

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 Income Statement

		Group		
		S\$'000		%
		6 months ended 30/06/2014	6 months ended 30/06/2013	Change
Revenue	Note 1	41,734	39,888	5
Other income including interest income	Note 2	183	229	(20)
Changes in inventories		(7,975)	(1,269)	NM
Raw materials and consumables used		(25,919)	(29,906)	(13)
Staff costs	Note 3	(4,651)	(4,431)	5
Gain on change in fair value of investment properties	Note 4	2,185	155	NM
Provision for slow moving inventories	Note 5	(1,453)	(110)	NM
Depreciation of property, plant and equipment		(523)	(529)	(1)
Foreign exchange loss, net	Note 6	(239)	(100)	139
Provision for doubtful debts, associate	Note 7	(100)	-	NM
(Provision for)/write-back of trade doubtful debts, net	Note 8	(41)	44	NM
Other operating expenses	Note 9	(2,237)	(2,021)	11
Finance costs	Note 10	(339)	(544)	(38)
Profit before tax		625	1,406	(56)
Income tax expense	Note 11	(567)	(354)	60
Profit for the period		58	1,052	(94)
Profit attributable to:				
Owners of the Company		97	1,095	(91)
Non-controlling interests		(39)	(43)	(9)
		58	1,052	(94)

(ii) Consolidated Statement of Comprehensive Income

		Group		
		S\$'000		%
		6 months ended 30/06/2014	6 months ended 30/06/2013	Change
Profit for the period		58	1,052	(94)
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Revaluation of land and buildings	Note 12	1,088	-	NM
		1,088	-	
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation	Note 13	(135)	164	NM
		(135)	164	NM
Other comprehensive income for the period, net of tax		953	164	NM
Total comprehensive income for the period		1,011	1,216	(17)
Total comprehensive income attributable to:				
Owners of the Company		1,056	1,256	(16)
Non-controlling interests		(45)	(40)	13
		1,011	1,216	(17)

NM - Not meaningful

Notes to the Income Statement

- 1 Group turnover was up by 5% to \$42 million in 1H14 from \$40 million in 1H13 mainly due to increase in sales to certain Original Equipment Manufacturer ("OEM") customers in Malaysia and China and recovery of certain export markets. This was however, offset by challenging market conditions for the dealers segments in China and weaker domestic Singapore sales to OEM and Maintenance, Repair, and Overhaul ("MRO") segments.

However, gross profit margin declined to 19% (1H13: 22%) primarily due to intense price competition in the global dealers' markets during the period.

- 2 The decline in other income was mainly due to the sale of an investment property in Singapore in 2H13 resulting in lower rental income during the period.
- 3 Staff costs increased by 5% mainly due to higher variable incentives being given to staff to target higher sales.
- 4 The gain on change in fair value of investment properties arose from independent valuations performed during the period on the Group's investment properties in Singapore and China. The revaluation surplus taken up in the Group accounts for 1H14 was lower than that disclosed in our Offeree Circular which was announced on 27 June 2014, amounting to \$4.2 million, on the basis of Directors' valuation on ground of prudence due to recent property market sentiment in China after 30 June 2014. We will re-assess the valuation of our investment properties at year end.

The significant revaluation surplus for the:-

- China properties mainly relates to the Shanghai investment property located in the Wai Gao Qiao Free Trade Zone ("FTZ") due to a renewed emphasis of the FTZ area since September 2013 where the China (Shanghai) Pilot FTZ was established. The revaluation was based on recent transacted prices of similar properties within the vicinity.
- Singapore properties mainly relates to the investment property located at Citimac Industrial Complex based on recent transacted prices of similar properties within the vicinity.

- 5 In view of sustained efforts on aggressive stock promotion since 2H13, the Group performed a reassessment of its inventory against current market price and replacement cost and made due provisions for slow moving inventories during the period. The provisions were made for China and Indonesia companies in line with:-
 - intense price competition in the global dealers' markets during the period;
 - weak domestic markets in these respective countries; and
 - continued depreciation of IDR currency resulting in write-down of its inventory.

The provision for slow moving inventories were adequate as at 30 June 2014.

- 6 The foreign exchange loss was mainly due to the Group's exposure to USD and VND against SGD currency during the period.
- 7 Provision for doubtful debts owing from the associate was made in view of the political issues in Thailand for the past few years and stiff price competition for the dealers' markets.
- 8 Provision for trade doubtful debts was made on ground of prudence.
- 9 The increase in other operating expenses was due to:-
 - the provision for expenses for the mandatory unconditional cash offer amounting to \$0.1m and
 - increase in expenses incurred in line with increase in sales.
- 10 Group finance costs decreased by 38% in line with the reduction of the Group's total borrowings during the period.
- 11 The effective tax rate for the Group was higher than the Singapore tax rate of 17% (2013: 17%) mainly due to:-
 - deferred tax liability provided for the revaluation surplus on the China investment properties;
 - higher tax rate of 25% for its Malaysia subsidiary; and
 - certain non-deductible expenses of the Group for tax purposes.
- 12 The revaluation of land and buildings was attributable to revaluation gains in respect of properties of the Group located in Singapore resulting from independent valuations performed during the period.
- 13 The loss on translation reserve was mainly due to the fluctuation of foreign exchange rates upon consolidation of subsidiaries, offset by the translation gain arising from the quasi equity loans to 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	
		30.06.2014 S\$'000	31.12.2013 S\$'000	30.06.2014 S\$'000	31.12.2013 S\$'000
Assets					
Non-current assets					
Property, plant and equipment	Note 1	25,463	24,561	23,060	22,037
Investment in subsidiaries	Note 2	-	-	5,776	13,918
Investment in an associate		-	-	10	10
Investment properties	Note 3	7,756	5,687	4,030	3,150
Other investments		237	237	237	237
		33,456	30,485	33,113	39,352
Current assets					
Trade debtors	Note 4	18,006	15,890	10,309	8,855
Other debtors		169	222	20	18
Prepayments		247	83	70	22
Amounts due from subsidiaries	Note 2	-	-	5,678	7,500
Amount due from an associate		1,779	1,796	1,772	1,789
Amounts due from related parties	Note 5	845	2,719	-	893
Inventories	Note 6	72,544	81,972	36,482	39,156
Fixed deposits		230	649	-	-
Cash at banks and on hand		4,535	4,137	572	1,605
		98,355	107,468	54,903	59,838
Total assets		131,811	137,953	88,016	99,190
Equity and liabilities					
Current liabilities					
Interest bearing loans and borrowings	Note 7	18,560	30,012	13,138	23,657
Trade creditors and accruals	Note 8	13,511	9,141	9,003	5,049
Other creditors		653	532	343	344
Amounts due to related parties	Note 5	8,374	12,232	-	108
Provision for taxation		123	114	19	56
		41,221	52,031	22,503	29,214
Net current assets		57,134	55,437	32,400	30,624
Non-current liabilities					
Interest bearing loans and borrowings	Note 7	10,467	6,893	10,000	6,500
Deferred tax liabilities		2,923	2,372	2,041	1,821
		13,390	9,265	12,041	8,321
Total liabilities		54,611	61,296	34,544	37,535
Net assets		77,200	76,657	53,472	61,655
Equity attributable to owners of the Company					
Share capital		31,658	31,658	31,658	31,658
Assets revaluation reserve	Note 1	10,797	9,716	9,686	8,617
Foreign currency translation reserve		(3,449)	(3,327)	-	-
Revenue reserve		36,959	37,470	12,128	21,380
		75,965	75,517	53,472	61,655
Non-controlling interests		1,235	1,140	-	-
Total equity		77,200	76,657	53,472	61,655
Total equity and liabilities		131,811	137,953	88,016	99,190

Notes to the Statements of Financial Position

- 1 The increase in property, plant and equipment was mainly attributed to the revaluation gain of \$1.3 million resulting from independent valuations performed on properties located in Singapore during the period. Further, there were additions of office equipment and motor vehicle offset by depreciation charges during the period.
- 2 The decline in investment in subsidiaries and trade amounts owing from subsidiaries were mainly due to provisions for diminution in line with deficit of the Company's costs of investment against the share of net assets of its China, Indonesia and Australia subsidiaries because of:-
 - prolonged difficult dealers' market conditions in China;
 - continual depreciation of IDR currency resulting in impairment of its inventory; and
 - high operating costs in Australia.

In addition, partial settlement of quasi equity loans and trade amounts owing were made by the Hong Kong and Australia subsidiaries during the period.

The loans were denominated in SGD, unsecured, and interest free. The settlement of these loans were neither planned nor likely to occur in the foreseeable future. The loans formed part of the Company's net investment in the subsidiary and were stated at cost net of provision for diminution in investments.

- 3 The increase in investment properties of the Group and Company was primarily attributed to the gain on change in fair value of investment properties in 1H14 resulting from independent valuations performed on the properties located in Singapore and China. Please refer to Note 4 to the income statement for further details.
- 4 There was an increase in sales for both the Group and Company during the period resulting in higher trade debtors balances as at 30 June 2014. However, trade debtors turnover remained healthy and slightly dropped for both Group and Company to 74 days (1H13: 77 days) and 64 days (1H13: 66 days) respectively.

The provision for doubtful debts is adequate as at 30 June 2014, taking into consideration subsequent collections of certain balances that were past due.

- 5 The 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. The decline in these amounts were due to settlements made during the period.
- 6 The decline in inventory at the Group and Company level by \$9.4 million and \$2.7 million, respectively was due to:-
 - stringent monitoring of purchases and continual aggressive promotion of stocks in view of continued challenging global dealers' markets which resulted in \$7.4 million sale of stocks at the Group, and
 - provision for slow moving inventories of \$1.5 million for the Group as explained in Note 5 to the income statement.
- 7 Total bank borrowings declined for both the Group and Company level mainly due to repayments made during the period.
- 8 Trade creditors increased mainly due to higher purchases for the Company level during the period.

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

Amount repayable in one year or less, or on demand

As at 30.06.2014		As at 31.12.2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,685	14,875	2,662	27,350

Amount repayable after one year

As at 30.06.2014		As at 31.12.2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
467	10,000	393	6,500

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 30/06/2014	6 months ended 30/06/2013
	S\$'000	S\$'000
Operating activities		
Profit before tax	625	1,406
Adjustments for:		
Gain on change in fair value of investment properties	(2,185)	(155)
Provision for slow moving inventories	1,453	110
Depreciation of property, plant and equipment	523	529
Provision for doubtful debts, associate	100	-
Provision for/(write-back of) trade doubtful debts, net	41	(44)
Foreign currency adjustments	167	(480)
Interest expense	339	544
Interest income	(4)	(5)
Operating cash flows before changes in working capital	1,059	1,905
Changes in working capital		
Decrease in inventories	7,413	1,811
Increase in trade creditors and accruals	4,465	111
Decrease in other debtors	306	769
Increase in other creditors	127	138
Increase in trade debtors	(2,261)	(3,609)
(Decrease)/increase in trade amounts owing from/to related parties	(495)	120
Increase in amount due from an associate	(83)	(644)
Cash flows generated from operations	10,531	601
Income tax paid	(232)	(493)
Interest paid	(339)	(544)
Interest income received	4	5
Net cash flows generated from/(used in) operations	9,964	(431)
Investing activities		
Purchase of plant and equipment	(158)	(198)
Net cash flows used in investing activities	(158)	(198)
Financing activities		
Proceeds from term loans from banks	18,980	31,912
Repayment of term loans from banks	(23,672)	(34,646)
Proceeds from trust receipts	5,359	10,931
Repayment of trust receipts	(8,382)	(8,027)
Non-trade amounts owing from/to related parties	(1,261)	1,094
Dividend paid on ordinary shares	(468)	(468)
Net cash flows (used in)/from financing activities	(9,444)	796
Net increase in cash and cash equivalents	362	167
Effect of exchange rate changes on cash and cash equivalents	36	(33)
Cash and cash equivalents at 1 January	4,137	3,990
Cash and cash equivalents at 30 June	4,535	4,124
Cash and cash equivalents comprise of:-		
Cash at banks and on hand	4,535	4,124

Cash and cash equivalents as at 30 June 2014 excluded \$230K (2013: \$649K) of fixed deposits which had been pledged to banks for short term loan facilities and bank guarantee for certain subsidiaries.

- 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>			<u>Non-</u>	<u>Total equity</u>
	<u>Share Capital</u>	<u>Assets revaluation reserve</u>	<u>Foreign currency translation reserve</u>	<u>controlling interests</u>	
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Group					
Balance at 1 January 2013	31,658	7,994	(2,514)	1,525	75,317
Profit for the period	-	-	-	(43)	1,052
Other comprehensive income for the period	-	-	161	3	164
Total comprehensive income for the period	-	-	161	(40)	1,216
<u>Contributions by and distributions to owners</u>					
Dividend paid	-	-	-	-	(468)
Total transactions with owners recognized directly in equity	-	-	-	-	(468)
Balance at 30 June 2013	<u>31,658</u>	<u>7,994</u>	<u>(2,353)</u>	<u>1,485</u>	<u>76,065</u>
Balance at 1 January 2014	31,658	9,716	(3,327)	1,140	76,657
Profit for the period	-	-	-	(39)	58
Other comprehensive income for the period	-	1,081	(122)	(6)	953
Total comprehensive income for the period	-	1,081	(122)	(45)	1,011
<u>Contributions by and distributions to owners</u>					
Dividend paid	-	-	-	-	(468)
Effects of acquiring part of non-controlling interests in a subsidiary	-	-	-	140	-
Total transactions with owners recognized directly in equity	-	-	-	140	(468)
Balance at 30 June 2014	<u>31,658</u>	<u>10,797</u>	<u>(3,449)</u>	<u>1,235</u>	<u>77,200</u>
Company					
Balance at 1 January 2013	31,658	7,010	-	-	59,499
Profit for the period	-	-	-	-	888
Total comprehensive income for the period	-	-	-	-	888
<u>Contributions by and distributions to owners</u>					
Dividend paid	-	-	-	-	(468)
Total transactions with owners recognized directly in equity	-	-	-	-	(468)
Balance at 30 June 2013	<u>31,658</u>	<u>7,010</u>	<u>-</u>	<u>-</u>	<u>59,919</u>
Balance at 1 January 2014	31,658	8,617	-	-	61,655
Loss for the period	-	-	-	-	(8,784)
Other comprehensive income for the period	-	1,069	-	-	1,069
Total comprehensive loss for the period	-	1,069	-	-	(7,715)
<u>Contributions by and distributions to owners</u>					
Dividend paid	-	-	-	-	(468)
Total transactions with owners recognized directly in equity	-	-	-	-	(468)
Balance at 30 June 2014	<u>31,658</u>	<u>9,686</u>	<u>-</u>	<u>-</u>	<u>53,472</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 2014 was 234,060,000 (2013: 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 2013.

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 2014. 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	
30.06.2014	30.06.2013
in cents	in cents
0.04	0.47
0.04	0.47

The computation of earnings per share is based on 234,060,000 (2013: 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.

Net asset value per ordinary share based on issued share capital

Group		Company	
30.06.2014	31.12.2013	30.06.2014	31.12.2013
in cents	in cents	in cents	in cents
32.46	32.26	22.85	26.34

The above is computed based on the number of issued ordinary shares as at the respective balance sheet dates amounting to 234,060,000 (2013: 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 turnover was up by 5% to \$42 million in 1H14 from \$40 million in 1H13 mainly due to increase in sales to certain OEM customers in Malaysia and China and recovery of certain export markets. This was however, offset by challenging market conditions for the dealers segments in China and weaker domestic Singapore sales to OEM and MRO segments.

However, gross profit margin declined to 19% (1H13: 22%) primarily due to intense price competition in the global dealers' markets during the period.

Despite the increase in 1H14 turnover, profit before taxation declined 56% mainly due to:-

- lower gross profit margin
- provision for slow moving stocks
- increase in staff costs
- increase in other operating expenses

offset by:

- gain on revaluation of investment properties during the period.

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

The Group's net cash generated from operating activities improved to a positive \$10.0 million (1H13: \$0.4 million deficit) mainly due to continual stringent control over inventory purchases and aggressive promotion of its inventories during the period. Please refer to note 6 to the balance sheet for further details.

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 Company released an announcement on 5 June 2014 in relation to the mandatory unconditional cash offer by Raffles United Pte Ltd ("RU") to acquire all the issued and paid-up ordinary shares in the capital of the Company, other than those already owned, controlled or agreed to be acquired by RU and parties acting in concert with it which was closed on 17 July 2014. RU had expressed its intentions of offering its experience and business contacts in property investment to the Company for future growth prospects in addition to carrying on its existing businesses. This potential business portfolio diversification may attribute to an increase in shareholder value in future.

The Board will consider and look into potential diversification of business into property investment. The Group will release appropriate announcement in due course if and whenever appropriate.

The Group will continue to focus on its existing core business in bearings and seals especially the OEM and MRO segments in the countries in which the Group operates.

The Group expects the global operating environment to remain challenging and uncertain for the next 12 months. Barring any unforeseen circumstances, the Directors expect the performance of the Group for the full year 2014 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/recommendeded, 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.

The Board of Directors of Kian Ho Bearings 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 2014 to be false or misleading in any material aspects.

BY ORDER OF THE BOARD

Yeo Wee Kiong
Chairman

Teo Teng Beng
Managing Director

13 August 2014