RAFFLES UNITED HOLDINGS LTD
Co. Reg No. 197302030N
Unaudited Half Year Financial Statement Announcement for the half year ended 30 June 2018

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 30/06/2018	6 months ended 30/06/2017	Change
Revenue	Note 1	37,237	39,171	(5)
Other income including interest income		57	8	NM
Changes in inventories	Note 1	(228)	(5,194)	(96)
Raw materials and consumables used	Note 1	(28,984)	(26,497)	9
Staff costs		(3,735)	(3,642)	3
Depreciation of property, plant and equipment	Note 2	(477)	(426)	12
Foreign exchange loss, net	Note 3	(888)	(74)	NM
(Provision for) / write-back of trade doubtful debts, net	Note 4	(226)	94	NM
Write-back / (provision) for slow moving inventories, net	Note 5	334	(287)	NM
Write-back of provision for doubtful debts, associate, net	Note 6	63	-	NM
Other operating expenses		(1,593)	(1,572)	1
Finance costs	Note 7	(542)	(512)	6
Profit before tax		1,018	1,069	(5)
Income tax expense	Note 8	(220)	(314)	(30)
Profit for the period		798	755	6
Profit attributable to:				
Owners of the Company		710	578	23
Non-controlling interests		88	177	(50)
		798	755	6

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

		Group		
		S$'000		%
		6 months ended 30/06/2018	6 months ended 30/06/2017	Change
Profit for the period		798	755	6
Other comprehensive income:				
Item that will not be reclassified subsequently to profit or loss				
Revaluation of land and buildings	Note 9	249	-	NM
		249	-	NM
Item that may be reclassified subsequently to profit or loss				
Foreign currency translation	Note 10	1,384	(169)	NM
		1,384	(169)	NM
Other comprehensive income/(loss) for the period, net of tax		1,633	(169)	NM
Total comprehensive income for the period		2,431	586	NM
Total comprehensive income attributable to:				
Owners of the Company		2,338	407	NM
Non-controlling interests		93	179	(48)
		2,431	586	NM

NM - Not meaningful

Notes to the Income Statement

1 Group revenue declined by 5% to $37.2 million in 1H18, from $39.2 million in 1H17, largely due to the:
- stiff competition in the dealers' market primarily in ASEAN and Other Asian countries; and
- longer delivery lead time from certain suppliers resulting in the delay in the fulfillment of certain customers' back orders during the period.

This was, partially mitigated by contribution from the Group's subsidiary, Acee Electric Pte Ltd ("Acee"), which was acquired in March 2017.

Gross profit margin at 22%, was stable compared to that recorded for the second half of 2017, and higher than the 19% recorded in 1H17. This was attributable to general improvement in the operating market conditions in Malaysia.

2 The increase in depreciation by 12% reflected the impact of the upward revaluation of the Group's properties in Singapore and Malaysia in December 2017 and the addition of fixed assets.

3 Group foreign exchange loss was mainly due to the:
- realisation of IDR currency translation losses arising from the repayments of quasi-equity loan by its Indonesia subsidiary during the period; and
- strengthening of JPY against IDR during the period.

4 Provision for trade doubtful debts was made upon internal assessment of the Group's outstanding trade receivables.

5 The Group recorded net write-back of provision for slow-moving inventories following the sale of inventories previously provided for. The provision for slow-moving inventories was adequate as at 30 June 2018.

6 The net write-back of provision for doubtful debts owing from an associate was due to partial settlements received during the period for debts previously provided for.

7 While the Group made repayments on its borrowings during the period, finance costs rose by 6% primarily due to:
- borrowing costs incurred following acquisition of certain properties in Singapore for its operations; 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% (2017: 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 revaluation of land and buildings under property, plant and equipment was attributable to net revaluation gain arising from independent indicative valuations obtained for the Group's properties in Singapore during the period.

10 The gain on translation reserve was due to realisation of IDR currency translation losses arising from the repayments of quasi-equity loan by its Indonesia subsidiary during the period and the appreciation of MYR against SGD upon consolidation of the Group's overseas subsidiaries.

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	
		30.06.2018 S$'000	31.12.2017 S$'000	30.06.2018 S$'000	31.12.2017 S$'000
Assets					
Non-current assets					
Property, plant and equipment	Note 1	31,527	29,355	22,431	22,483
Investment in subsidiaries	Note 2	-	-	13,013	13,762
Investment in associates		764	764	453	453
Investment properties		56,876	56,818	4,520	4,520
		89,167	86,937	40,417	41,218
Current assets					
Trade debtors	Note 3	16,603	13,722	9	-
Other debtors	Note 4	131	332	58	44
Prepayments		223	231	17	3
Amounts due from subsidiaries	Note 2	-	-	29,251	28,090
Amounts due from an associate		-	8	-	-
Inventories		29,827	29,721	-	-
Cash at banks and on hand		6,423	6,128	86	118
		53,207	50,142	29,421	28,255
Total assets		142,374	137,079	69,838	69,473
Equity and liabilities					
Current liabilities					
Interest bearing loans and borrowings	Note 5	18,786	10,109	8,200	8,800
Trade creditors and accruals	Note 6	14,638	13,500	251	411
Other creditors		973	1,014	376	388
Amounts due to related parties		2,384	2,389	-	-
Provision for taxation		160	124	-	-
		36,941	27,136	8,827	9,599
Net current assets		16,266	23,006	20,594	18,656
Non-current liabilities					
Interest bearing loans and borrowings	Note 5	18,959	26,080	-	-
Deferred tax liabilities		3,089	3,027	2,415	2,364
		22,048	29,107	2,415	2,364
Total liabilities		58,989	56,243	11,242	11,963
Net assets		83,385	80,836	58,596	57,510
Equity attributable to owners of the Company					
Share capital		31,658	31,658	31,658	31,658
Assets revaluation reserve		12,650	12,401	11,429	11,180
Foreign currency translation reserve		(4,651)	(6,030)	-	-
Revenue reserve		34,648	33,938	15,509	14,672
		74,305	71,967	58,596	57,510
Non-controlling interests		9,080	8,869	-	-
Total equity		83,385	80,836	58,596	57,510
Total equity and liabilities		142,374	137,079	69,838	69,473

Notes to the Statements of Financial Position

1 The increase in property, plant and equipment at the Group level was mainly attributed to the acquisition of a property in Singapore for its branch operations. This was, however, offset by depreciation charges during the period.

2 The net decline in investment in subsidiaries was primarily due to the significant repayments of quasi-equity loans offset by investment in a subsidiary during the period.

The amounts due from subsidiaries at the Company level increased in view of funding provided to certain subsidiaries for the purchase of inventories offset by partial settlements received during the period.

3 The increase in Group trade debtors was mainly due to higher revenue generated by the Original Equipment Manufacturer ("OEM") sector in the second quarter of 2018 as compared to the fourth quarter of 2017.

4 The decline in Group other debtors was primarily due to deposits made in the prior year in relation to the acquisition of a property in Singapore for its branch operations. The said deposit was subsequently capitalized into property, plant and equipment upon completion of the acquisition in the current period.

5 Bank borrowings at the Group level increased due to a property acquired in Singapore for its branch operations during the period.

The decline in bank borrowings at the Company level was due to net repayments made during the period.

6 Group trade creditors and accruals increased primarily due to higher purchases in the second quarter of 2018 to meet demand.

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

Amount repayable in one year or less, or on demand

As at 30.06.2018		As at 31.12.2017	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	**S$'000**	**S$'000**	**S$'000**
1,102	17,684	1,309	8,800

Amount repayable after one year

As at 30.06.2018		As at 31.12.2017	
Secured	**Unsecured**	**Secured**	**Unsecured**
S$'000	**S$'000**	**S$'000**	**S$'000**
18,959	-	26,080	-

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 30/06/2018	**6 months ended 30/06/2017**
	S$'000	**S$'000**
Operating activities		
Profit before tax	1,018	1,069
Adjustments for:		
Depreciation of property, plant and equipment	477	426
Provision for / (write-back of) trade doubtful debts, net	226	(94)
(Write-back) / provision for slow moving inventories, net	(334)	287
Write-back of provision for doubtful debts, associate, net	(63)	-
Foreign currency adjustments	748	23
Interest expense	542	512
Interest income	(1)	(4)
Operating cash flows before changes in working capital	2,613	2,219
Changes in working capital		
Increase in trade debtors	(3,008)	(1,600)
Decrease in amount due from an associate	71	203
Decrease / (increase) in other debtors	204	(592)
Decrease in inventories	597	5,283
Increase in trade creditors and accruals	1,145	992
Decrease in other creditors	(43)	(198)
Cash flows generated from operations	1,579	6,307
Income tax paid	(183)	(229)
Interest paid	(542)	(512)
Interest income received	1	4
Net cash flows generated from operating activities	855	5,570
Investing activities		
Purchase of property, plant and equipment	(2,322)	(150)
Acquisition of subsidiary	-	400
Net cash flows (used in) / generated from investing activities	(2,322)	250
Financing activities		
Proceeds from term loans from banks	17,961	11,803
Repayment of term loans from banks	(16,789)	(24,448)
Proceeds from trade financing	628	-
Repayment of trade financing	(244)	(618)
Capital injection by non-controlling shareholders of a subsidiary	118	-
Net cash flows generated from / (used in) financing activities	1,674	(13,263)
Net increase/(decrease) in cash and cash equivalents	207	(7,443)
Effect of exchange rate changes on cash and cash equivalents	88	37
Cash and cash equivalents at 1 January	6,128	11,414
Cash and cash equivalents at 30 June	6,423	4,008
Cash and cash equivalents comprise of:-		
Cash at banks and on hand	6,423	4,008

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 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/(loss) 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 recognized directly in equity	-	-	-	-	488	488
Balance at 30 June 2017	31,658	11,891	(6,334)	31,122	8,790	77,127
Balance at 1 January 2018	31,658	12,401	(6,030)	33,938	8,869	80,836
Profit for the period	-	-	-	710	88	798
Other comprehensive income for the period	-	249	1,379	-	5	1,633
Total comprehensive income for the period	-	249	1,379	710	93	2,431
Contributions by and distributions to owners						
Capital injection by non-controlling shareholders of a subsidiary	-	-	-	-	118	118
Total transactions with owners recognised directly in equity	-	-	-	-	118	118
Balance at 30 June 2018	31,658	12,650	(4,651)	34,648	9,080	83,385
Company						
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
Balance at 1 January 2018	31,658	11,180	-	14,672	-	57,510
Profit for the period	-	-	-	837	-	837
Other comprehensive income for the period	-	249	-	-	-	249
Total comprehensive income for the period	-	249	-	837	-	1,086
Balance at 30 June 2018	31,658	11,429	-	15,509	-	58,596

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 2018 was 234,060,000 (2017: 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 2017.

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 2018. 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	
	30.06.2018	**30.06.2017**
	in cents	**in cents**
Earnings per ordinary share for the period:-		
Based on existing issued share capital	0.303	0.247
On a fully diluted basis	0.303	0.247

The computation of earnings per share is based on 234,060,000 (2017: 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	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
	in cents	in cents	in cents	in cents
Net asset value per ordinary share based on issued share capital	31.75	30.75	25.03	24.57

The above is computed based on the number of issued ordinary shares as at the respective balance sheet dates amounting to 234,060,000 (2017: 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 declined by 5% to $37.2 million in 1H18, from $39.2 million in 1H17, largely due to the:
- stiff competition in the dealers' market primarily in ASEAN and Other Asian countries; and
- longer delivery lead time from certain suppliers resulting in the delay in the fulfillment of certain customers' back orders during the period.

This was, partially mitigated by contribution from the Group's subsidiary, Acee, which was acquired in March 2017.

Gross profit margin at 22%, was stable compared to that recorded for the second half of 2017, and higher than the 19% recorded in 1H17. This was attributable to general improvement in the operating market conditions in Malaysia.

Despite the decline in revenue, Group profit before taxation remained relatively unchanged at $1.02 million (1H17: $1.07 million) primarily due to:
- $0.6 million shift from provision for slow-moving inventories to write-back following sales of inventories previously provided for; and
- $0.5 million increase in gross profit

offset by:
- $0.8 million increase in foreign exchange loss; and
- $0.3 million increase in provision for trade doubtful debts.

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

The Group's net cash generated from operating activities was $0.9 million (1H17: $5.6 million), which was mainly due to net collections received during the period. The Group's net cash generated from financing activities of $1.7 million (1H17: $13.3 million net cash used) was due to a property acquired in Singapore for its branch operations 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 the business operating environment to remain challenging globally in the months 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 unforeseen circumstances, the Directors expect the performance of the Group for the financial year 2018 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 2018 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

1 August 2018