: 24%) mainly due to active inventory clearance at reduced prices during the period offset by higher revenue contribution from the Property division.

Group profit before taxation dipped to \$0.25 million in 1H16 from \$1.42 million in 1H15 primarily due to the:

- \$2.0 million decrease in gross profit mainly due to active inventory clearance at reduced prices during the period;
- \$0.2 million increase in foreign exchange loss; and
- \$0.2 million increase in finance costs

offset by:

- \$0.9 million decrease in staff costs; and
- \$0.3 million decrease in other operating expenses.

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

The Group's net cash generated from operating activities was \$6.0 million (1H15: \$2.2 million) mainly due to active promotion of its inventories at reduced prices during the period. This was in line with the Group's strategy to generate positive cashflow in the midst of the uncertain and challenging global market conditions.

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 the business environment to remain challenging in the months ahead. Competition in the Bearings and Seals industry is expected to be intense in the face of subdued demand amid weak global market conditions. In this regard, the Group has strengthened its balance sheet and continues to exercise prudence in the management of its cash and inventory to ensure that it is able to navigate the challenges going forward. At the same time, it will keep a close watch on the market and tap on any growth opportunities that may arise. Meanwhile, the property business should remain relatively stable and is expected to contribute positively to the Group.

For full year 2016, the Group will continue to focus on generating positive cashflow amidst the uncertain and challenging business environment.

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 2016 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

5 August 2016