



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Raffles United Holdings Ltd

Security: Raffles United Holdings Ltd

Meeting details:

Date: 8 April 2019

Time: 9.00 a.m.

Venue: 5 Changi South Street 3, Singapore 486117

Company Description

Raffles United Holdings Ltd., an investment holding company, operates as a stockists, distributor, and retailer of bearings and seals for automotive part dealers, industrial suppliers, hardware dealers, ship chandlers, general trading companies, and original equipment manufacturers. The company conducts its operations through Bearings and Seals, Property, and Others segments. Its bearings and seals are used in transportation, electronics, construction, oil and gas, and other industries. The company is also involved in the property investment and development activities; and provision of logistics services. In addition, it acts as a dealer of belts; distributor, contractor, and retailer of gearbox/electrical products; and distributor and retailer of beauty products. Raffles United Holdings Ltd. offers its products and services in Singapore, other ASEAN countries, and other Asian countries; Western countries; and internationally. The company was formerly known as Kian Ho Bearings Ltd. and changed its name to Raffles United Holdings Ltd. in December 2014. The company was founded in 1956 and is headquartered in Singapore. Raffles United Holdings Ltd. is a subsidiary of Raffles United Pte Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=K22)

1. Would the board/management provide shareholders with better clarity on the following operational and strategic matters? Specifically:

- (i) **Bearings and seals:** The group reported that it faced a longer delivery lead time from certain suppliers which resulted in the delay in the fulfilment of certain customers' back orders during the year. **Has the group been able to resolve the issue with its supply chain? Could management have better managed the delay by thinking out of the box, for example, by sourcing from other suppliers? How dependent is the group on its top 3-5 suppliers?**
- (ii) **ACEE Electric:** Since the acquisition in March 2017, how well has the new business of distributing and trading of electrical products performed? What were the reasons that the vendors waived the deferred consideration related to the acquisition of ACEE by the group? Has ACEE been fully integrated with the rest of the group?
- (iii) **Beauty:** The new beauty division currently deals with the distribution and trading of OPI brand of nail products. **Is there any synergy with the group's core business? Did the board review the investment thesis of the beauty business prior to the group's diversification? How much capital has the group earmarked for the beauty division?**

2. Since 4 May 2018, the company has been making announcements related to investigations by the Commercial Affairs Department (CAD) in relation to an investigation into an offence under the Securities and Futures Act (Chapter 289, 2006 Revised Edition) pursuant to the provisions of the Criminal Procedure Code.

While no charges have been brought, against any person, the company has stated that the investigations relate to a potential contravention of Section 197 of the Securities and Futures Act (Cap. 289).

- (i) **Can the board help shareholders understand if the investigations have affected the group's business and operations in any way?**
- (ii) **Has the group been denied participation in any tenders, contracts or projects due to the CAD investigations?**
- (iii) **Has the standing of the executives been affected?**

There have also been several changes to the group's leadership. On 27 November 2018, Mr Koh Hai Yang (executive director) and Mr Teo Teck Yao Glenn Ashley both resigned as executive directors of the company's principal subsidiary, Kian Ho Pte Ltd. Ms. Teo Xian-Hui Amanda Marie resigned as an executive director of the company.

- (iv) **Can the nominating committee elaborate further on the succession planning for the board, the managing director position and other key management positions? What is the current management depth in the company and in its key subsidiaries?**

3. On 9 January 2019, the company proposed a renounceable non-underwritten rights issue of up to 234,060,000 new ordinary shares in the capital of the company on the basis of one rights shares for every one existing ordinary share in the capital of the company.

It was stated that the proceeds of the rights issue will be used to reduce the group's bank borrowings, to finance the working capital requirements and to strengthen the balance sheet.

The rights issue was proposed just after the company has been placed on the SGX-ST watch-list under the minimum trading price entry criteria on 5 December 2018. As a result, shareholders who hold their shares under the Central Provident Fund (CPF) Investment Scheme would not be able to use their CPF Funds to participate in the rights issue.

In addition, at the announcement of the rights issue, none of the controlling shareholders, directors nor key management personnel provided any undertaking to subscribe for their pro-rata allocation. Under the minimum subscription scenario, the net proceeds will be approximately S\$(0.1) million after deducting approximately S\$0.1 million for professional fees and related expenses estimated to be incurred in connection with the rights issue.

- (i) When the rights issue was first announced on 9 January, did the board review and approve the terms of the rights issue?**
- (ii) Was it prudent for the company to announce the rights issue without any undertaking? Did the board consider if the rights issue (without any undertaking) might affect the confidence of shareholders and other market participants?**
- (iii) Did the board consider the expected rate of acceptance of the proposed rights issue under the terms proposed on 9 January 2019?**

As the company did not carry out a share consolidation and was subsequently placed on the SGX-ST MTP watch-list, shareholders with shares in the CPFIS would not be able to utilise their CPFIS funds for the rights issue.

- (iv) Has the board reviewed if this would be detrimental to shareholders who hold shares of the company in their CPFIS accounts?**

The company only announced an Irrevocable Undertaking from Teo Xian-Hui Amanda Marie ("TXH") on the 17 January 2019 for an aggregate of 153,928,533 Rights shares to raise a minimum of \$7.6 million.

- (v) Would the board consider the announcement on 9 January 2019 (without irrevocable undertaking by the controlling shareholders) premature and possibly having a negative impact on its share price?**



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As at 31 December 2018, the group has borrowings of \$12.8 million repayable within one year or less and a further \$18.4 that is payable after one year. The group has cash and cash equivalents of \$4.8 million at the end of the financial year.

(vi) Does the group have sufficient cash flow and/or banking facilities to repay or roll-over its debts when they fall due?

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Raffles%20United%20Holdings%20Ltd&cid=4513>

The company's response could be found here: -----