莱富士
RAFFLES

ANNUAL REPORT 2020

**RAFFLES INFRASTRUCTURE HOLDINGS LIMITED**

# CONTENTS

# CORPORATE PROFILE

Raffles Infrastructure Holdings Limited ("Raffles Infrastructure" or the "Company"), with its head office based in Singapore, is primarily engaged in the investments of infrastructure projects in Asia. Along with its subsidiary companies (the "Group"), the Group has established a platform providing an integrated suite of services from investments, financing to operation focused under Public-Private-Partnership ("PPP") business model since late 2017.

# LETTER TO SHAREHOLDERS

*DEAR SHAREHOLDERS,*

*On behalf of the Board and Management, I am pleased to welcome Mr Wong Ann Chai on board as our Chairman and present Raffles Infrastructure's Annual Report for FY2020. It has been another eventful year for the Group since the restructuring of the business in late 2017 as we rode on the challenges from the economic uncertainty during the second half of the financial period. Nevertheless, we are in a good stead to weather it and are focused on moving beyond.*

## OVERALL PERFORMANCE

Following a successful transformation into the new business in infrastructure investments, we are very pleased to share that the Group has managed to bag a decent profit of RMB40.8 million before tax this year from its maiden project, which is also the sole revenue generating project currently. As this is amidst the COVID-19 pandemic, we are exercising higher prudence in our investment activity, particularly in relation to the other projects that were shortlisted with potential to be the Group's next investment project.

This is a time of great pressure and uncertainty for several businesses and people across the globe. It is also an intense situation where most people are not familiar with, and yet trying to go with the flow.

As we eventually transit in and out of the pandemic environment, Raffles Infrastructure has braced for worse effects of this global crisis before things turn back around. To overcome the uncertainties and challenges that may come our way, we are spending more time and resources on risk assessments and acting with extreme high levels of prudence. This is to safeguard the interest of all the shareholders as well as the livelihood of the employees of the Group.

## FOCUSING BEYOND

In 2014, the research team jointly from Price Waterhouse and Coopers and Oxford Economics had provided insights on the outlook of Asia's infrastructure market over 10 years, with a 7-8% annual growth, nearing US$5.3 trillion by year 2025. This is to meet the demands of some key trends which include the development of roads, rails, ports, schools, hospitals, aged-care facilities, telecommunication towers, data centres, urban redevelopments, green energy solutions and clean water plants facilities.

We noted that the common challenge faced by the governments and developers is the long-term funding and stimulation of demand through effective improvements in gross domestic products GDP and foreign direct investments FDI. At Raffles Infrastructure, our core competency is in the planning and developing of infrastructural projects in Asia using the public-private partnership model. We work with experienced city planners, investors, bankers and contractors, and we are able to provide clients with a full suite of infrastructure solutions from city planning, fundraising & treasury management, procurement of contractors and materials, monetisation of completed assets by way of global capital markets.

Presently, we are refining our strategy, strengthening our structure, harnessing our resources to cater to the needs of infrastructure originators and developers. Certainly, we are all looking forward to an improvement in the pandemic situation as well and when it does, business opportunities exploration activities that involve travelling will resume. At which time, the Group foresees that it will then be able to provide more insights on the exciting progress on potential projects.

## NOTE OF APPRECIATION

Last but not least, once again, on behalf of the Board and Management of the Group, I would like to thank every employee for their hard work and dedication and all the shareholders for the continuous support and confidence in us. At Raffles Infrastructure, we are committed to working toward better performance and bringing the business to higher levels as we move forward.

In the meantime, please take care of yourselves and loved ones. We will overcome this together. Stay well everyone!

**ERIC CHOO HAN KIAT**
Executive Director &
Chief Executive Officer

*“To **overcome** the uncertainties and **challenges** that may come our way, we are spending more time and resources on risk assessments and acting with extreme high levels of **prudence**. This is to **safeguard** the interest of all the shareholders as well as the livelihood of the employees of the Group.”*

# BUSINESS REVIEW

## OVERALL

The Group is principally engaged in infrastructure investments and developments in Asia. The Group works on project with participations by state owned enterprises in People Republic of China.

COVID-19 pandemic has affected business and the global economy causing disruption in global supply chain and workforce. This has led to delays in the execution of the projects.

Our Group's infrastructure project in China has been affected by the COVID-19 pandemic, resulting in a delay in the deliverance of our remaining 16 road parcels. However, the Group do not foresee any major issue, with the gradual resumption of work. The Group will continue to work with its Client in monitoring the progress closely.

The Group has been taking all pre-cautionary measures to prevent the spread of the virus and is still committed to improving the business performance overall despite the more challenging environment.

In FY2020, the Group has recorded revenue of approximately RMB188.0 million, or the increase of 1.9% as compared with approximately RMB184.5 million for FY2019. The Group recorded a net profit of approximately RMB28.7 million for FY2020 as compared to the net profit of RMB21.5 million for FY2019.

## REVIEW OF FINANCIAL PERFORMANCE

*REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN*

The Group's revenue has increased by approximately RMB3.5 million or 1.9% from approximately RMB184.5 million in FY2019 to approximately RMB188.0 million in FY2020. The revenue was solely contributed by earnings from the 5 road parcels completed and accepted by the customer during the financial year.

During the year, the Group recognised a discount for revenue and non-current receivables due to effect of time value of money. The payment term for this contract is over 10 years. The revenue would be RMB213.6 million without the above accounting treatment adjustment.

The Group's gross profit has decreased by RMB1.3 million or 3.0 % from approximately RMB45.5 million in FY2019 to approximately RMB44.1 million in FY2020. The Group's gross profit margin has increased from approximately 24.6% in FY2019 to approximately 23.5% in FY2020.

*OTHER INCOME*

Other income in FY2020 was mainly attributable to interest income generated from fixed deposit placed with reputable bank. The other income in FY2019 was mainly attributable to the one-off gain arising from the acquisition of Bo Dao.

*GENERAL AND ADMINISTRATIVE EXPENSES*

Administrative expenses decreased by approximately RMB4.3 million or 32% from approximately RMB13.4 million in FY2019 to approximately RMB9.2 million in FY2020, mainly attributed to legal and professional fees relating to the Special Audit and resumption of trading incurred in FY2019.

Administrative expenses of RMB9.2 million in FY2020 were attributed to Legal & Professional fees of RMB3.2 million, Director fees of RMB0.8 million, Entertainment and travelling of RMB0.5 million, Payroll & Employees' benefits of RMB4.0 million and other operating expenses of RMB0.6 million.

*OTHER OPERATING EXPENSES*

The other operating expenses of RMB19 million in FY2019 was mainly attributable to the recognition of net assets lost as a result of loss of control of its previously owned Fabric subsidiaries.

*FINANCE COST*

There is no finance cost incurred in FY2020 as there is no loan taken during the financial year.

*INCOME TAX EXPENSES*

The effective tax rate for our operation in China is 25% of the profit.

*PROFIT*

The Group reported a net profit after tax of RMB28.7 million for FY2020, before minority interest in tandem with the above.

## REVIEW OF FINANCIAL POSITION

Property, plant and equipment decreased by approximately RMB33,000 or 13% from approximately RMB252,000 in FY2019 to approximately RMB219,000 in FY2020. This was mainly attributable to depreciation charged during the year of approximately of RMB45,000 and partially off-set by the acquisition of computer of approximately RMB12,000.

Other contract assets decreased by approximately RMB82.8 million or 94% from approximately RMB88.3 million in FY2019 to approximately RMB5.5 million in FY2020. This was mainly attributable to completed road parcels accepted by the client. The contract assets consists of roads parcels that are still under construction and ones yet to be accepted by the client. Upon every acceptance of a road parcel by the client, the Group will recognise the revenue for the relevant parcels and transfer from contract assets to trade receivables.

The total trade and other receivables increased by approximately RMB150.6 million or 86.7% from approximately RMB173.7 million in FY2019 to approximately RMB324.3 million in FY2020 were mainly from the 10 road parcels completed to-date. The other receivables relate mainly to construction expenses that will be reimbursed by the client upon completion of the project.

The standard credit term given to the client is a period of 10 years of progressive payments for each road parcels accepted. As such, the trade receivables were reclassified between non-current assets and current based on the progressive payment due and payable within the current period. As at FY2019 and FY2020, the Group has a cash and cash equivalents of approximately RMB104.6 million and RMB97.2 million, respectively.

Trade and other payables increased by approximately RMB19.6 million or 11.2% from approximately RMB175.7 million in FY2019 to approximately RMB195.3 million in FY2020. These increased were mainly attributable to increase in trade payable of RMB8.0 million and amount due to a shareholder by a subsidiary ("Yibin") of RMB11.8 million. The Group has not secured any financial borrowings to-date and this project has been financed by Yibin who is a shareholder of Bo Dao and also the main contractor for the project.

## REVIEW OF CASHFLOW POSITION

Overall, cash and cash equivalents decreased by approximately RMB7.4 million from approximately RMB104.6 million in FY2019 to approximately RMB97.2 million in FY2020 was mainly due cash used in working capital of approximately RMB19.2 million and partly off-set by amount financed from a shareholder, Yibin of approximately RMB11.8 million.

# BOARD OF DIRECTORS

## CHOO HAN KIAT, ERIC, 47

Executive Director and
Chief Executive Officer

**Academic and professional qualification:**
Master's Degree in International Accounting and Finance,
London School of Economics Political Science, United Kingdom

**Date of initial appointment as director:**
5 October 2017

**Date of last re-election as director:**
19 September 2018

**Length of service as at 30 June 2020:**
2 year 8 months

**Present Directorships in other listed companies:**
Nil

**Directorships in other listed companies held over the preceding three years:**
Nil

**Background and experience:**
Mr Choo is responsible for the overall planning of the business direction and development of Raffles Infrastructure. He is in charge of key investment and growth strategies, delivering sustainable returns for the Group's new business in infrastructure projects. Mr Choo was first appointed Executive Director to take charge of the overall management of Raffles Infrastructure's precursor, China Fibretech on 5 October 2017 with more than two decades of experience in the finance field with previous positions for global MNCs like Hewlett Packard and Apple Inc.

## MA ZHI, 42

Executive Director

**Academic and professional qualification:**
M.A. major in Television Director, Communication University of China
B.A. major in Radio and Television Literature, Communication University of China

**Date of initial appointment as director:**
01 April 2020

**Date of last re-election as director:**
Not applicable

**Length of service as at 30 June 2020:**
3 months

**Present Directorships in other listed companies:**
Nil

**Present Principal Commitments:**
Hongyuan Yufu Fund Investment - Managing Director

**Directorships in other listed companies held over the preceding three years:**
Nil

**Background and experience:**
Mr Ma is currently the Investment Committee Advisor for King Stone Energy Group Limited, the Managing Director of Hong Yuan Fund Investment, the non-Executive Director of China Moutai Tasting Centre (Hong Kong Limited) and a Partner in GSR Capital. Mr Ma started off his humble career in 2003 with a role as a reporter and producer in CETV Station. With great achievements, he moved to Great United Petroleum Holding Co, Ltd and held the position as the Spokesman and Vice President for nearly 7 years before he joined Co-Prosperity Holdings Limited and Asia Television Limited as the Executive Director.

## LI JIA CHEN, 49
Non-Executive
Non-Independent Director

**Academic and professional qualification:**
Degree in Economics and Trading,
Zhengzhou University

Master's Degree in Business Administration,
China Renmin University

**Date of initial appointment as director:**
28 September 2018

**Date of last re-election as director:**
29 March 2019

**Length of service as at 30 June 2020:**
1 year 9 months

**Present Directorships in other listed companies:**
Nil

**Present Principal Commitments:**
China Capital Investment Group -
Vice Chairman and President of Operations

**Directorships in other listed companies held over the preceding three years:**
Nil

**Background and experience:**
Mr Li is Vice Chairman and President of Operations for China Capital Investment Group (CCIG), a cornerstone investor in Raffles Infrastructure. He previously spent more than 10 years in the China International Council for the Promotion of Multinational Corporations under the Ministry of Commerce as well as in the China International Material and Equipment Trade Cooperation Centre under the State-owned Assets Supervision and Administration Commission for Financial Asset and Management Committee.

## LEOW YONG KIN, 49
Non-Executive Lead
Independent Director

**Academic and professional qualification:**
Honours Degree in BA Accounting,
University of Lincolnshire & Humberside

Chartered Accountant,
Institute of Singapore Chartered Accountants

Chartered Accountant,
Association of Chartered Certified Accountants

**Date of initial appointment as director:**
5 October 2017

**Date of last re-election as director:**
31 October 2019

**Length of service as at 30 June 2020:**
2 years 8 months

**Served on the following Board Committees:**
Audit Committee – Chairman

Remuneration Committee – Member

Nominating Committee – Member

**Present Directorships in other listed companies:**
China Sports International Ltd – Independent Director (Chairman – Nominating and Remuneration Committees, member of Audit Committee)

**Present Principal Commitments:**
AccountsPro Consulting Services Pte Ltd – Director

CJW Mining (Singapore) Pte Ltd – Director

**Directorships in other listed companies held over the preceding three years:**
C&G Environmental Protection Holdings Ltd

China Star Food Group Limited

**Background and experience:**
Mr Leow has more than two decades of experience in the field of finance and accounting that include working experience with US and Japan MNCs. He was previously the Chief Financial Officer of China Great Land Holdings Ltd. from July 2014 to March 2017. He is currently a Director of AccountsPro Consulting Services Pte Ltd, providing enterprise solutions such as accounting, payroll and HRM software.

# BOARD OF DIRECTORS

## TOH TIONG SAN, 54

Non-Executive
Independent Director

**Academic and professional qualification:**
Honours Degree in Electrical Engineering,
National University of Singapore

**Date of initial appointment as director:**
23 October 2017

**Date of last re-election as director:**
31 October 2019

**Length of service as at 30 June 2020:**
2 years 8 months

**Served on the following Board Committees:**
Remuneration Committee – Chairman

Nominating Committee – Member

Audit Committee – Member

**Present Directorships in other listed companies:**
Jackspeed Corporation Limited

**Present Principal Commitments:**
Nil

**Directorships in other listed companies held over the preceding three years:**
Nil

**Background and experience:**
Mr Toh has more than 20 years of experience in private equity, fund management and corporate finance. In 1991, Mr Toh joined DBS Bank Ltd.'s private equity arm and was responsible for deal origination, due diligence, deal structuring, valuation, financial modelling, investment monitoring and divestments. He was also in DBS Bank Ltd.'s capital market services arm where he was involved in merger and acquisition activities, financial engineering and securitisation. In 2000, Mr Toh jointed Temasek Holdings as the Director of Investments, responsible for investment of listed and private companies (including companies that were honoured the Enterprise 50 Awards) in industries spanning food and beverage, services, internet to private education. From 2006 to 2007 and 2009 to 2012, Mr Toh was appointed the Managing Director of Emirates Tarian Asset Management Pte Ltd ("ETAM"), responsible for setting up and running the fund management operations. Mr Toh successfully transformed ETAM into an established boutique fund management outfit before he left in 2012.

## TOH HAI JOO, 47

Non-Executive
Independent Director

**Academic and professional qualification:**
Bachelor's Degree in Accountancy,
Nanyang Technological University

Chartered Accountants (CA),
Institute of Singapore Chartered Accountants

**Date of initial appointment as director:**
1 March 2018

**Date of last re-election as director:**
19 September 2018

**Length of service as at 30 June 2020:**
2 years 4 months

**Served on the following Board Committees:**
Nominating Committee – Chairman

Audit Committee – Member

Remuneration Committee – Member

**Present Directorships in other listed companies:**
Nil

**Present Principal Commitments:**
TR Asia Investment Holdings Pte Ltd – Director

TR Formac Pte Ltd – Director

**Directorships in other listed companies held over the preceding three years:**
China Great Land Holdings Ltd.

**Background and experience:**
Mr Toh Hai Joo has 7 years of experience helming the Audit Committee of China Great Land Co. Ltd., on top of being a Remuneration and Nomination Committee member. He has extensive experience in financial control, review of group financial operations and corporate governance and control. He has worked as a Financial Controller for several years in sizeable and reputable multi-national corporations as well as been in the Finance Manager capacity for other listed company in the past. On top of these tenures, he has many years of accounting, audit and corporate tax experience under his belt. In summary, he has many years of erstwhile experience in financial, management and corporate control for listed companies, multinational companies in the capacity of Directors as well as Financial Controller.

# BOARD OF DIRECTORS

## WONG ANN CHAI, 53

Non-Executive Independent Director and Chairman

**Academic and professional qualification:**
BA (Hons) in Engineering Science,
University of Oxford UK

Master's in Business Administration – Sloan School of Management

**Date of initial appointment as director:**
1 October 2020

**Date of last re-election as director:**
Not applicable

**Length of service as at 30 June 2020:**
Not applicable

**Present Directorships in other listed companies:**
Nil

**Present Principal Commitments:**
Nanosun Pte Ltd – Managing Director

**Directorships in other listed companies held over the preceding three years:**
Oceanus Group Limited

**Background and experience:**
An investment banker, Mr Wong was the Executive Director in the Investment Banking Division for Southeast Asia, Asia ex-Japan at Nomura. He was Managing Director heading the planning function of DBS Group, directing acquisitions, JVs in the Financial Institutions space, and developing organic growth initiatives with commercial, consumer banking, asset management, treasury business units across the key markets. Within DBS, he started in Equity Capital Market Department, and later oversaw the DBS-Cholamandam Finance company in India with over 200 branches providing corporate loans and SME financing. Mr Wong was Adjunct Professor of Banking & Finance at Nanyang Business School for 7 years.

# KEY MANAGEMENT

## NG PEI ENG, 47

Chief Financial Officer
(Resigned on 31 July 2020)

**Academic and professional qualification:**
Chartered Accountant,
Institute of Singapore Chartered Accountant

**Background and experience:**
Ms Ng joined the Group as the Chief Financial Officer on 1 October 2019. Prior to her departure on 31 July 2020, she managed the finance operations for the Group. Ms Ng has more than 13 years of experience working in companies as their Chief Financial Officer, managing IPO processes, group consolidated financial reporting, mergers and acquisitions. She is also familiar with key requirements and procedures in SGX Listing Manual and has led accounts and finance teams from various regions.

## YANG ZHI, 54

Operations Manager

**Academic and professional qualification:**
Bachelor Degree in Electronic Engineering, Changsha Railway College

**Background and experience:**
Mr Yang joined the Group as Operations Manager on 1 August 2019. He oversees the operations of existing project and works alongside with the CEO for the ones in the pipeline. He has joined the Group with experiences as the Asian-Pacific Region Deputy General Manager at China Railway Construction Corporation International Ltd, General Manager of CRCCI (Bangladesh) Ltd., Head of Overseas Department of the China Railway 23th Bureau Co., Ltd. and the Head of Technology Department of the Zhuzhou Bridge Factory.

## JIANG JIAN PENG, 39

Financial Controller
(China)

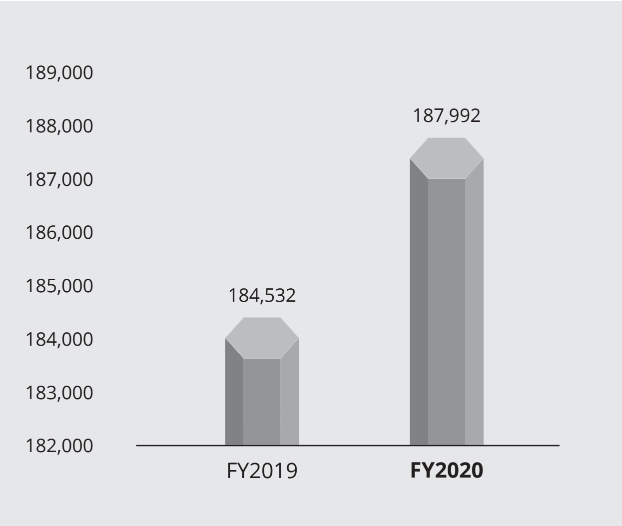
**Academic and professional qualification:**
Bachelor Degree in Accountancy, University of Finance and Economics

**Background and experience:**
Mr Jiang joined the Group as Financial Controller (China) on 1 December 2018 and is in charge of the financial reporting for the subsidiaries in China. With the Finance Manager, he supervises the accounts team of the China subsidiaries. He has more than 15 years of experience in the spectrum of Corporate Finance in commercial organisations and has extensive knowledge in accountancy, corporate finance, mergers and acquisitions.

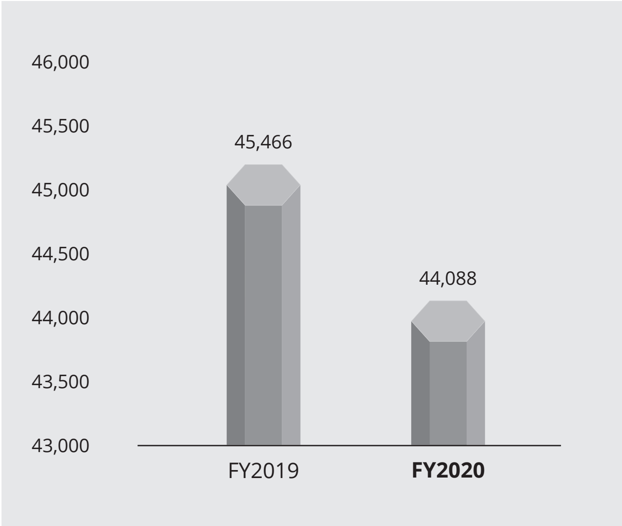
# GROUP FINANCIAL HIGHLIGHTS

| | FY2019 | **FY2020** |
|---|---|---|
| Revenue (RMB'000) | 184,532 | 187,992 |
| Gross Profit (RMB'000) | 45,466 | 44,088 |
| Profit after tax (RMB'000) | 21,461 | 28,690 |
| Equity attributable to owners of the company (RMB'000) | 180,723 | 209,434 |

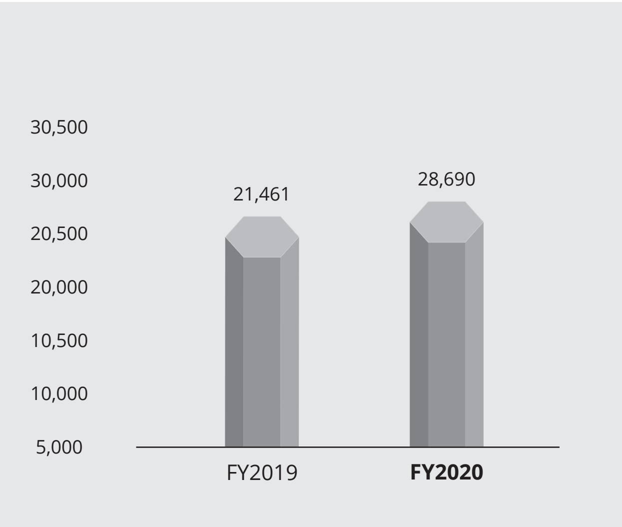
**REVENUE**
**(RMB'000)**



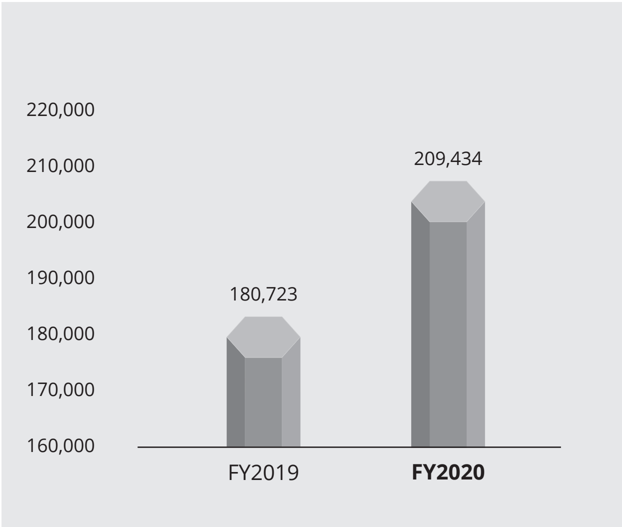

**GROSS PROFIT**
**(RMB'000)**




**PROFIT AFTER TAX**
**(RMB'000)**




**EQUITY ATTRIBUTE TO OWNERS OF THE COMPANY**
**(RMB'000)**



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr Wong Ann Chai
Independent Non-Executive Chairman

Mr Leow Yong Kin
Lead Independent Non-Executive Director

Mr Toh Tiong San
Independent Non-Executive Director

Mr Toh Hai Joo
Independent Non-Executive Director

Mr Li Jia Chen
Non-Independent Non-Executive Director

Mr Ma Zhi
Executive Director

Mr Eric Choo Han Kiat
Executive Director and Chief Executive Officer

## AUDIT COMMITTEE

Mr Leow Yong Kin (Chairman)
Mr Toh Tiong San
Mr Toh Hai Joo

## NOMINATING COMMITTEE

Mr Toh Hai Joo (Chairman)
Mr Leow Yong Kin
Mr Toh Tiong San

## REMUNERATION COMMITTEE

Mr Toh Tiong San (Chairman)
Mr Leow Yong Kin
Mr Toh Hai Joo

## COMPANY SECRETARIES

Mr Lee Wei Hsiung
Ms Wang Shin Lin, Adeline

## ASSISTANT COMPANY SECRETARY

BM Corporate Services Ltd.

## REGISTERED OFFICE

3rd Floor, Sofia House,
48 Church Street,
Hamilton HM 12, Bermuda

## BERMUDA COMPANY REGISTRATION NUMBER

40381

## BERMUDA SHARE REGISTRAR

BM Corporate Services Ltd.
3rd Floor, Sofia House, 48 Church Street,
Hamilton HM 12, Bermuda

## SINGAPORE SHARE REGISTRAR AND SHARE TRANSFER AGENT

Tricor Barbinder Share Registration Services
80 Robinson Road, #02-00,
Singapore 068898
Tel: 6236 3333 Fax: 6236 4399

## INDEPENDENT AUDITOR

RT LLP
Public Accountants and Chartered Accountants
1 Raffles Place
#17-02 One Raffles Place
Singapore 048616

Partner-in-charge:
Mr Ravinthran Arumugam
(Since the financial year ended 31 December 2017)

## PRINCIPAL BANKERS

Agricultural Bank of China
Industrial and Commercial Bank of China

# SUSTAINABILITY REPORT

***MOVING FORWARD***

Raffles Infrastructure Holdings Limited will build on the foundation of this Sustainability Report and work with our stakeholders and business partners to continuously improve our business models and EES performance to foster sustainable development.

## BOARD STATEMENT

The Board of Directors is proud to present Raffles Infrastructure Holdings Limited's second Sustainability Report for the financial year ended 30 June 2020, which formalises and demonstrates our commitment towards building a more sustainable future. Within the construction industry, we recognise the significant impact that our company can have on the economy, environmental and social ("EES") factors. As we stay focused on providing our capabilities in foundation and construction industry, we will deliver on that mission through taking a proactive approach to adopt sustainable practices and staying relevant through innovation.

Underscoring this importance, our Board directly oversees the company's overall sustainability efforts, supported by an Executive Committee to identify material environmental, social and governance ("ESG") matters in our strategic formulation and set sustainability policies and strategies. This year, the Board has reviewed material ESG matters, first identified in the financial year ended 30 June 2019 ("FY2019"), and found that they continue to remain relevant to our business activities. We have adopted a phased disclosure of our sustainability performance which facilitates a strategic review of our material ESG impact and contributions each year – enabling us to track and strengthen our progress.

This Sustainability Report complements our financial and corporate governance disclosures in our Annual Report as an expression of our firm belief in doing business with integrity and innovation to deliver quality services to our clients. The delivery of sustainable results is, crucially, a critical aspect of our ability to remain a strong and financially stable company. Acknowledging this helps to put into focus our commitment to principles laid out in our Corporate Sustainability Policy. Our responsibility to society is to ensure that sustainable practices are incorporated into every link of our value chain. We must meet the needs not only of our customers, employees and the community we operate in, but also those of our environment and our future generations.

The Board currently also provides direction and works closely with management to oversee and guide all sustainability related matters. Since March 2020, the COVID-19 pandemic has caused severe disruption to the global economy. The full financial impact to the Group is unpredictable, however we are closely monitoring the situation for the safety of our employees and to ensure we take appropriate action.

Moving forward, Raffles Infrastructure Holdings Limited will build on the foundation of this Sustainability Report and work with our stakeholders and business partners to continuously improve our business models and EES performance to foster sustainable development.

This report provides detail about how we have met our responsibilities with our key stakeholders during the financial year 2020 and beyond.

# SUSTAINABILITY REPORT

## ABOUT THE GROUP

Raffles Infrastructure Holdings Limited (the "Company") together with its subsidiaries (collectively known as the "Group") are mainly engaged in infrastructure investments and developments in Asia. The Group works on project participations by state owned enterprises in Asia. The Group works with local authorities to ensure projects are in line with local national policy directives. The Group congregates financial, human resources and technology resources.

Raffles Infrastructure Holdings Limited (the "Company") is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") with a registered office in Singapore and incorporated in Bermuda. Its current operations are located in the People's Republic of China (the "PRC").

The Group's existing operating infrastructure business is in PRC which is from Bo Dao Road Construction Co., Ltd. Its main customer is the local government in the Xingwen County. In financial year 2019, the accounts of Shishi Sinwa Knitting and Dyeing Co., Ltd, one of its subsidiary, has been deconsolidated from the Group due to loss of control.

Principles and code of conducts of the Company is to maintain a strong and dynamic management team to strive continuously for stable and profitable projects in Asia and to ensure remarkable deliverances. Concurrently, the Company conducts internal audit to ensure good controls and governance.

As of the year ended 30 June 2020 ("FY2020"), the Group employed a total of 8 (2019 : 7) employees in Singapore and PRC. In terms of economic performance, the Group's revenue rose by 1.9% from RMB184.5 million in the year ended 30 June 2019 ("FY2019") to RMB188.0 million in FY2020. On the other hand, the Group's gross profit has decreased by RMB1.4 million or 3% from approximately RMB45.5 million in FY2019 to approximately RMB44.1 million in FY2020. The Group is currently streamlining its operations to improve the overall management and cost efficiency.

## GOVERNANCE STRUCTURE

A robust governance structure is crucial to ensuring Raffles Infrastructure Holdings Limited (the "Company")'s commitment to sustainability.

Raffles Infrastructure Holdings Limited (the "Company") has a Board of Directors that includes 3 Independent Directors forming the Remuneration Committee, Audit Committee and the Nomination Committee as of 30 June 2020. Each Committee has its own terms of reference and operating procedures, which are reviewed periodically. Reviews and appointments of independent external and internal auditors on top of the key management enhances governance for the Company.

This committee shall be formed in accordance to the relevant projects in the pipeline.

The primary roles of the Board are to protect and enhance long term shareholders' value and returns, set the Group's corporate strategies and directions, oversee management of the Group's business affairs, financial performance and key operational initiatives, and implementations of risk management policies and practices.

The Board holds formal meetings quarterly or convenes ad-hoc meetings when circumstances require. Where a physical board meeting is not possible, the Board would communicate through electronic means or via circulation of written resolutions for approval.

# SUSTAINABILITY REPORT

## ABOUT THIS REPORT

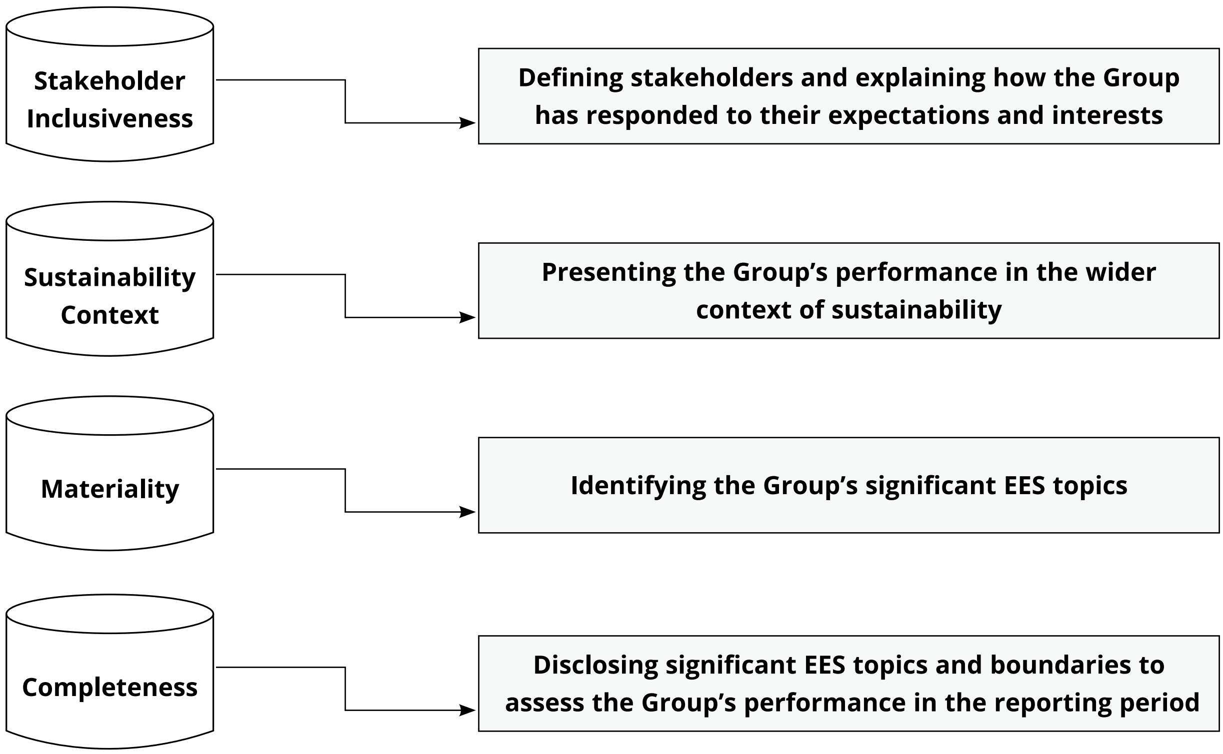
This Sustainability Report sets out our efforts towards contributing to a sustainable built environment. This is the second annual Sustainability Report which covers the period 1 July 2019 to 30 June 2020 ("FY2020"), this report discloses the policies, practices, targets and performance of the Group in terms of the material environmental, social and governmental factors that the Group has identified. This Sustainability Report focuses on addressing our Group's Economic, Environmental, Social and Governance issues in line with the Singapore Exchange's Listing Rules 711A and 711B for listed companies (in addition to the usual financial reporting). With this information, we aspire to provide stakeholders with an accurate, complete and meaningful overview on how we manage these sustainability issues across our business sectors.

**Reporting Standard**

We have adhered to the principles set out in SGX Listing Rules for Sustainability Reporting and applied the Global Reporting Initiative ("GRI") Reporting Principles for Defining Report Content and Quality.

We have chosen GRI Standards to be the reporting framework as it is very prescriptive and provides the needed guidance for us. Further, our peers too have adopted this. The report has been prepared in accordance with the GRI Standards: "Core" option.

The content of this Sustainability Report is identified by the 4 Content Reporting Principles established by GRI Standards, as follows:




For future sustainability reporting, the Group will consider expanding our reporting scope to cover more of our operations in overseas markets in addition to PRC.

**Opinion and Feedback**

We value feedback from all stakeholders on this report. For any queries or comments on our sustainability practices, please contact Ms Amy Zhang at amyzhang@rafflesinfrastructure.com.

# SUSTAINABILITY REPORT

## STAKEHOLDER ENGAGEMENT

Understanding and responding to the needs and feedback of stakeholders is key to achieving business sustainability and satisfactory outcomes for stakeholders. The Group's stakeholders are those who are materially influencing or affected by the Group's business. Stakeholders' inputs lead the Group in determining priorities and arranging activities.

Raffles Infrastructure Holdings Limited (the "Company") has regular interaction with a range of stakeholders based on different kinds of engagement approaches, as seen below:

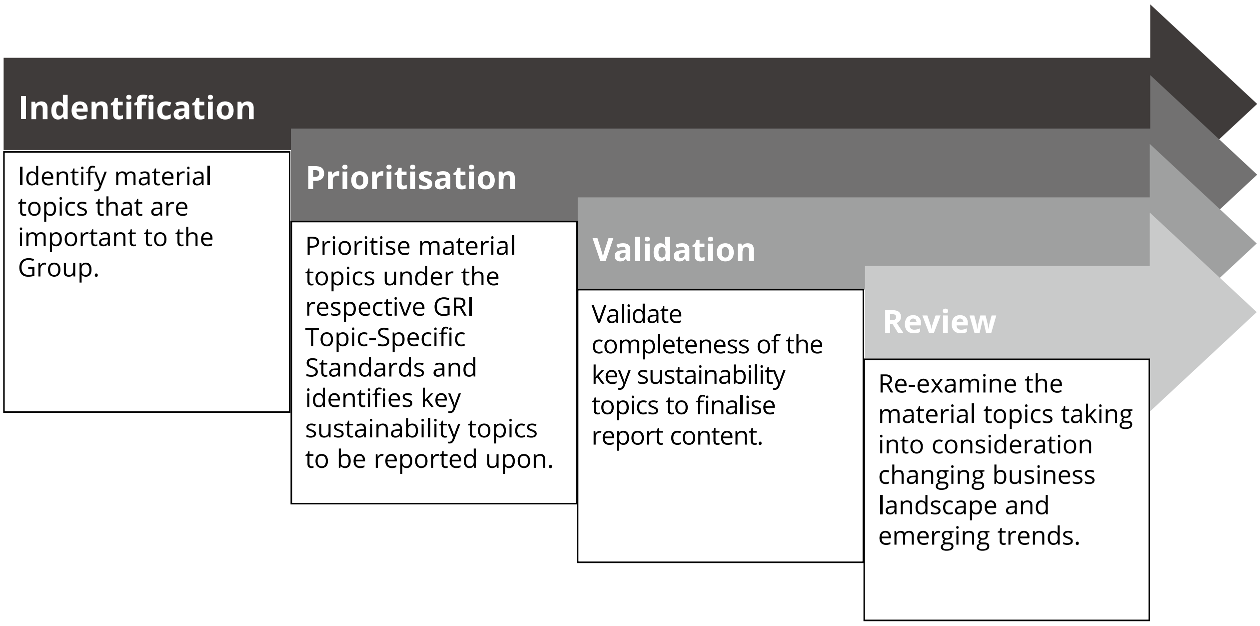
<table>
<tr><th colspan="2">Key Stakeholder Groups</th><th>Engagement Platforms</th></tr>
<tr><td>Internal stakeholders</td><td>Employees</td><td>• Staff dialogue sessions<br>• Training and development programmes<br>• Appreciation events and festival celebrations<br>• Formal/informal meetings<br>• Remuneration and recognition</td></tr>
<tr><td rowspan="6">External stakeholders</td><td>Customer</td><td>• Deliver completed parcel on schedule<br>• Good safety record<br>• Satisfactory quality<br>• Formal/informal meetings</td></tr>
<tr><td>Supplier</td><td>• Phone calls<br>• Formal/informal meetings<br>• Fair procurement<br>• Other business practices</td></tr>
<tr><td>Shareholders and investors</td><td>• Annual report and sustainability report<br>• Announcement and circulars<br>• Company's website<br>• Annual General Meeting</td></tr>
<tr><td>Local communities</td><td>• minimise negative EES impact<br>• deserve community efforts<br>• underprivileged groups</td></tr>
<tr><td>Government and regulators</td><td>• Site visits<br>• Formal meeting<br>• Dialogue sessions</td></tr>
<tr><td>Financiers</td><td>• Direct communication, meetings and discussion<br>• Announcements and circulars</td></tr>
</table>

# SUSTAINABILITY REPORT

## MATERIALITY ASSESSMENT

The Group has engaged an external sustainability consultant to work with the management on the sustainability approach and has developed a list of EES topics that the Group considered material and important to the stakeholders.

The Group adopts a four-step process to define the material EES topics:




The management has prioritised the material topics based on the impact to the operations and the inputs received from the various stakeholders whom they have contacted and interacted from the day-to-day business activities. The following EES topics have been identified and the approaches of managing these topics are stated in this report:

The Group has identified the following material EESG factors that are important to the sustainability of our organisation and business:

a) Economic Performance

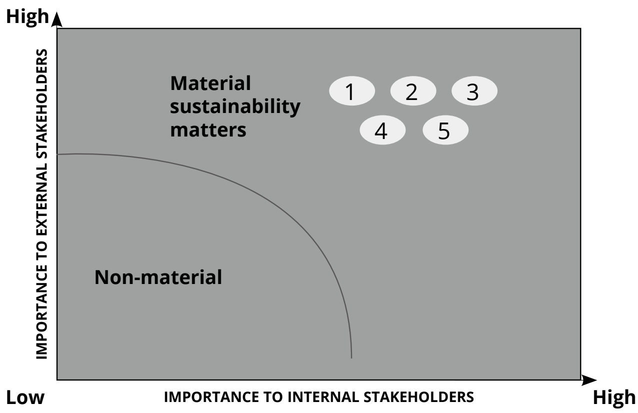
b) Corporate Governance

c) Employees

d) Environment, quality and safety

e) Community

f) Corporate Communication




| Substainability Matter | |
|---|---|
| 1 | Regulatory Compliance |
| 2 | Sustainable Use of Materials |
| 3 | Minimising noise pollution |
| 4 | Occupational Health & Safety |
| 5 | Quality of work & Customer Satisfaction |

# SUSTAINABILITY REPORT

## OUR FOCUS, COMMITMENTS AND TARGETS

With our material EESG factors identified and key stakeholders in mind, we have performed in consultants with external consultants to mapped our sustainability priorities, impact to stakeholders and boundaries under the key focus areas set out below. We believe this approach will cover critical areas of our businesses, is sustainable, and can align the Group with its profitability.

We envision that these initiatives will lead to increased value creation, along with positive impact to our operating natural environment and societies. We are committed to ensure measurable targets and goals towards our journey to create sustainable value for all our stakeholders.

| Focus | Impact to stakeholder | 2020 Performance | Commitment and Target |
|---|---|---|---|
| ***Economic Performance*** | | | |
| Financial Strength | All our internal and external stakeholders look to the Group to deliver on financial performance. | Group revenue – RMB188.0 million.<br><br>Profit attributable to owners of the Company – RMB28.7 million.<br><br>Net assets value – RMB 209.4 million. | Revenue growth.<br><br>New business initiatives.<br><br>To improve operation results.<br><br>Prudent capital management. |
| ***Corporate Governance*** | | | |
| Corporate governance<br><br>Risk management | Compliance with legislation as well as national and international standards of corporate governance, anti-corruption, risk management, environmental health and safety. | Results and necessary reporting requirements complied with and results released on time.<br><br>No incident of legal/ regulatory non-compliance. | Commitment to release financial results on time or Earlier.<br><br>Continuous strengthening of the enterprise risk management framework. |
| ***Employee*** | | | |
| Staff retention<br><br>Reward and remuneration | Develop human capital and retain staff who are important assets to the Group. | No major attrition or loss of key management staff to competitors.<br><br>To provide training hours of at least 3 hours per annual | Commitment to retain worthy and high performance staff.<br><br>Improvise training programme and implement succession planning for key management positions. |

# SUSTAINABILITY REPORT

| Focus | Impact to stakeholder | 2020 Performance | Commitment and Target |
|---|---|---|---|
| ***Environmental, quality and safety***<br><br>Safety and quality management.<br><br>Recycling & reuse of Paper. | Issues ranging from promoting work safety environmental and reduce wastages, efficacy, recycle/reuse and conservation are key issues impacting all our stakeholders. | No incident of fetal accident reported.<br><br>Reduced reliance on paper. | Promote safety and quality management.<br><br>Promote environmentally friendly working place by creating awareness on caring for Green & Healthy Environment via advocating messages on email signatories of staff to remind them to print when necessary. |
| ***Community Involvement***<br><br>Employee participation. | Our ability to innovate also translates to how we manage the business continuity and build a strong relationship with our community. | Provide hiring opportunities and growing our employees in-line with our business expansion. | Introduce social programmes for employee participation such as visitation of the disadvantaged and community work. |
| ***Corporate Communication***<br><br>Building relationship with stakeholders. | An open, constant flow of communication using available platforms is important in all aspects of our operations, and applies to all our stakeholder groups, in order to build trusted partnerships with all our stakeholders. | Quarterly and full year announcement are made available. | Ensure all communication mediums and platforms are clearly set out and are available.<br><br>Quarterly and media briefings in conjunction with the release of the Group's quarter and full year financial results. |

We are pleased to inform that we have achieved all our commitment and targets set in FY2019 and in FY2020 again, we have also achieved 0 work-related illnesses and fatalities. To prepare our staff for new challenges and KPIs, we intend to set a training session of minimally 3 hours for every staff in FY2021.

# SUSTAINABILITY REPORT

## ECONOMIC PERFORMANCE

The Group recorded revenue of RMB188.0 million for FY2020. More details about the Group's economic performance and data can be obtained from the financial statements on pages 41 to 54 of our Annual Report 2020.

Population growth statistics paint a rosy future for the infrastructure industry. The demand for infrastructure has never been greater. Worldwide, construction is already one of the largest industry sectors but focusing on this strong demand obscures a more precarious reality. Underlying challenges in projects' profitability, performance, labor, and sustainability could derail the industry's growth.

The Group continues to take all pre-cautionary measures in prevention of another wave of the COVID-19 outbreak and is still committed to improving the business performances overall. Although there has been a delay in the construction schedule, deliverance of road parcels and the acceptance process by the Client due to the COVID-19 situation, the construction of the road parcels is progressing in the first quarter of FY2021. The Company will continue to work with its Client in monitoring the progress closely.

On the other hand, the Group is in the discussion with the relevant parties for a township development project in Dhaka City Bangladesh, led by the Army Welfare Trust of People's Republic of Bangladesh. The parties are working out the details to form the basis of the final agreements.

## CORPORATE GOVERNANCE

Our scope of corporate governance activities are set out in pages 25 to 40 of our Annual Report 2020. Our Group's operating policies and procedures are designed to ensure that appropriate segregation of duties and controls are in place to minimise risk and potential threat.

The Group advocates ethical business practices and adopts zero tolerance for bribery and corruption in its dealings and operations. All employees shall abide by and comply with the rules and guidelines set out in the Group 's Employee Handbook.

The Group promotes transparency and has a whistleblowing policy in place, in which any employee of the Group may, in confidence, raise concerns and report any suspicions of non-compliance on regulations, policies, fraud, etc. to the appropriate department for resolution without any prejudicial implications to these employees.

As a listed company on SGX, the Group must comply with the laws in all places we do business. Our employees understand this means they are responsible for understanding and complying with all laws and regulations that affect our jobs. In this way, we proactively avoid both the monetary and reputational risks associated with sanctions and fines for non-compliance. In FY2020, the Group is pleased to share that there were no complaints received under our whistle-blowing channels in FY2020.

Moreover, the results of both internal and external audits concluded yielded that there were no non-conformities regarding operations, systems or management responsibilities. All observations raised from the audit process were acted upon and closed as at end of FY2020.

# SUSTAINABILITY REPORT

## EMPLOYEES

Our staff are our key assets. Our Group's framework for managing employees emphasizes performance, achievements, and activities irrespective of employment status. We expect our employees to put the Group's interests into practice and raise their level of professionalism. Our employees' concept of work focuses on performance and achievement through this approach. This approach has since firmly taken root across the Group.

Our personnel development is anchored in the employee's aspiration to learn and grow by setting goals on their own initiative. Our basic policy for personnel development is to offer on-the-job training (OJT) complemented and enhanced by off-the-job group training (OFF-JT). At each workplace, we clearly define the roles of staff responsible for different aspects of training under a system in which each employee sets his or her own annual education plan as a means for raising motivation to learn by systematically addressing both the workplace and employee needs and interests. Moreover, to meet the needs of the ever-changing business environment, we are focused on nurturing human resources with advanced expertise and responsiveness to change, as well as systematic identification of those who can demonstrate their talents in the marketplace.

Our Group acknowledges the importance of social equity and the provision of equal opportunities in an environment that is safe and healthy for its employees; this includes hiring without prejudice, regardless of age, gender and ethnicity. The Group has zero tolerance on hiring of child labour and requires its service providers and sub-contractors to be in-sync on this before engaging their services.

In our nature of business, long working hours are an ongoing problem. Our Group is currently promoting and making efforts aimed at decreasing total working hours in order to achieve a more work-life balance lifestyle for all employees. A training hours KPI will also be introduced in FY2021.

Our Group is steered towards attracting and incentivising the right talent in our efforts to develop human capital. We recognize the need to help our employees to build a meaningful career and provide a physically and professionally conducive environment.

To achieve this:-

(a) We conduct regular reviews to ensure that our remuneration package is in line with industry standard and commensurate with the job.

(b) We offer a sustainable performance bonus based on the Group's and the employee's performance.

(c) We identify and promote deserving staff with potential to develop their career in the organisation.

(d) We align our HR policies to comply with labour laws and regulations in respect of minimum wage requirements, social security contribution requirements and work hours etc.

# SUSTAINABILITY REPORT

## ENVIROMENTAL, QUALITY AND SAFETY

While creating value in our business, we aim to minimise the impact that our activities have on the environment, quality and safety and proactively seek alternative means for more effective and sustainable use of resources and to promote safety working environment.

Combining safety and quality management principles and methods capitalizes on the similarities between these two management concepts to create a single 'synergistic' management system for improving both safety and quality. In the interest of improving safety and quality performance in the our industry, a literature review was performed on research articles to find out if this integrated management system concept has been investigated.

The primary barrier to successful management system implementation seems to be the nature of the industry process itself. A common response to the cause of the decrease of quality and safety in construction is the 'nature' of the work environment.

The 'nature' of industry is a cooperative effort of several participants, each with their own perspectives and interests at hand, brought together to complete a project plan that typically changes several times while being constructed, while trying to minimize the effects of weather/environment, occupation hazards, schedule delays, and building defects (to name just a few). The overall construction process, in itself, can potentially lead to errors or inefficiencies.

The goal of quality management is the identification and correction of variance (or unwanted outcomes) in a process. For safety management, variance is in the form of workplace hazards, unsafe behavior, and causes of human error.

The similarities of safety and quality management are evident by the shared characteristics of each system's design (see Figure 1). For example, OSHA (1996) recommends that a successful safety management program be based on: management commitment; employee involvement; hazard identification and control, training, and accident investigation. *Smith et al. (1978)* made similar conclusions in a study that compared safety characteristics of high and low accident companies, whereas *Dean & Bowen (1994)* and *Hackman & Wageman (1995)* identified customer satisfaction, team work, continuous improvement, training and education, employee empowerment, and organizational culture as keys to a successful quality management system.

# SUSTAINABILITY REPORT

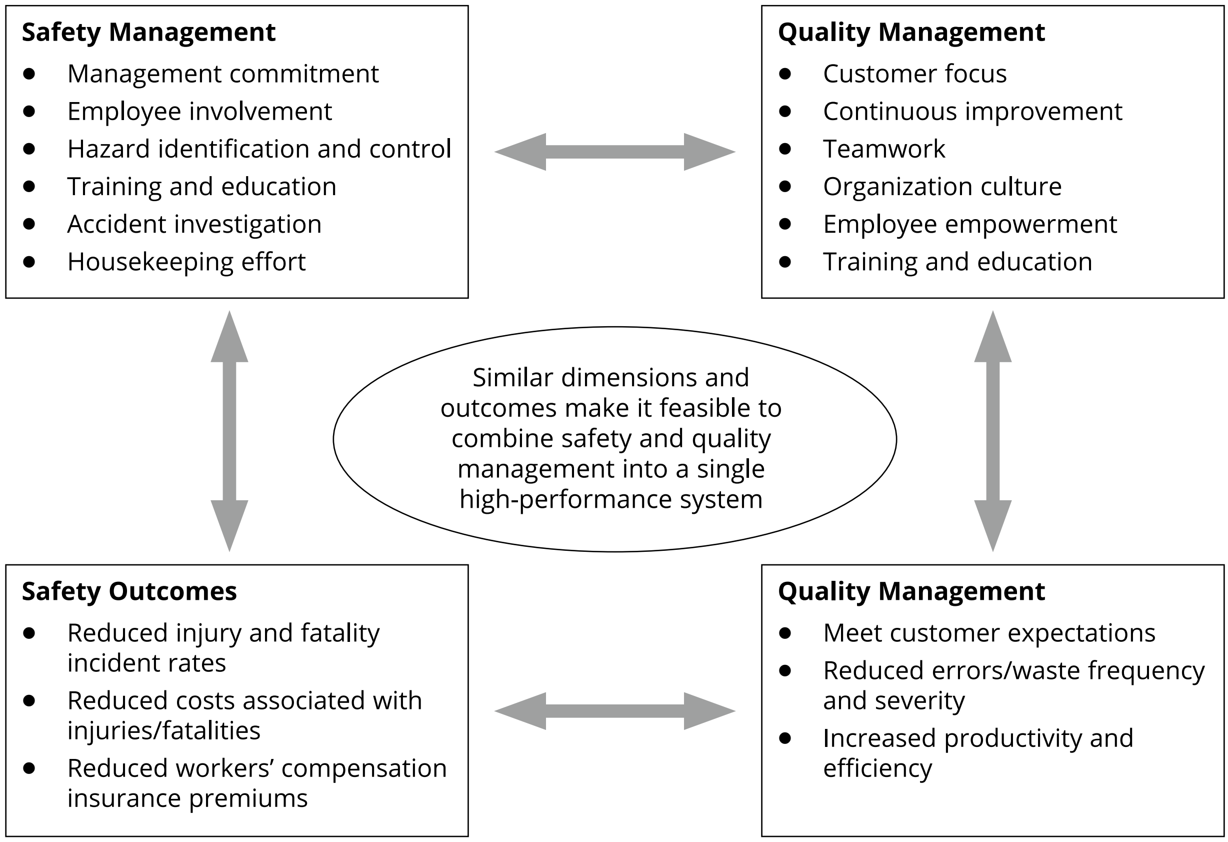



**Figure 1** Conceptual framework: *similarities between safety and quality management and outcomes*

Our Group mission is to adopt and implement above quality and safety mission as well as promote environmentally green solutions in our business and we expect our business partners and service providers to commit and adhere to the same standards.

We have no fatal accident report in FY2020 and we have also implemented systematic cuts to paper usage and waste volumes and promote proactive environmental communication, within and outside the Group.

## COMMUNITY

The Group feels strongly about contributing to society and communities that the Group operates in. Hence, aside from creating jobs and contributing economically, the Group aspires to support certain approved charitable organisations/causes through voluntary financial contributions and/or volunteering resources as part of the Group's corporate social responsibility.

Post completion of the Targets, the Group will support Targets to continue with its social and environmental programmes that, to date, have included the hiring of local people, and going forward, participate in community projects and adhering to strict environmental protection regulations.

## CORPORATE COMMUNICATION

The Group is committed to creating long-term value for all its stakeholders and will continue to maintain ongoing communication and engagement with its stakeholders. Details of this communication and engagement are set out in the section on "Shareholders Rights and Responsibilities" of the Corporate Governance Statement on pages 37 to 38 of our Annual Report 2020.

# SUSTAINABILITY REPORT

## GLOBAL INITIATIVE INDEX ("GRI") CONTENT INDEX

| GRI Standard | Disclosure | Page Number(s) and/or URL |
|---|---|---|
| 102-1 | Name of the organisation | 11 |
| 102-2 | Activities, brands, products, and services | 11 |
| 102-3 | Location of headquarters | 12 |
| 102-4 | Location of operations | 12 |
| 102-5 | Ownership and legal form | Not applicable |
| 102-6 | Markets served | 12 |
| 102-7 | Scale of the organisation | Not applicable |
| 102-8 | Information on employees and other workers | 12 |
| 102-10 | Significant changes to the organisation | Not applicable |
| 102-14 | Statement from the most senior decision-maker | Not applicable |
| 102-16 | Values, principles, standards, and norms of behaviour | 11 |
| 102-18 | Governance structure | 18 |
| 102-40 | List of stakeholder groups | 14 |
| 102-41 | Collective bargaining agreements | Not applicable |
| 102-42 | Identifying and selecting stakeholders | 14 |
| 102-43 | Approach to stakeholder engagement | 14 |
| 102-44 | Key topics and concerns raised | 15 |
| 102-45 | Entities included in the consolidated financial statements | 11 |
| 102-46 | Defining report content and topic boundaries | 15 |
| 102-47 | List of material topics | 15 |
| 102-48 | Restatement of information | Not applicable |
| 102-49 | Changes in reporting | Not applicable |
| 102-50 | Reporting period | 11 |
| 102-51 | Date of most recent report | Not applicable |
| 102-52 | Reporting cycle | Not applicable |
| 102-53 | Contact point for questions regarding the report | 13 |
| 102-54 | Claims of reporting in accordance with the GRI Standards | 13 |
| 102-55 | GRI content index | 22-23 |
| 102-56 | External assurance | 15 |
| 103-1 | Explanation of the material topic and its boundary | 15 |
| 103-2 | The management approach and its components | 15 |
| 103-3 | Evaluation of the management approach | 15 |
| 302-1 | Energy consumption within the organisation | Not applicable |
| 404-1 | Average hours training per year per employee | 19 |
| 409-1 | Operations and suppliers at significant risk for incidents of child labour | 19 |
| 413-1 | Operations with local community engagement, impact assessments and development programs | 20 |
| 416- 2 | Incidents of non-compliance concerning the health and safety impacts of services | 20 |

# CORPORATE GOVERNANCE REPORT

Raffles Infrastructure Holdings Limited (the "**Company**") recognises the importance of good corporate governance and the offering of high standards of accountability to shareholders.

This report sets out the Company's corporate governance framework and practices in compliance with the principles and guidelines of the Code of Corporate Governance issued by the Ministry of Finance in August 2018 (the "**Code**"). Where there have been deviations from the Code, appropriate explanations are provided. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time, to ensure compliance with the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

## (A) BOARD MATTERS

### THE BOARD'S CONDUCT OF AFFAIRS

***Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.***

The Board assumes responsibility for stewardship of the Company as well as its subsidiaries. Its primary role is to protect and enhance long-term shareholders' value and hold management accountable for performance. Apart from its fiduciary duties, the Board provides strategic guidance for the Group and supervises executive management. The Board sets the tone for the Group in respect of ethics, values and desired organizational culture and ensures proper accountability within the Group. The Board also establishes policies on matters such as financial control, financial performance and risk management procedures and establishes goals for Management and monitors the achievement of these goals, thereby taking responsibility for the overall corporate governance of the Group. All directors make decisions objectively in the best interests of the Company and have exercised due diligence and independent judgment in so doing. Any Director who faces a conflict of interest or a possible conflict of interest, in relation to matter, must promptly declare his interest at a meeting of Directors or send a written notice to the Company containing details of his interest and the conflict and recuses himself from discussions and decisions on the matter.

To assist in the execution of its responsibilities, the Board has established several board committees namely, an Audit Committee ("**AC**"), a Nominating Committee ("**NC**") and a Remuneration Committee ("**RC**") (collectively, "**Board Committees**"). These Board Committees function within clearly defined terms of reference, which are reviewed on a regular basis. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions and a summary of each committee's activities, are disclosed in this Annual Report.

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. The Board and its committees may also decide on matters by way of circular resolutions. The frequency of meetings and attendance of each Director at every Board and Board Committee meeting are disclosed in this Report. The Bye-laws of the Company allow for participation in Board meetings via audio or video conferencing.

# CORPORATE GOVERNANCE REPORT

The number of Board, Board Committees and general meetings held in FY2020 and each Director's attendances at such meetings are set out below:

| | Board | AC | NC | RC | GM |
|---|---|---|---|---|---|
| No. of meetings held | 4 | 4 | 1 | 1 | 1 |
| No. of meetings attended by respective Directors | | | | | |
| **Executive Directors:** | | | | | |
| Choo Han Kiat Eric | 4 | N.A. | N.A. | N.A. | 1 |
| Ma Zhi[1] | 1 | N.A. | N.A. | N.A. | 0 |
| **Non-Executive Director:** | | | | | |
| Li Jia Chen | 0 | N.A. | N.A. | N.A. | 0 |
| **Independent Directors:** | | | | | |
| Leow Yong Kin | 4 | 4 | 1 | 1 | 1 |
| Toh Tiong San | 4 | 4 | 1 | 1 | 1 |
| Toh Hai Joo | 4 | 4 | 1 | 1 | 1 |

Notes:

GM general meetings of shareholders including annual general meeting for the year
NA Not a member
[1] Appointed as Executive Director on 1 April 2020.

The Board has adopted internal guidelines setting forth matters that require Board's approval. Matters which are specifically reserved to the Board for decision are those involving a conflict of interest of a substantial shareholder or a Director, material acquisitions, disposal of assets, operating budgets and capital expenditure, corporate or financial restructuring, shares issuance, declaration of dividends and other returns to shareholders and matters which require Board's approval as specified under the Company's internal control policies, for example, the Interested Person Transaction ("**IPT**") policy.

A formal letter setting out the Directors' duties and responsibilities under various regulations is issued to new Directors upon their appointment. Newly appointed Directors will be briefed by the Management on the business activities of the Group, governance policies, the regulatory environment in which the Group operates and governance practices, key business risks, policies on disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction involving the Company, prohibitions in dealing in the Company's securities and restrictions on disclosure of price sensitive information.

To keep pace with regulatory changes, the director's own initiatives are supplemented from time-to-time with information, updates and sponsored seminars conducted by external professionals, including any changes in legislation and financial reporting standards, government policies, and regulations and guidelines from SGX-ST that affect the Company and/or the directors in discharging their duties. The directors are informed of developments relevant to the Group, including changes in laws, regulations and risks that may impact the Group. Directors can apply to the Company for funding for any such courses, conferences and seminars which they may apply to attend.

Directors are at liberty to request further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from management.

# CORPORATE GOVERNANCE REPORT

For FY2020, the Directors had attended training of the Institute of Singapore Chartered Accountants (ISCA) such as IFRS 15/FRS115 Revenue from Contracts with Customer, auditors reliance on the work of other parties, ethical and legal considerations in protecting Company secrets and customer database and accounting for changes in equity.

Any newly-appointed Director who has had no prior experience as a director of a listed company will undergo training in the roles and responsibilities of a listed company director. The Company is registering Mr Ma Zhi for the Listed Entity Directors Programme organized by Singapore Institution of Directors.

Under normal circumstances, the Board has separate and independent access to senior Management and the Company Secretary and is informed of material events and transactions as and when they occur. Directors are entitled to request from management and would under normal circumstances be provided, in a timely manner, with such additional information as needed to make informed decisions. The Company Secretary coordinates, attends and prepares minutes of board meetings and advises on relevant rules and regulations as well as corporate governance practices.

As a general rule, notices are sent to the Directors at least one week in advance of Board and Board Committees meetings, followed by the Board papers, in order for the Directors to be adequately prepared for the meetings.

If the Directors, whether individually or as a group, in furtherance of their duties, need independent professional advice, the Company will, upon the direction of the Board, appoint a professional adviser to render such advice at the Company's expense.

**BOARD COMPOSITION AND GUIDANCE**

**Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.**

The Board currently comprises 7 Directors, majority of whom are Non-Executive Directors.

The Directors of the Company as at the date of this report are:

| | |
|---|---|
| Wong Ann Chai | (Independent Non-Executive Chairman) |
| Leow Yong Kin | (Lead Independent Non-Executive Director) |
| Toh Tiong San | (Independent Non-Executive Director) |
| Toh Hai Joo | (Independent Non-Executive Director) |
| Li Jia Chen | (Non-Independent Non-Executive Director) |
| Eric Choo Han Kiat | (Executive Director and Chief Executive Officer) |
| Ma Zhi | (Executive Director) |

There is presently a strong independent element on the Board and independence of each Director is reviewed by the NC. The NC adopts the definition in the Code as to what constitutes an independent director in its review. The NC considers an "independent" Director to be one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company. The Board, taking into account the NC's views, considers each of the abovenamed Independent Directors to be independent. The Company does not have any Independent Director who has served on the Board beyond nine years from the date of his first appointment.

The Board considers that the present board size and number of committees facilitate effective decision-making and are appropriate for the nature and scope of the Company's operations. The NC is of the view that no individual or small group of individuals dominates the Board's decision making process. The Board will continue reviewing the size and composition of the Board and the independent status of its directors on an ongoing basis.

# CORPORATE GOVERNANCE REPORT

The Directors appointed are qualified professionals who, as a group, possess a diverse range of experience to provide core competencies such as legal, accounting, finance, business, management experience, industry knowledge and strategic planning experience.

The Board adopted a board diversity policy which recognises the importance of having an effective and diverse Board. The main objective of the policy is to have the appropriate balance of skills, experience, knowledge and other aspects of diversity (e.g. gender, age and nationality) on the Board to support the long-term success of the Group. Under the policy, the NC is responsible for recommending to the Board the relevant practices to promote and achieve diversity on the Board. The Board is making progress on the implementation of the board diversity policy. For instance, the Board is placing more emphasis on diversity when identifying persons for appointment to the Board.

Profiles of the Directors are set out in "Board of Directors" section of this Annual Report.

**CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

***Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

The positions of Non-Executive Chairman and Chief Executive Officer are held by separate individuals to ensure appropriate balance of power, increased accountability and greater capacity of the Board for objective decision-making. Mr Wong Ann Chai is the Non-Executive Chairman and overseas the overall strategic directions and expansion plans for the growth and development of the Group. With the assistance of the Company Secretary, he also ensures that Board Meetings are held as and when required, sets agenda for the Board Meetings and ensures the quality, quantity and timeliness of the flow of information between the Management, the Board and the stakeholders.

Mr Eric Choo Han Kiat is the Chief Executive Officer ("**CEO**") of the Company whose functions include the overall management, strategic direction and the day-to-day operations of the Group, and for ensuring that the organisational objectives of the Group were achieved. He also ensures the Company maintains high standards of corporate governance and social responsibility wherever is does business and integrity of all its public disclosures.

Mr Leow Yong Kin, the Lead Independent Director of the Company, is also available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

**BOARD MEMBERSHIP**

***Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills to enable the Board to make effective decisions collectively.

The NC comprises three members, all of whom, including the chairman, are independent. The members of the NC are as follows:

| | |
|---|---|
| Toh Hai Joo | (Chairman) |
| Leow Yong Kin | (Member) |
| Toh Tiong San | (Member) |

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of Directors to the Board, to consider how the Board's performance may be evaluated.

# CORPORATE GOVERNANCE REPORT

The NC's duties and functions are outlined as follows:

1. review the succession plans for directors, in particular, the appointment and/or replacement of the Chairman, the CEO and key management personnel;

2. review and make recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board, taking into account the candidate's track record, age, experience, capabilities and other relevant factors;

3. identify and make recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each annual general meeting of the Company, having regard to the Directors' contribution and performance (such as their attendance, preparedness, participation and candour), including, if applicable, as independent Directors;

4. determine annually whether or not a Director is independent, in accordance with the guidelines contained in the Code and other salient factors;

5. to review whether a Director is able to and has adequately carried out his duties as a Director of the Company in particular where the Director concerned has multiple board representations; and

6. to consider how the Board's performance may be evaluated and to propose for the Board's approval, objective performance criteria (that allows comparison with the Company's industry peers) to evaluate the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

7. To review the training and professional development programmes for the Board and its directors

The NC conducts an annual review of Directors' independence based on the definition of independence set out in the Code. Each independent director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code. The NC is of the view that Mr Wong Ann Chai, Mr Leow Yong Kin, Mr Toh Tiong San and Mr Toh Hai Joo have satisfied the criteria for independence.

The NC considered the performance and contribution of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and effort devoted to the Group's business and affairs.

The NC will, at least once every year, review and thereafter, make recommendations to the Board regarding the Board structure, size, composition and core competencies.

The Company has a policy to require that a Director should not hold more than 5 listed company board representations. The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding other listed company directorships and/or principal commitments of some directors.

The NC may identify candidates for appointment as new directors through the business network of Board members or through external independent professional advisors to assist in the search for suitable candidates. The NC will generally identify suitable candidates skilled in core competencies such as strategic planning, accounting or finance, business or management expertise. Board appointments are made by way of a board resolution after the NC has, upon reviewing the resume of the proposed director(s), conducting interviews and having regard to the Board diversity policy, recommended the proposed appointment(s) to the Board.

# CORPORATE GOVERNANCE REPORT

In accordance with the Bye-laws of the Company, each Director shall retire at least once every three (3) years and all Directors appointed by the Board will have to retire at the next Annual General Meeting ("**AGM**") following their appointments (such Director shall then be eligible for re-election at that AGM).

In making the recommendation, the NC had considered the directors' overall contributions and performance. The Board recommends to the shareholders to approve the re-election of the aforesaid directors. The details of the proposed resolutions are stipulated in the Notice of AGM.

Mr Wong Ann Chai and Mr Ma Zhi are retiring as Director at the forthcoming AGM of the Company pursuant to the Bye-laws of the Company. The NC and the Board had nominated Mr Wong Ann Chai and Mr Ma Zhi for re-election as Directors.

The Directors, who have offered themselves for re-election, have confirmed that they do not have any relationship (including immediate family relationships) with other Directors, the Company, its related corporations, or its substantial shareholders. The current directorships in other listed company (if any) and details of other principal commitments held by each of these Directors are set out on pages 6 and 9 of this Annual Report.

Currently, the Board does not have any alternate Directors.

Details of the Directors' academic and professional qualifications and directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments are set out on pages 6 to 9 of this Annual Report.

Information regarding the Directors' shareholdings in the Company and related corporations is set out on page 42 of this Annual Report.

**BOARD PERFORMANCE**

***Principle 5: The Board undertakes a formal assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.***

The Board has implemented a formal process for assessing the effectiveness of the Board as a whole. Each Board member is required to complete a Board performance evaluation form adopted by the NC on a yearly basis. The Chairman of the NC will then prepare a consolidated report and presents the same to the Board for discussion on the changes or actions to be taken in order for the Board to discharge its duties more effectively. The performance criteria for the Board evaluation are in respect of Board size, composition and independence, conduct of meetings, Board procedures, Board accountability, corporate strategy and planning, risk management and internal control. Assessment results are analysed and key areas for follow-up actions are highlighted and discussed at the Board meeting.

The Board has taken the view that the financial indicators, may not be appropriate as these are more of a measurement of Management's performance and therefore less applicable to Directors.

The NC has also reviewed the contribution by each individual director to the effectiveness of the Board as a whole and to its Board Committees in FY2020 and is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Group.

# CORPORATE GOVERNANCE REPORT

## (B) REMUNERATION MATTERS

### PROCEDURES FOR DELOPING REMUNERATION POLICIES

***Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.***

The RC comprises three members, all of whom, including the chairman, are independent. The members of the RC are as follows:

| | |
|---|---|
| Toh Tiong San | (Chairman) |
| Leow Yong Kin | (Member) |
| Toh Hai Joo | (Member) |

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual Directors and senior Management. The RC's review will cover all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind and termination terms to ensure they are fair. In structuring a compensation framework for executive Directors and key executives, the RC seeks to link a proportion of executive compensation to the Group's performance. The RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. No Director is involved in deciding his own remuneration.

The RC has access to expert advice externally or within the Company with regard to remuneration matters where deemed necessary.

### LEVEL AND MIX OF REMUNERATION

***Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company***

The remuneration policy of the Company is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate Directors and senior Management.

The Executive Director does not receive Director's fees. The remuneration packages of Executive Director and key senior Management are based on their service contracts and are determined by the performance of the individuals, as well as the Group and industry benchmark. The remuneration packages for the Executive Directors and staff are made up of both fixed and variable components. The variable components are determined based on the performance of the individual employees as well as the Group's performance. The service contract for CEO is a fixed appointment period and can be terminated by either party, giving not less than three (3) months' notice in writing.

Non-executive and Independent Directors are paid Directors' fees of an agreed amount, taking into account factors such as effort and time spent, their contributions, and the respective responsibilities of the Directors. Directors' fees are recommended by the Board for shareholders' approval at the Company's AGMs.

# CORPORATE GOVERNANCE REPORT

**DISCLOSURE OF REMUNERATION**

***Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.***

The total remuneration of the Directors for FY2020 is set out below:

| Name of Directors | Directors' Fees S$'000 | Salary S$'000 | Bonus S$'000 | Share-based incentives and awards S$'000 | Other benefits S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|
| **Non-Executive Director:** | | | | | | |
| Li Jia Chen | 40 | – | – | – | – | 40 |
| **Independent Directors:** | | | | | | |
| Leow Yong Kin | 60 | – | – | – | – | 60 |
| Toh Tiong San | 50 | – | – | – | – | 50 |
| Toh Hai Joo | 50 | – | – | – | – | 50 |
| **Executive Directors:** | | | | | | |
| Eric Choo Han Kiat | – | 240 | – | – | – | 240 |
| Ma Zhi[1] | – | – | – | – | – | – |

Note:

1 Appointed on 1 April 2020

The total remuneration of the key executives for FY2020 is as follow:-

| Name of Key Executives | Salary S$'000 | Bonus S$'000 | Share-based incentives and awards S$'000 | Other benefits S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| Ng Pei Eng | 92 | – | – | – | 92 |
| Jiang Jian Peng | 36 | – | – | – | 36 |
| Yang Zhi | 102 | – | – | – | 102 |

The total remuneration paid to the top three (3) key executives (who are not Directors) for FY2020 was approximately S$230,000.

**Immediate Family Members of Directors**

None of the employees of the company who is substantial shareholder of the Company, or an immediate family member of a director, the CEO, or a substantial shareholder of the Company whose remuneration exceeds S$100,000 during FY2020.

The Company does not have any employee share/stock options scheme or any other long-term incentive scheme during the financial year ended 30 June 2020. The Company has been considering long-term incentive schemes for directors and key management personnel taking into account various factors but has yet to find a suitable model. The Company will continue to look into the matter.

# CORPORATE GOVERNANCE REPORT

## (C) ACCOUNTABILITY AND AUDIT

### RISK MANAGEMENT AND INTERNAL CONTROLS

***Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders***

The Board recognises its responsibilities over the governance of risks and regularly reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls (collectively, "**Internal Controls**"), with the assistance of the management and the external auditors appointed by the Company.

The Board has set in place management procedures for ensuring a sound system of risk management and Internal Controls. These procedures include, since FY2013, a structured Enterprise Risk Management ("**ERM**") system, management reviews of key transactions, and the assistance of independent consultants such as the Group's external auditors to review financial statements and Internal Controls covering key risk areas in safeguarding shareholders' interests and the Group's assets.

The ERM programme established by the Company which covers the following areas:

*ERM policies and procedures*

An overall framework for risk management has been documented in a manual to be disseminated to personnel responsible for oversight of risks and operations of risk countermeasures. This ERM manual includes the terms of reference of the various personnel and committees responsible for monitoring and managing risks in the Group. The ERM process will also require ongoing identification of key risks to the Company and reporting these risks to the Board to better determine whether appropriate measures have been taken to address relevant risks. Risk workshops, attended by key management personnel, are conducted annually to provide a structured approach to identify and assess of risks of the Group.

A Risk Management Committee ("**RMC**") was previously set up on 21 February 2013 but has since been dissolved. The Board will consider to re-establish the RMC if necessary with the progressive refreshing of the Board in place.

*Risk Appetite of the Company*

Generally, the Board will rely on management to monitor day to day operations while subjecting key corporate decisions, such as investments or acquisitions of businesses to Board approval. Management frequently reviews the Group's business and operational activities to identify and highlight to the Board and AC any areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Company's performance is monitored closely by the Board periodically and any significant matters that might have an impact on the operating results are required to be brought to the immediate attention of the Board.

The Company has also taken a strict stance towards avoiding any risks that might result in breaching relevant laws and regulations and risks that could adversely affect the reputation of the Group. Active efforts are also in place to manage risks within impact such as transferring them to third party insurers or having internal control procedures to better mitigate the likelihood of their occurrence. Internal audits will be regularly conducted to assess the ongoing compliance with the established controls to address key risk areas where applicable.

# CORPORATE GOVERNANCE REPORT

*Risk assessment and monitoring*

Based on the ERM framework, the nature and extent of risks to the Company will be assessed regularly and risk reports covering top risks to the Group will be submitted to the Board at least on a half yearly basis. A set of risk registers to document risks arising from this ERM exercise has been also been established to document all key risks and the corresponding countermeasures to the Company. This registers will be updated whenever new risks emerge.

The Company has started their first Control Self-Assessment ("**CSA**") exercise covering key operating areas in the Group. This exercise comprises internal control questionnaires to be completed by staff to assess level of effectiveness of internal controls and risk countermeasures. The CSA exercise will cover all the key business processes of the Group and results of the exercise will be included in the periodic risk reports to the Board and Audit Committee.

The Board has received assurance from the Chief Executive Officer that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Company's risk management and Internal Control systems are effective.

The Board is unable to receive assurance from the Chief Financial Officer who resigned on 31 July 2020.

The Board has also received assurance from the key management personnel that the Company's risk management and internal control systems are adequate and effective.

The Management has put in place the systems of Internal Controls within the Group to identify risks and document countermeasures to address risks in the Group's business, and to safeguard the shareholders' interests and the Group's assets.

Top ten risks and their respective countermeasures are identified by key management and documented in the Group's risk register and discussed with the Board regularly. The abovementioned systems are intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

Management will review and adjusts its business and operational activities, if necessary, where it identifies areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures on a continuous basis and highlights all significant matters to the Board.

Management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the Group can make more informed decisions and benefit from a better balance between risk and reward. This will help protect and also create shareholders' value.

Management is then expected to ensure that appropriate controls are in place to manage those risks, and such risks and controls are monitored by the Board on a regular basis.

The Company's external auditors also highlight internal control issues that came to their notice during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and these issues and their recommendations are reported to the AC.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

***Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.***

The Board is accountable to shareholders for the management of the Group. The Board updates shareholders on the operations and financial position of Company on a quarterly basis when it releases its results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The Management is accountable to the Board by providing the Board with the detailed financial information whenever necessary for the discharge of its duties to the shareholders.

The AC comprises entirely of non-executive Directors, all of whom, including the Chairman, are independent. The members of the AC are as follows:-

| | |
|---|---|
| Leow Yong Kin | (Chairman) |
| Toh Tiong San | (Member) |
| Toh Hai Joo | (Member) |

The AC does not comprise former partner or director of the Company' existing auditing firm or auditing corporation.

The AC assists the Board to maintain a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the financial reporting, management of financial and control risks, and monitoring of the internal control systems.

The members of the AC, collectively, are appropriately qualified to discharge the AC's responsibilities. Leow Yong Kin, Toh Tiong San and Toh Hai Joo all possess the requisite accounting and related financial management expertise and experience.

The duties and responsibilities of the AC in accordance with its terms of reference, which include the following:

1. assists the Board in discharging its statutory responsibilities on financial and accounting matters;

2. reviews the financial and operating results and accounting policies of the Group;

3. reviews significant financial reporting issues and judgements relating to financial statements for each financial year, interim and annual results announcement before submission to the Board for approval;

4. reviews the assurance from the CEO and the CFO on the financial records and financial statements;

5. reviews the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function;

6. reviews the adequacy of the Company's internal controls and risk management policies;

7. reviews the audit plans and reports of the external and internal auditors and consider the effectiveness of the actions taken by Management on the auditors' recommendations;

8. appraises and report to our Board on the audits undertaken by the external and internal auditors, the adequacy of the disclosure of information, and the appropriateness and quality of the system of management and internal controls;

# CORPORATE GOVERNANCE REPORT

9. reviews the independence of external auditors annually and nominate external auditors for appointment or re-appointment of and consider matters relating to the resignation or removal of the auditors and approve the remuneration and terms of engagement of the external auditors; and

10. reviews IPTs, as defined in the Listing Manual of the SGX-ST.

The AC will convene at least four (4) meetings after the end of each quarter of every financial year. The external auditor will also be present at the relevant junctures. In its review of the audited financial statements for FY2020, the AC discussed with the Management and external auditors the audit work performed and accounting principles applied.

The AC is briefed by the external auditors of changes to accounting standards and issues which have a direct impact on financial statements during the presentation of the audit plan and the audit report to the AC.

The AC has explicit authority to investigate any matter within its terms of reference. It also has the discretion to invite any Director or Management to attend its meetings.

The AC also meets with the external auditors and internal auditors without the presence of the Management at least once a year. The Company is in compliance with Rules 712, 715 and 716 of the Listing Manual of SGX-ST whereby the Company appoints a suitable auditing firm to meet its audit obligations in respect of its own accounts and for its subsidiaries.

The AC has reviewed the services performed by RT LLP and noted that no non-audit services were provided in FY2020.

The aggregate amount of fees paid to RT LLP for audit services for FY2020 is S$100,000.

The AC has reviewed and is satisfied with the independence of the external auditors, and has recommended to the Board that RT LLP be nominated for re-appointment as auditors of the Company at the forthcoming AGM.

**INTERNAL AUDIT**

The internal audit was conducted by the AC for FY2020.

The AC identified areas of risk and evaluated the efficiency and effectiveness of internal controls.

Their review consists of the following phases:

- Systems documentation, walk-through and gap analysis;
- Detailed testing and validation; and
- Reporting.

The Board reviews and approves the internal audit plan. Implementation of internal audit recommendation is further reviewed by the AC based on dates agreed with the Management. The AC have unfettered access to the Company’s documents, records, properties and personnel.

The AC also reviews, at least annually, the adequacy and effectiveness of the internal audit function including the qualifications and experience of the internal audit staff assigned to perform the reviews.

The Board is of the view that the present level of internal control is appropriate and will continue to review such internal control systems at least on an annual basis.

# CORPORATE GOVERNANCE REPORT

Based on the work performed by the external auditors and the Board, with the concurrence of AC, is of the opinion that, the system of Internal Controls maintained by the Group's Management throughout the financial year ended 30 June 2020 is adequate and effective to address the financial, operational, compliance and information technology risks within the Group's business operations.

The Board notes that any system of Internal Controls can only provide reasonable, but not absolute, assurance that the Group would not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. Therefore, the Board recognizes the limitations that are inherent in any system as this control system is designed to manage rather than eliminate risk of failure to achieve corporate objectives. The Board is also of the view that given the above limitations to internal controls system, there is no absolute assurance against occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

In overall internal control assessment for FY2020, the AC and the Board noted that no material control deficiencies were identified.

The Company has put in place a whistle-blowing policy and arrangements where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters, and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. The procedures for reporting such matters and the contact details of the AC have been made available to the employees on the subsidiaries' general notice board. On a public approach, any person who wishes to raise such concerns or matters to the AC's members may do so in confidence by way of email to leow.yongkin@rafflesinfrastructure.com.

## (D) SHAREHOLDER RIGHTS AND ENGAGEMENT

### SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

***Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects***

The Company is committed to maintaining and improving its level of corporate transparency, providing timely, fair and adequate disclosure of relevant information to shareholders so that they will be apprised of the developments that may have a material impact on the Company's securities. The Company does not practice selective disclosure. Such information is published through the SGXNET. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Company ensures true and fair information is delivered adequately to all shareholders and to ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders.

The Company's Bye-laws presently do not permit a shareholder, including a corporation which provides nominee or custodial services, to appoint more than two proxies to attend and participate in shareholders' general meetings as proxies.

The Bye-laws of the Company allows shareholders to vote at general meetings in person or by proxy and equal effect is given to such votes. Separate resolutions are tabled at general meetings on each distinct issue. Management, Directors and, where necessary, the external auditors and legal advisors are present and available to address questions at general meetings.

# CORPORATE GOVERNANCE REPORT

All resolutions of the Company will be put to vote by poll and the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced.

Minutes of general meetings of the Company which include comments or queries from shareholders relating to the agenda of the meeting as well as responses from the Board and management are prepared and made available to shareholders upon request.

In view of the current performance of the Group, the Company had decided not to declare any dividends for FY2020 to preserve cash for any future investment plans.

**ENGAGEMENT WITH SHAREHOLDERS**

***Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.***

In line with continuous disclosure obligations of the Company, pursuant to the SGX-ST's Listing Manual, the Board has devised an effective investor relations policy to regularly convey pertinent information to shareholders in a timely manner, of material events and all major developments that impact the Group.

Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication is made through:

– Annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Listing Manual and the relevant accounting standards;

– Quarterly financial statements containing a summary of the financial information and affairs of the Group for the period;

– Notices of and explanatory memoranda for annual general meetings and extraordinary general meetings;

– Analyst briefings for the Group's quarterly and annual results as well as other briefings, as appropriate;

– Press releases on major developments of the Group;

– Disclosures to the SGX-ST; and

– The Group's websites at https://rafflesinfrastructure.com at which shareholders can access information of the Group. The website provides, inter alia, products information and profile of the Group.

# CORPORATE GOVERNANCE REPORT

## (E) MANAGING STAKEHOLDER RELATIONSHIPS

### ENGAGEMENT WITH STAKEHOLDERS

***Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.***

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationship with such groups. These arrangements as well as strategies and key areas of focus in relation to the management of stakeholder relationships are set out in the Company's Sustainability Report.

## (F) DEALING IN SECURITIES

The Company has adopted its own internal compliance code pursuant to the SGX-ST's best practices on dealings in securities and these are applicable to all its officers in relation to their dealings in the Company's securities. The Company and its officers are prohibited from dealing in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's quarterly financial results and one (1) month before the announcement of the Company's full-year financial results, or if they are in possession of unpublished price-sensitive information of the Company. In compliance with Rule 1207(19)(b), the Company also prohibits its officers from dealing in the Company's securities on short-term considerations. In addition, Directors and officers are expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period.

## (G) MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries involving the interests of the CEO, any Director or controlling shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

## (H) INTERESTED PERSON TRANSACTION ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC, if any, and that the transactions are carried out on a normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no IPT with an aggregate value of more than S$100,000 in FY2020.

# CORPORATE GOVERNANCE REPORT

## (I) USE OF PROCEEDS

As at the date of this report, that status of the utilisation of the proceeds raised from the Company's initial public offerings ("**IPO**") and placement are as follows:

| Use of IPO proceeds | Amount allocated S$'000 | Amount utilized S$'000 | Balance S$'000 |
|---|---|---|---|
| To construct new facilities and acquire new machinery | 14,000 | 13,231 | 769 |
| To expand our research and development capabilities | 1,000 | 1,000 | – |
| For working capital purpose | 2,182 | 2,182 | – |
| | 17,182 | 16,413 | 769 |

| Use of Placement proceeds | Amount allocated S$'000 | Amount utilized S$'000 | Balance S$'000 |
|---|---|---|---|
| For project investment | 22,900 | 6,980 | 15,920 |
| For working capital purpose | 7,000 | 3,663 | 3,337 |
| | 29,900 | 10,643 | 19,257 |
| | 47,082 | 27,056 | 20,026 |

# DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Raffles Infrastructure Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2020.

## 1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial period then ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. Directors

The directors of the Company in office at the date of this statement are:

**Executive directors**

Eric Choo Han Kiat
Ma Zhi (Appointed on 1 April 2020)

**Independent non-executive directors**

Leow Yong Kin
Toh Tiong San
Toh Hai Joo
Wong Ann Chai (Appointed on 1 October 2020)

**Non-independent non-executive director**

Li Jia Chen

## 3. Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose objects was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraph 4 below.

# DIRECTORS' STATEMENT

## 4. Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial period had an interest in the shares or debentures of the Company and its related corporations.

The directors' interests in the ordinary shares of the Company as at 21 July 2020 were the same as those as at 30 June 2020.

## 5. Share options

The Share Award Scheme (the "Scheme") has been in operations since its approval by the Shareholders on 29 April 2009.

As the Scheme was first approved on 29 April 2009, its operation was subject to a maximum of 10 years and, therefore, has expired on 28 April 2019. The Company did not extend the duration of the Scheme.

There were no share options granted during the financial period to subscribe for unissued shares of the Company.

There were no shares issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option as at the end of the financial period.

## 6. Audit committee

The Audit Committee of the Company comprises three non-executive directors and at the date of this report, they are:

Leow Yong Kin
Toh Tiong San
Toh Hai Joo

The Audit Committee (AC) will convene at least four (4) meetings after the end of each quarter of every financial year. The external auditor will also be present at the relevant junctures. In its review of the audited financial statements for FY2020, the AC has convened 4 meetings with key management and 2 meetings with the external auditors of the Company to discuss the audit work performed and accounting principles applied.

The Audit Committee carried out its duties which included the following:

(i) the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

(ii) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

(iii) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

# DIRECTORS' STATEMENT

(iv) interested person transactions in accordance with SGX listing rules;

(v) nomination of external auditors and approval of their compensation; and

(vi) submission of report of actions and minutes of the Audit Committee to the board of directors with any recommendations as the Audit Committee deems appropriate.

In FY2020, the independent director(s) in Audit Committee has received co-operation from the management and has been given resources required for it to discharge its function.

(i) the audit plan and results of the external audit and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;

(ii) the adequacy of the Group's risk management processes;

(iii) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(iv) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

(v) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company; and

(vi) interested person transactions in accordance with SGX listing rules.

The Audit Committee has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of RT LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

On behalf of the Board of Directors

**Eric Choo Han Kiat**
Director

**Toh Hai Joo**
Director

13 October 2020

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RAFFLES INFRASTRUCTURE HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## Report on the Audit of the Financial Statements

### Qualified Opinion

We have audited the accompanying financial statements of Raffles Infrastructure Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

### Basis for Qualified Opinion

1. Opening balances

   Our independent auditor's report dated 11 October 2019 contained a qualified opinion on the financial statements for the financial period ended 30 June 2019. The basis for qualified opinion on the financial statements for the financial period ended 30 June 2019 is disclosed in Note 33 to the financial statements.

   In view of the matters described in the basis for qualified opinion paragraphs on the financial statements for the financial period ended 30 June 2019, we were unable to determine whether the opening balances as at 1 July 2019 are fairly stated.

   Since the opening balances as at 1 July 2019 are entered into the determination of the financial position of the Group and of the Company as at 30 June 2020, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 30 June 2020, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group's and the Company's financial statements for the financial year ended 30 June 2020.

   Our opinion on the current financial year's financial statements of the Group and the Company is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

2. Non-consolidation of certain entities due to loss of control

   As disclosed in Note 29 to the financial statements, the board of directors (the "Board") were of the view that the Company had lost its ability to control certain entities during the financial period ended 30 June 2019, namely Simwa Holdings Ltd, Shishi Simwa Knitting & Dyeing Co., Ltd and Xiamen Sunny Dyeing and Printing Co., Ltd (collectively "previous subsidiaries"). The net assets lost due to deconsolidation amounted to approximately RMB19 million as a result of loss of control on 30 September 2018 as cited by the Board.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RAFFLES INFRASTRUCTURE HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## Report on the Audit of the Financial Statements (Continued)

### Basis for Qualified Opinion (Continued)

2. Non-consolidation of certain entities due to loss of control (Continued)

   We were unable to perform any audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the basis for the deconsolidation as cited by the Board as well as the resultant computation of the RMB19 million net assets loss arising from the deconsolidation. In addition, management had used the management accounts of the previous subsidiaries as at 31 December 2017 to perform the deconsolidation instead of using the management accounts as at 30 September 2018, the point where management had asserted that the Company had lost control of the subsidiaries. Furthermore, there was an unreconciled difference of RMB2,036,000 from the computation of loss on net assets arising from deconsolidation which cannot be accounted for by management.

   As the above matters remain unresolved, we were unable to determine if the deconsolidation had been properly carried out in accordance with SFRS(I) 10 *Consolidated Financial Statements* and whether the relevant disclosures have been properly made in accordance with SFRS(I) 12 *Disclosure of Interest in Other Entities*. Consequently, we were unable to determine the effect of adjustments, if any, on the financial position of the Group and the Company as at 30 June 2020, and on the Group's financial performance, changes in equity and cash flows, and the Company's changes in equity, for the financial year ended on that date.

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence about the opening balances as at 1 July 2019 and unable to perform any audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the basis for the deconsolidation of certain previous subsidiaries. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to those matters.

### Emphasis of Matter

We draw attention to Note 4 to the financial statements, with respect to the Group's current and planned funding arrangements to fulfil a sales contract and to complete its performance obligations. The said contract is the only income source of the Group at the present moment. Our opinion is not modified in respect of this matter.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RAFFLES INFRASTRUCTURE HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## Report on the Audit of the Financial Statements (Continued)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key audit matters | How the matter was addressed in the audit |
|---|---|
| **Revenue recognition**<br>*i) Revenue (refer to Note 4 to the financial statements)*<br>*ii) Discounting of non-current trade receivables (refer to Note 3.2(iv) to the financial statements)*<br><br>The principal activity of a significant subsidiary of the Group is in provision of infrastructure and construction project in accordance to the public-private partnership ("PPP") agreement as contracted with a government authority in the People's Republic of China. Under the terms of the contract, the completed sections of the rural road are required to undergo quality checks by the contracted parties before the performance obligation is satisfied.<br><br>Upon completion of the satisfied performance obligation, the subsidiary will be paid by the government authority on a straight-line method over a 10 years period. The Group had only one contract comprising 26 projects. In the current financial year ended 30 June 2020, the subsidiary had undiscounted revenue of RMB213,554,000 from 5 out of 26 projects upon satisfying the identified single performance obligation.<br><br>As there is a significant financing component, in determining the transaction price, the subsidiary had adjusted the above agreed amount of consideration for the effects of the time value of money. The carrying amount of non-current trade receivables as at the end of the reporting year had been reduced accordingly.<br><br>The amount of significant financing component amounted to RMB25,562,000 for the financial year ended 30 June 2020. Accordingly, the revenue recognised for the financial year ended 30 June 2020 was RMB187,992,000. | We reviewed the application of the Group's revenue recognition policy and challenged management's assessment on whether the accounting treatment complies with SFRS(I) 15. In particular, we challenged management's assumptions on the identification of a single performance obligation and on whether the revenue is recognised at a point in time or over time.<br><br>We tested on a full basis whether valid contractual agreements or other documentation were in place to support the terms of the contracts as represented by management.<br><br>We also performed checking on whether the applicable terms of the relevant contracts had been followed, including but not limited to performing re-computation of revenue according to proper contract terms. We considered external evidence, especially interim payment certificate stamped and verified by all independent parties to ascertain whether performance obligations had been satisfied and that the revenue has been recognised appropriately in the financial period.<br><br>We challenged the appropriateness of management's use of the prevailing China Government Bond rate as the discount rate to determine the amount of the significant financing component and the corresponding fair value of the non-current trade receivables at initial recognition. |

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RAFFLES INFRASTRUCTURE HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## Report on the Audit of the Financial Statements (Continued)

### Key Audit Matters (Continued)

| Key audit matters | How the matter was addressed in the audit |
|---|---|
| Management had used the prevailing 1, 2, 3, 5, 7 and 10-years China Government Bond Yield rate as the discount rate to determine the amount of the significant financing component and the corresponding fair value of the non-current trade receivables at initial recognition, as this is the normal rate at which other entities would provide secured or unsecured lending to the debtor. | |

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with SFRS(I)s and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RAFFLES INFRASTRUCTURE HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## Report on the Audit of the Financial Statements (Continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (Continued)

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ravinthran Arumugam.

RT LLP
Public Accountants and
Chartered Accountants

Singapore
13 October 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | Note | Group<br>1 July 2019 to 30 June 2020<br>RMB'000 | <br>1 Jan 2018 to 30 June 2019<br>RMB'000<br>Restated |
|---|---|---|---|
| **Revenue** | 4 | 187,992 | 184,532 |
| Cost of sales | | (143,904) | (139,066) |
| **Gross profit** | | 44,088 | 45,466 |
| Other income | 5 | 5,867 | 19,034 |
| Distribution costs | | – | (3) |
| Administrative expenses | | (9,159) | (13,454) |
| Other operating expenses | | – | (19,059) |
| **Profit before income tax** | 6 | 40,796 | 31,984 |
| Income tax expense | 8 | (12,106) | (10,523) |
| **Profit for the year/period** | | 28,690 | 21,461 |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translating foreign operations, net of tax | | 21 | – |
| **Other comprehensive income for the year/period, net of tax:** | | 28,711 | 21,461 |
| **Profit attributable to:** | | | |
| Equity holders of the parent Company | | 25,389 | 17,328 |
| Non-controlling interests | | 3,301 | 4,133 |
| | | 28,690 | 21,461 |
| **Ttotal comprehensive income attributable to** | | | |
| Equity holders of the parent Company | | 25,410 | 17,328 |
| Non-controlling interests | | 3,301 | 4,133 |
| | | 28,711 | 21,461 |

**Earnings per share attributable to owners of the Company (RMB)**

| | Note | 1 July 2019 to 30 June 2020 | 1 Jan 2018 to 30 June 2019 |
|---|---|---|---|
| - Basic and diluted | 9 | 0.37 | 0.40 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | | RMB'000 | RMB'000 Restated | RMB'000 | RMB'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Trade and other receivables | 15 | 272,700 | 147,943 | – | – |
| Property, plant and equipment | 11 | 219 | 252 | – | – |
| Land use rights | 12 | – | – | – | – |
| Investments in subsidiaries | 13 | – | – | 510 | 510 |
| **Total non-current assets** | | 272,919 | 148,195 | 510 | 510 |
| **Current assets** | | | | | |
| Other current asset | 10 | 5,531 | 88,329 | – | – |
| Amount due from a subsidiary | 14 | – | – | 141,073 | 144,540 |
| Trade and other receivables | 15 | 51,572 | 25,755 | – | – |
| Prepayments | 16 | 101 | 87 | 96 | 24 |
| Cash and cash equivalents | 17 | 97,221 | 104,606 | 3 | 30 |
| **Total current assets** | | 154,425 | 218,777 | 141,172 | 144,594 |
| **Total assets** | | 427,344 | 366,972 | 141,682 | 145,104 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Equity** | | | | | |
| Share capital | 18 | 192,187 | 192,187 | 192,187 | 192,187 |
| Treasury shares | 19 | (24) | (24) | (24) | (24) |
| Reserves | 20 | (11,585) | (9,997) | 93,087 | 94,696 |
| Retained earnings/(Accumulated losses) | | 9,539 | (17,459) | (147,687) | (145,801) |
| Non-controlling interests | | 19,317 | 16,016 | – | – |
| **Equity attributable to owners of the Company** | | 209,434 | 180,723 | 137,563 | 141,058 |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | 195,281 | 175,726 | 4,119 | 4,046 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 22 | 22,629 | 10,523 | – | – |
| **Total liabilities** | | 217,910 | 186,249 | 4,119 | 4,046 |
| **Total liabilities and equity** | | 427,344 | 366,972 | 141,682 | 145,104 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Reserves | | | | | | | | |
| | Share capital RMB'000 | Treasury shares RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Statutory reserve RMB'000 | Merger reserve RMB'000 | Currency translation reserve RMB'000 | Retained earnings/ (Accumulated losses) RMB'000 | Controlling interest RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Group** | | | | | | | | | | | |
| **Balance at 1 January 2018** | 135,773 | (35) | 79,908 | 4,403 | 15,000 | (102,287) | – | (116,240) | 16,522 | – | 16,522 |
| Share Capital Reduction[(1)] | (81,464) | 11 | – | – | – | – | – | 81,453 | – | – | – |
| Share placement[(2)] | 137,878 | – | 13,179 | – | – | – | – | – | 151,057 | – | 151,057 |
| Total comprehensive income for the period (Restated) | – | – | – | – | – | – | – | 17,328 | 17,328 | 4,133 | 21,461 |
| Exchange differences arising on translation of foreign operation | – | – | – | – | – | – | (798) | – | (798) | – | (798) |
| Deconsolidation of subsidiary entity | – | – | – | (4,403) | (15,000) | 102,287 | – | (102,287) | (19,403) | – | (19,403) |
| Arising for deconsolidation of subsidiary | – | – | – | – | – | (102,287) | – | 102,287 | – | – | – |
| Acquisition of a subsidiary | – | – | – | – | – | – | 1 | – | 1 | 11,883 | 11,884 |
| **Balance at 30 June 2019 (Restated)** | 192,187 | (24) | 93,087 | – | – | (102,287) | (797) | (17,459) | 164,707 | 16,016 | 180,723 |
| **Balance at 1 July 2019 (Restated)** | 192,187 | (24) | 93,087 | – | – | (102,287) | (797) | (17,459) | 164,707 | 16,016 | 180,723 |
| Total comprehensive income for the year | – | – | – | – | – | – | – | 25,389 | 25,389 | 3,301 | 28,690 |
| Exchange differences arising on translation of foreign operation | – | – | – | – | – | – | 21 | – | 21 | – | 21 |
| Transfer to retained earnings- change in functional currency of Company from SGD to RMB | – | – | – | – | – | – | (1,609) | 1,609 | – | – | – |
| **Balance at 30 June 2020** | 192,187 | (24) | 93,087 | – | – | (102,287) | (2,385) | 9,539 | 190,117 | 19,317 | 209,434 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | Share capital RMB'000 | Treasury shares RMB'000 | Share premium RMB'000 | Currency translation reserve RMB'000 | Accumulated losses RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **Balance at 1 January 2018** | 135,773 | (35) | 79,908 | – | (220,233) | (4,587) |
| Share Capital Reduction[(1)] | (81,464) | 11 | – | – | 81,453 | – |
| Share Placement[(2)] | 137,878 | – | 13,179 | – | – | 151,057 |
| Total comprehensive loss for the period | – | – | – | – | (7,021) | (7,021) |
| Exchange differences arising on translation of foreign operation | – | – | – | 1,609 | – | 1,609 |
| **Balance at 30 June 2019** | 192,187 | (24) | 93,087 | 1,609 | (145,801) | 141,058 |
| **Balance at 1 July 2019** | 192,187 | (24) | 93,087 | 1,609 | (145,801) | 141,058 |
| Total comprehensive loss for the year | – | – | – | – | (3,495) | (3,495) |
| Transfer to accumulated losses – change in functional currency of Company from SGD to RMB | – | – | – | (1,609) | 1,609 | – |
| **Balance at 30 June 2020** | 192,187 | (24) | 93,087 | – | (147,687) | 137,563 |

Notes:

(1) On 28 September 2018, in accordance with the Bermuda laws the par value of the Share was reduced (the "Share Capital Reduction") from US$1.00 to US$0.40. The amount of credit arising from the Share Capital Reduction of US$10,775,749 (RMB81,463,800) was transferred to the contributed surplus account of the Company and utilised to set off against the accumulated losses in full.

(2) On 28 September 2018, Company completed its share placement (the "Share Placement") of 50,000,001 new ordinary shares in the capital of the Company at the issue price of S$0.60 per placement share.

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | Note | Group<br>1 July 2019 to 30 June 2020<br>RMB'000 | Group<br>1 Jan 2018 to 30 June 2019<br>RMB'000<br>Restated |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before income tax | | 40,796 | 31,984 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 11 | 45 | 55 |
| Gain from bargain purchase | 28 | – | (18,684) |
| Loss on disposal of subsidiaries | 29 | – | 19,171 |
| Interest income | 5 | (4,903) | (328) |
| **Operating cash flows before changes in working capital** | | 35,938 | 32,198 |
| Changes in working capital: | | | |
| Other current assets | | 82,798 | (88,329) |
| Trade and other receivables | | (147,019) | (165,363) |
| Trade and other payables | | 7,751 | 22,816 |
| **Cash used in operations** | | (20,532) | (198,678) |
| Interest received | | 1,334 | 328 |
| **Net cash used in operating activities** | | (19,198) | (198,350) |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | 11 | (12) | (307) |
| Acquisition of a subsidiary, net of cash acquired | 28 | – | 92 |
| Disposal of subsidiaries, net of cash disposed | 29 | – | (112) |
| **Net cash used in investing activities** | | (12) | (327) |
| **Financing activities** | | | |
| Amount due to directors | | (52) | 858 |
| Amount due to shareholder | | 11,856 | 152,052 |
| Proceeds from issue of share capital | | – | 151,058 |
| **Net cash generated from financing activities** | | 11,804 | 303,968 |
| **Net (decrease)/increase in cash and cash equivalents** | | (7,406) | 105,291 |
| Cash and cash equivalents at beginning of financial year/period | | 104,606 | 112 |
| Effect of currency translation | | 21 | (797) |
| **Cash and cash equivalents at end of financial year/period** | 17 | 97,221 | 104,606 |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**Reconciliation of liabilities arising from financing activities**

| | 1 July 2019 RMB'000 | Cash inflows/ (outflows) RMB'000 | Non-cash movements: Disposal RMB'000 | 30 June 2020 RMB'000 |
|---|---|---|---|---|
| Amount due to directors | 858 | (52) | – | 806 |
| Amount due to shareholders by a subsidiary | 152,052 | 11,856 | – | 163,908 |

| | 1 January 2018 RMB'000 | Cash inflows/ (outflows) RMB'000 | Non-cash movements: Disposal RMB'000 | 30 June 2019 RMB'000 |
|---|---|---|---|---|
| Amount due to directors | – | 858 | – | 858 |
| Amount due to shareholders by a subsidiary | – | 152,052 | – | 152,052 |
| Bank borrowings | 12,900 | – | (12,900) | – |

*The accompanying notes form an integral part of and should be read in conjunction with these financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 1. General information

### 1.1 Corporate information

Raffles Infrastructure Holdings Limited (the "Company") (Registration Number 40381) is incorporated in Bermuda with its registered office located at 5th Floor Andrew's Place, 51 Church Street, Hamilton, HM 12, Bermuda. The principal place of business of the Group is located at Xingwen County, Yibin, Sichuan, The People's Republic of China ("the PRC").

The principal activity of the Company is investment holding.

The principal activities of the respective subsidiaries are disclosed in Note 13 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 30 June 2020 were authorised for issue by the Board of Directors on 13 October 2020.

The Company's has no immediate and ultimate holding company as no shareholder holds more than 50% of the shareholding of the Company.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") including related Interpretations of FRSs ("INT FRSs") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

Change in functional currency

The functional currency of the Company before 1 January 2018 was Renminbi ("RMB"). During the financial period from 1 January 2018 to 30 June 2019, the functional currency of the Company was changed from RMB to Singapore dollar ("SGD"). With effect from 1 July 2019, the functional currency of the Company was changed from SGD back to RMB.

The individual financial statements of each Group entity are measured in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Renminbi ("RMB"), and all values presented are rounded to the nearest thousand ("RMB'000"), unless otherwise indicated.

The statement of financial position and statement of changes in equity of the Company are presented in RMB to be in line with the functional currency of the key operating subsidiary of the Group (namely Bo Dao Road Construction Co. Ltd ) which is RMB, and the presentation currency of the Group's financial statements which is also RMB.

The preparation of financial statements in conformity with SFRS(I)s requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.2 Standards issued but not yet effective

At the date of authorisation of these statements, the following SFRS(I) and SFRS(I) INT that are relevant to the Group were issued but not yet effective:

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to References to the Conceptual Framework in SFRS(I) Standards | 1 January 2020 |
| Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material | 1 January 2020 |
| Annual improvements to SFRS(I) 2018 - 2020 | 1 January 2022 |
| Amendments to SFRS(I) 1-1 Classification of Liabilities as Current or Non-current | 1 January 2023 |

The Board of Directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

### 2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.3 Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

### 2.3.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture. During the third quarter of financial year 2019, the Company deconsolidated three previous subsidiaries due to the loss of control (Note 29).

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

### 2.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.4 Business combinations (Continued)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 Income Taxes and SFRS(I) 1-19 Employee Benefits respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 Share-based Payment at the acquisition date ; and

- Assets (or disposal Groups) that are classified as held for sale in accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.5 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### 2.5.1 Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.5 Financial instruments (Continued)

### 2.5.1 Financial assets (Continued)

Classification of financial assets (Continued)

*Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a creditadjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other gains and losses” line item.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.5 Financial instruments (Continued)

### 2.5.1 Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The Group determines the ECL by using debtor by debtor basis, since the trade receivable of the Company solely comprised of a single third party debtor.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely the leisure goods and electronic equipment market, the residential properties construction industry and the IT software business.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.5 Financial instruments (Continued)

### 2.5.1 Financial assets (Continued)

Impairment of financial assets (Continued)

*Significant increase in credit risk (Continued)*

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.5 Financial instruments (Continued)

### 2.5.1 Financial assets (Continued)

Impairment of financial assets (Continued)

*Measurement and recognition of expected credit losses (Continued)*

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with SFRS(I) 1-17 Leases.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are Grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate Group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The Grouping is regularly reviewed by management to ensure the constituents of each Group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.5 Financial instruments (Continued)

### 2.5.1 Financial assets (Continued)

Impairment of financial assets (Continued)

*Derecognition of financial assets (Continued)*

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

**Classification as debt or equity**

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

*Ordinary share capital*

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.5 Financial instruments (Continued)

### 2.5.2 Financial liabilities

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.5 Financial instruments (Continued)

### 2.5.2 Financial liabilities (Continued)

Financial liabilities (Continued)

*Financial liabilities at FVTPL (Continued)*

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

*Financial liabilities subsequently measured at amortised cost*

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.5 Financial instruments (Continued)

### 2.5.2 Financial liabilities (Continued)

Financial liabilities (Continued)

*Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other gains and losses" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### 2.5.3 Offsetting arrangement

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.6 Property, plant and equipment (Continued)

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

| | |
|---|---|
| Buildings on leasehold land | 30 years |
| Plant and machinery | 5 - 10 years |
| Furniture, fixtures and office equipment | 5 years |
| Renovation | 5 years |
| Office equipment | 5 years |
| Computers | 3 - 5 years |
| Motor Vehicles | 9 years |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

### 2.7 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.8 Impairment of non-financial assets (Continued)

As at each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 2.9 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 2.10 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.10 Revenue recognition (Continued)

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation represents a promise in a contract with customers to transfer a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Rural Road Infrastructure projects

The Group entered into a Public-Private-Partnership ("PPP") arrangement with Chinese authority. Under the terms of the contracts, the Group is contracted to ensure sufficient funds are available for the operation of the projects. Revenue from construction of rural roads is recognised over time based on a cost–to–cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Management considers that the recognition of revenue based on performance obligation is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

The Group becomes entitled to invoice customers for construction of rural roads based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work, i.e. interim progress claim statement, signed by the independent parties. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost–to–cost method then the Group recognises a contract liability for the difference.

### 2.11 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.11 Income tax (Continued)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities except for the investment properties where investment properties measured at fair value are presented to be recovered entirely through sale. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.12 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and cash on hand that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### 2.14 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.15 Contract assets and asset recognised from costs incurred to fulfil a contract

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. A contract asset is recognised when the Group has the right to consideration in exchange for goods and services that the Group has transferred to a customer when that right is conditional on something other than passage of time (for example, the Group's future performance). A contract asset becomes a trade receivable when receipt of the consideration is unconditional and only the passage of time is required before the consideration is due.

Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress.

Asset recognised from costs incurred to fulfil a contract refer to costs that i) relate directly to a contract or an anticipated contract which the Group can specifically identify, ii) that these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future and, iii) that these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Asset recognised from costs incurred to fulfil a contract are presented within other current asset in the statement of financial position. They are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in profit or loss to the extent that the carrying amount exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

### 2.16 Employee benefits

#### a) Defined contribution plans

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### b) Employee leave entitlements

No provision has been made for employee leave entitlements as any unconsumed annual leave will be forfeited.

#### c) Retirement benefit costs

The Group participates in the national pension schemes as defined by the laws of PRC. Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2. Summary of significant accounting policies (Continued)

### 2.17 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

### 2.18 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the lease term of 50 years.

### 2.19 Leases

**(a) The accounting policy for leases before 1 July 2019 are as follows:**

1. When the Group is the lessee.

   The Group leases office under operating leases from non-related party.

   Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

   Contingent rents are recognised as an expense in profit or loss when incurred.

**(b) The accounting policy for leases from 1 July 2019 are as follows:**

1. When the Group is the lessee.

   At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

   - Short term leases

   The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2 above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1 Critical judgements made in applying the Group's accounting policies

The following are the critical judgements, apart from those those involving estimations (see below), that the management made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

***(i) Revenue recognition-determining the timing of satisfaction of performance obligation***

The Company provides construction services for the provincial government authority of Sichuan, China. As disclosed in Note 2.10, the Group becomes entitled to invoice customers for construction of rural roads based on achieving a series of performance-related milestones.

In making its judgement, management considered the detailed criteria for the recognition of revenue from the construction services, set out in SFRS(I) 15 Revenue from Contracts with Customers and, in particular, whether the Group had transferred to the buyer the control of the goods. Following the detailed assessment, management is satisfied that when a particular milestone is reached, the customer is sent a relevant statement of work, the control has been transferred and that recognition of the revenue in the current year is appropriate.

***(ii) Valuation of bargain purchase through business combination***

Business combination is accounted for by applying the acquisition method. Purchase price allocation exercise requires a significant amount of management estimation, particularly in relation to the identification and valuation of intangible assets and assignment of their useful lives. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The fair value of such assets and liabilities are estimated by management and independent professional valuer where significant or using the market value basis (i.e. market approach, income approach and cost approach) which requires significant judgement and estimation to be made. Income approach is adopted due to revenues being derived from the Contract Agreement for PPP Project entered into by the Company with the provincial government authority of Sichuan, China ("PPP Agreement").

In arriving at the bargain purchase computation, management had applied a discount of 6.05% to the fair values of the identifiable assets and liabilities taken over as at 30 November 2018. This discount rate of 6.05% is after considering the following as adopted by the professional valuer Truscel Capital LLP Singapore in their valuation report dated 30 September 2019 for determining the identifiable net assets as at 30 November 2018:

<u>Discount rate assumption</u>

- Risk free rate by using China's Government Bond 10 maturity years at 3.24%
- Levered Beta from 5 companies engaged in construction industry at 0.79
- Equity Risk Premium for Singapore at 6.91%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

### 3.1 Critical judgements made in applying the Group's accounting policies (Continued)

***(iii) Determination of functional currency***

The functional currency of the Company before 1 January 2018 was Renminbi ("RMB"). The Company's functional currency for the financial period from 1 January 2018 to 30 June 2019 was changed from RMB to Singapore dollar ("SGD"). During the current financial year, the Company changed its functional currency from SGD back to RMB.

Management has determined the Company's functional currency to be RMB because the key operating subsidiary during the current financial period (namely Bo Dao Road Construction Co. Ltd ) is operating in PRC and sales are denominated in RMB.

### 3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

***(i) Impairment of investments in subsidiaries***

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments are impaired. Where necessary, the Company's assessments are based on the estimation of the value-in-use of the assets defined in SFRS(I) 1-36 Impairment of Assets by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows.

During the year, an impairment loss of RMB Nil (2019: RMB506,000) was recognised for the investment in subsidiaries of the Company as the recoverable amount for this investments are less than the net assets of these subsidiaries. The Company's carrying amount of investments in subsidiaries as at 30 June 2020 was RMB510,000 (2019: RMB510,000) (Note 13).

***(ii) Provision for income taxes***

The Group has exposure to income taxes in the PRC of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax in the period in which such determination is made. The carrying amounts of the Group's current tax payable and deferred tax liabilities as at 30 June 2020 were RMB Nil (2019: RMB Nil) and RMB22,629,000 (2019: RMB10,523,000) respectively.

***(iii) Provision for expected credit losses of trade receivables***

The management considers the credit risk on trade receivables to be limited because the counterparty is a provincial government authority of China. According to the latest rating assessment by Moody's, S&P and Fitch, the credit rating of China stood at A1(Stable), A+(Stable) and A+(Stable) respectively. As such the Group does not expect credit loss from trade receivables.

The carrying amount of the Group's trade receivables as at 30 June 2020 was RMB312,865,000 (2019: RMB166,557,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

### 3.2 Key sources of estimation uncertainty (Continued)

#### *(iv) Application of discount factor for non-current trade receivables*

The group has non-current receivables due from the provincial government authority of China. The receivables were initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial. As there is a significant financing component, in determining the transaction price, the subsidiary had adjusted the agreed amount of consideration for the effects of the time value of money.

In applying discount factor to the non-current trade receivables, management considered that the most appropriate discount rate is the China Government Bond Yield with 1, 2, 3, 5, 7 and 10 maturity years. Management determined that the application of China Government Bond Yield is the most appropriate discount rate as this is the cost of fund the provincial government authority would have been able to borrow at. As a result of the discounting, the Group adjusted the revenue and non-current receivables by RMB25,562,000 (2019: RMB24,332,000) to reflect the effects of the time value of money.

## 4. Revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines.

| | Group | |
|---|---|---|
| | **1 July 2019 to 30 June 2020** | **1 Jan 2018 to 30 June 2019** |
| | **RMB'000** | **RMB'000 Restated** |
| Infrastructure projects | 187,992 | 184,532 |
| **Timing of revenue recognition** | | |
| *Over time:* | | |
| Infrastructure projects | 187,992 | 184,532 |

The Group currently has one PPP contract comprising 26 projects. During the year, the Company had undiscounted revenue of RMB213,554,000 (2019: RMB208,864,000) from 5 out of 26 projects upon satisfying the identified single performance obligation. In accordance with the PPP performance contract, the consideration for these completed projects recognised based on completion of performance obligation, is to be paid over 10 years. In the last financial year, 5 projects were completed, and therefore, 10 projects out of 26 have been completed cumulatively.

The undiscounted infrastructure projects revenue includes income from projects upon satisfying the identified single performance obligation and project return of 8.8% earned annually on the unpaid project income portions, which are deemed investments as they are paid over 10 years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 4. Revenue (Continued)

Accordingly, management has performed discounting for the non-current receivables due to the effect of time value of money and had reduced the revenue by RMB25,562,000 (2019: RMB24,332,000) against the trade receivables.

The revenue recognised during the year of RMB187,992,000 (2019: RMB184,532,000) wholly comes from the infrastructure projects and project returns.

The ability of the Group to complete the infrastructure projects is dependent on the ability of the Group to obtain independent credit facilities with financial institutions, or other manner of funding. The funding is required to fund construction of the projects. The Group's current operations, whilst funding with a financial institution is being negotiated, is funded by a shareholder of its subsidiary who has been subcontracted to perform the construction work. As a strategic partner, the shareholder is able to delay payment terms until such time the project revenue is paid by the final customer.

## 5. Other income

| | Group | |
|---|---|---|
| | **1 July 2019 to 30 June 2020** | **1 Jan 2018 to 30 June 2019** |
| | **RMB'000** | **RMB'000** |
| Gain on bargain purchase (Note 28) | – | 18,684 |
| Interest income- Bank deposits | 1,334 | 328 |
| Interest income - Unwinding of discount for non-current trade receivables | 4,344 | – |
| Other income | 189 | 22 |
| | 5,867 | 19,034 |

## 6. Profit before income tax

Profit before income tax has been arrived at after charging:

| | Group | |
|---|---|---|
| | **1 July 2019 to 30 June 2020** | **1 Jan 2018 to 30 June 2019** |
| | **RMB'000** | **RMB'000** |
| Audit fee | | |
| - current year | 427 | 271 |
| - under provision in prior year | – | 193 |
| Other audit fee | 54 | 1,925 |
| Depreciation of property, plant and equipment (Note 11) | 45 | 55 |
| Directors' fee – directors of the Company | 811 | 1,581 |
| Staff costs (Note 7) | 4,850 | 3,808 |
| Rental expenses | 361 | 369 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 7. Staff costs

| | Group | |
|---|---|---|
| | **1 July 2019 to 30 June 2020** | **1 Jan 2018 to 30 June 2019** |
| | **RMB'000** | **RMB'000** |
| Key management personnel | | |
| - salaries and related cost | 1,391 | 1,462 |
| - directors' fee | 811 | 1,581 |
| - employer's contribution to defined contribution plan | 91 | 81 |
| | 2,293 | 3,124 |
| Other than key management personnel | | |
| - salaries and related cost | 2,380 | 605 |
| - employer's contribution to defined contribution plan | 177 | 79 |
| | 2,557 | 684 |
| | 4,850 | 3,808 |

## 8. Income tax expense

| | Group | |
|---|---|---|
| | **1 July 2019 to 30 June 2020** | **1 Jan 2018 to 30 June 2019** |
| | **RMB'000** | **RMB'000 Restated** |
| **Deferred income tax** | | |
| - Movement in temporary differences | 12,106 | 10,523 |
| | 12,106 | 10,523 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 8. Income tax expense (Continued)

The tax expense on the results of the financial year differs from the amount of income tax determined by applying the statutory income tax rates of the respective countries to profit before income tax as a result of the following:

| | Group | |
|---|---|---|
| | **1 July 2019 to 30 June 2020** | **1 Jan 2018 to 30 June 2019** |
| | **RMB'000** | **RMB'000 Restated** |
| Profit before income tax | 40,796 | 31,984 |
| Tax at the domestic tax rates applicable to profits in the country where the Group operates (25%) (2019: 25%) | 10,199 | 7,996 |
| Add/(less): | | |
| - Effect of non-deductible expenses | 1,907 | 7,198 |
| - Effect of non-taxable income | – | (4,671) |
| Total tax expense | 12,106 | 10,523 |

The Group's subsidiaries, Raffles (Chengdu) Investment & Development Co., Ltd ("Raffles Chengdu") and Bo Dao Road Construction Co., Ltd ("Bo Dao") in the PRC are subject to the PRC corporate income tax on their taxable profits.

The tax rates are applicable to the following companies in the PRC as follows:

| | **Rate** |
|---|---|
| Raffles Chengdu | 25.0% |
| Bo Dao | 25.0% |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 9. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

| | Group | |
|---|---|---|
| | 1 July 2019 to 30 June 2020 | 1 Jan 2018 to 30 June 2019 |
| | RMB'000 | RMB'000 Restated |
| **Earnings** | | |
| Earnings for the purposes of basic and diluted attributable to equity holders of the Company | 25,389 | 17,328 |

| | Group | |
|---|---|---|
| | 1 July 2019 to 30 June 2020 | 1 Jan 2018 to 30 June 2019 |
| | No. of shares '000 | No. of shares '000 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | 67,952 | 43,226 |

| | 1 July 2019 to 30 June 2020 | 1 Jan 2018 to 30 June 2019 Restated |
|---|---|---|
| **Earnings per share (RMB)** | 0.37 | 0.40 |

## 10. Other current asset

| | 2020 | 2019 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Asset recognised from costs incurred to fulfil a contract as at 30 June 2020 | 5,531 | 88,329 |
| | 5,531 | 88,329 |
| Analysed as: | | |
| Current | 5,531 | 88,329 |
| Non-current | – | – |
| | 5,531 | 88,329 |

Asset recognised from costs incurred to fulfil a contract refer to costs that i) relate directly to a contract or an anticipated contract which the Group can specifically identify, ii) that these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future and, iii) that these costs are expected to be recovered (Note 2.15). Otherwise, such costs are recognised as an expense immediately.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 11. Property, plant and equipment

| Group | Buildings on leasehold land RMB'000 | Plant and machinery RMB'000 | Furniture, fixtures and office equipment RMB'000 | Renovation RMB'000 | Construction-in-progress RMB'000 | Office equipment RMB'000 | Computers RMB'000 | Motor Vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Balance at 1 January 2018 | 12,608 | 111,741 | 537 | 8,246 | 8,869 | – | – | – | 142,001 |
| Additions | – | – | – | – | – | 10 | 30 | 267 | 307 |
| Written off | (12,608) | (111,741) | (537) | (8,246) | (8,869) | – | – | – | (142,001) |
| Balance at 30 June 2019 | – | – | – | – | – | 10 | 30 | 267 | 307 |
| Additions | – | – | – | – | – | – | 12 | – | 12 |
| Balance at 30 June 2020 | – | – | – | – | – | 10 | 42 | 267 | 319 |
| **Accumulated depreciation** | | | | | | | | | |
| Balance at 1 January 2018 | 6,775 | 77,244 | 535 | 8,246 | – | – | – | – | 92,800 |
| Depreciation | – | – | – | – | – | 3 | 7 | 45 | 55 |
| Written off | (6,775) | (77,244) | (535) | (8,246) | – | – | – | – | (92,800) |
| Balance at 30 June 2019 | – | – | – | – | – | 3 | 7 | 45 | 55 |
| Depreciation | – | – | – | – | – | 2 | 12 | 31 | 45 |
| Balance at 30 June 2020 | – | – | – | – | – | 5 | 19 | 76 | 100 |
| **Accumulated impairment** | | | | | | | | | |
| Balance at 1 January 2018 | – | 15,814 | – | – | 8,869 | – | – | – | 24,683 |
| Written off | – | (15,814) | – | – | (8,869) | – | – | – | (24,683) |
| Balance at 30 June 2019 and 30 June 2020 | – | – | – | – | – | – | – | – | – |
| **Carrying amount** | | | | | | | | | |
| Balance at 30 June 2020 | – | – | – | – | – | 5 | 23 | 191 | 219 |
| Balance at 30 June 2019 | – | – | – | – | – | 7 | 23 | 222 | 252 |

All property, plant and equipment held by the Group are located in the PRC.

In FY2019, the Company write off property, plant and equipment at the cost of RMB142,001,000 due to the deconsolidation of previously owned subsidiaries where these written-off property, plant and equipment were belonged to the subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 12. Land use rights

| | Group 2020 RMB'000 | Group 2019 RMB'000 |
|---|---|---|
| **Cost** | | |
| At beginning of financial year | – | 3,055 |
| Written off | – | (3,055) |
| At end of financial year | – | – |
| **Accumulated amortisation** | | |
| At beginning of financial year | – | 811 |
| Written off | – | (811) |
| At end of financial year | – | – |
| **Carrying amount** | | |
| At end of financial year | – | – |

In FY2019, the Company wrote off land use right at the cost of RMB3,055,000 due to the deconsolidation of previously owned subsidiaries where these written-off land was belonged to the subsidiaries.

## 13. Investment in subsidiaries

| | Company 2020 RMB'000 | Company 2019 RMB'000 |
|---|---|---|
| Unquoted equity shares, at cost | 1,016 | 1,016 |
| Allowance for impairment loss | (506) | (506) |
| At end of financial year | 510 | 510 |

Movements in allowance for impairment loss are as follows:

| | Company 2020 RMB'000 | Company 2019 RMB'000 |
|---|---|---|
| At beginning of financial year | 506 | 102,370 |
| Charge for the financial year | – | 506 |
| Written off | – | (102,370) |
| At end of At end of financial year | 506 | 506 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 13. Investment in subsidiaries (Continued)

The details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation/ operation | Cost of investment | | Effective equity interest held by the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 | |
| | | RMB'000 | RMB'000 | % | % | |
| Held by the Company | | | | | | |
| Raffles (Chengdu) Investment & Development Co., Ltd[1] | The People's Republic of China | 510 | 510 | 100% | 100% | Infrastructure, cultural tourism, energy-saving and environmental protection project investment, operation management, technology development and services; investment consultation; investment management |
| Raffles Infrastructure Investments (Singapore) Pte Ltd[1] | Singapore | 506 | 506 | 100% | 100% | Activities of head and regional head offices, centralised administrative offices and subsidiary management offices |
| Held by Raffles (Chengdu) Investment & Development Co., Ltd | | | | | | |
| Bo Dao Road Construction Co., Ltd[1] 兴文县僰道公路建设有限责任公司 | The People's Republic of China | 100,000 | 100,000 | 90.91% | 90.91% | Road project construction, management, operation and maintenance |

(1) Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

The recoverable amount of the investment in subsidiaries was based on fair value less costs of disposal. The Group had used the market approach where the expected selling price of the subsidiary was based on its estimated net assets at the end of the financial year.

During the year, the allowance for impairment loss of investment in subsidiaries of RMB Nil (2019: RMB506,000) were recognised during the financial year.

In FY2019, the Company write off investment in subsidiaries totalling Nil (2019: RMB102,370,000) due to the deconsolidation of previously owned subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 13. Investment in subsidiaries (Continued)

*Carrying value of non-controlling interests*

| | 2020<br>RMB'000 | 2019<br>RMB'000<br>Restated |
|---|---|---|
| Bo Dao Road Construction Co., Ltd | 19,317 | 16,016 |

*Summarised financial information of subsidiaries with material non-controlling interests*

Set out below are the summarised financial information for the subsidiary that has non-controlling interests that are material to the Group. These are presented before inter company eliminations.

*Summarised balance sheet*

| | Bo Dao Road Construction Co., Ltd | |
|---|---|---|
| | 2020<br>RMB'000 | 2019<br>RMB'000<br>Restated |
| **Current** | | |
| Assets | 56,909 | 113,620 |
| Liabilities | (190,910) | (171,321) |
| Net current liabilities | (134,001) | (57,701) |
| **Non-current** | | |
| Assets | 272,898 | 148,175 |
| Total non-current assets | 272,898 | 148,175 |
| **Net assets** | 138,897 | 90,474 |

*Summarised income statement*

| | Bo Dao Road Construction Co., Ltd | |
|---|---|---|
| | 2020<br>RMB'000 | 2019<br>RMB'000<br>Restated |
| Revenue | 187,992 | 184,533 |
| **Profit after income tax** | 48,422 | 45,466 |
| Total comprehensive income | 48,422 | 45,466 |
| Total comprehensive income allocated to non-controlling interests | 3,301 | 4,133 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 13. Investment in subsidiaries (Continued)

*Summarised cash flows*

| | Bo Dao Road Construction Co., Ltd | |
|---|---|---|
| | **2020** | **2019** |
| | **RMB'000** | **RMB'000** |
| Net cash used in operating activities | (42) | (37,208) |
| Net cash generated from investing activities | 1 | 3 |
| Net cash generated from financing activities | – | 35,000 |

## 14. Amount due from a subsidiary

| | Company | |
|---|---|---|
| | **2020** | **2019** |
| | **RMB'000** | **RMB'000** |
| Current loan account | | |
| - Amount due from a subsidiary | 141,073 | 144,540 |

The amount due from a subsidiary is non-trade, unsecured, interest free and repayable on demand. The amount approximate its fair value. The amount due from a subsidiary is denominated in Renminbi.

## 15. Trade and other receivables

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RMB'000** | **RMB'000 Restated** |
| **Non-current:** | | |
| Trade receivables | | |
| Third parties | 261,863 | 141,501 |
| Other receivables | 10,837 | 6,442 |
| | 272,700 | 147,943 |
| **Current:** | | |
| Trade receivables | | |
| Third parties | 51,002 | 25,056 |
| Deposits | 49 | 44 |
| Staff loan | – | 26 |
| Value-added tax receivables | 322 | 115 |
| Others | 199 | 514 |
| | 51,572 | 25,755 |
| | 324,272 | 173,698 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 15. Trade and other receivables (Continued)

The currency profiles of the Group's and Company's trade and other receivables are as follows:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RMB'000** | **RMB'000 Restated** |
| Renminbi | 324,272 | 173,648 |
| Singapore dollar | – | 50 |
| | 324,272 | 173,698 |

Trade receivables pertain to receivables from government authority which will be paid over a 10-years term on straight-line method based on the contract terms.

## 16. Prepayments

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Prepayments | 101 | 87 | 96 | 24 |

## 17. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Cash balances | – | 2 | – | – |
| Bank balances | 97,221 | 104,604 | 3 | 30 |
| | 97,221 | 104,606 | 3 | 30 |

The effective interest rate of the cash and bank balances of the Group and the Company is 0.6% (2019: 0.6%) per annum. Interest rates reprice at intervals of one to three months.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 17. Cash and cash equivalents (Continued)

The currency profiles of the Group's and Company's cash and cash equivalents as at end of financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Renminbi | 97,218 | 104,572 | – | – |
| Singapore dollar | 3 | 34 | 3 | 30 |
| | 97,221 | 104,606 | 3 | 30 |

Cash and cash equivalents of RMB97,218,000 (2019: RMB104,572,000) held in the People's Republic of China are subject to local exchange control regulation. These regulations places restriction on the amount of currency being exported other than through dividends.

## 18. Share capital

| | Par value | 2020 Number of ordinary shares | 2019 Number of ordinary shares | 2020 | 2019 |
|---|---|---|---|---|---|
| | US$ | '000 | '000 | RMB'000 | RMB'000 |
| **Authorised:** | | | | | |
| At 1 January, 31 December and 30 June (US$100,000,000) | 0.40 | 250,000[(1)(2)] | 250,000[(1)(2)] | 615,347 | 615,347 |
| | | | | **2020** | **2019** |
| | | | | **USD'000** | **USD'000** |
| **Issued and paid up:** | | | | | |
| At 1 January | 2.00 | 67,960 | 8,980 | 27,181 | 17,959 |
| Share Split[(1)] | 1.00 | – | 17,960 | – | – |
| Share Capital Reduction[(2)] | 0.40 | – | 17,960 | – | 7,181 |
| Share Placement[(3)] | 0.40 | – | 50,000 | – | 20,000 |
| At 30 June/31 December | 0.40 | 67,960 | 67,960 | 27,181 | 27,181 |
| Equivalent to RMB'000 | | | | 192,187 | 192,187 |

Fully paid ordinary shares carry one vote per share and carry a right to receive dividends as and when declared by the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 18. Share capital (Continued)

Notes:

(1) On 28 September 2018, Company completed its share split (the "Share Split") of every one existing ordinary shares in the capital of the Company into two shares. To effect the Share Split, the ordinary share par value of US$2.00 was subdivided to US$1.00 per ordinary share. The authorised and issue share capital of the Company remain the same after the Share Split.

(2) On 28 September 2018, in accordance with the Bermuda laws the par value of the Share was reduced (the "Share Capital Reduction") from US$1.00 to US$0.40. The amount of credit arising from the Share Capital Reduction of US$10,775,749 (RMB81,463,800) was transferred to the contributed surplus account of the Company and utilised to set off against the accumulated losses in full.

(3) On 28 September 2018, Company completed its share placement (the "Share Placement") of 50,000,001 new ordinary shares in the capital of the Company at the issue price of S$0.60 per placement share.

## 19. Treasury shares

| | 2020 | 2019 | 2020 | 2019 |
|---|---|---|---|---|
| | Number of ordinary shares'000 | | USD'000 | USD'000 |
| **Paid up:** | | | | |
| At begaining and end of the financial year/period | 8 | 8 | 3 | 3 |
| Equivalent to RMB'000 | | | 24 | 24 |

The Company had acquired an accumulated total of 200,000 of its own shares through purchases on SGX in 2012 and in 2014. The total amount paid to acquire the shares was RMB35,000 and has been deducted from shareholders' equity.

On 29 May 2015, the Company completed its share consolidation exercise to consolidate every fifty ordinary shares in the capital of the Company held by the shareholders into one ordinary share in the capital of the Company, to comply with the Minimum Trading Price ("MTP") requirement as implemented by the SGX-ST as an additional continuing listing requirement. The issued share capital of the Company as at 31 December 2015 comprises 8,979,791 consolidated shares, after disregarding any fraction of consolidated shares arising from the share consolidation exercise.

After the share consolidation exercise, the 200,000 treasury shares have been consolidated into 4,000 shares.

On 28 September 2018, Company completed its share split (the "Share Split") of every one existing ordinary shares in the capital of the Company into two shares. To effect the Share Split, the ordinary share par value of US$2.00 was subdivided to US$1.00 per ordinary share.

On 28 September 2018, in accordance with the Bermuda laws the par value of the Share was reduced (the "Share Capital Reduction") from US$1.00 to US$0.40.

After the Share Split and Share Capital Reduction, those 4,000 treasury shares have since been split into 8,000 shares.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 20. Reserves

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Share premium | 79,908 | 79,908 | 79,908 | 79,908 |
| Share placement | 13,179 | 13,179 | 13,179 | 13,179 |
| Currency translation reserves | (776) | (797) | 1,609 | 1,609 |
| Merger reserve | (102,287) | (102,287) | – | – |
| | (9,976) | (9,997) | 94,696 | 94,696 |

### (i) Share premium

The share premium represents the excess of issue price over the par value of the shares issued, net of share issue expenses.

On 28 September 2018, Company completed its share placement (the "Share Placement") of 50,000,001 new ordinary shares in the capital of the Company at the issue price of S$0.60 per placement share.

### (ii) Merger reserve

The merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares and capital reserve of subsidiaries acquired which is accounted for using the pooling-of-interest method.

## 21. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade payables | | | | |
| - Third parties | 26,537 | 18,497 | – | – |
| Accrued operating expenses | 599 | 1,084 | 69 | 279 |
| Amount due to directors | 806 | 858 | 701 | – |
| Amount due to employees | 176 | 109 | – | 802 |
| Amount due to shareholder by a subsidiary | 163,908 | 152,052 | – | – |
| Other payables | 3,255 | 3,126 | 3,349 | 2,965 |
| Total trade and other payables | 195,281 | 175,726 | 4,119 | 4,046 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 21. Trade and other payables (Continued)

The amounts due to a directors, employees and shareholder are non-trade, unsecured, interest-free and repayable on demand.

No interest is charged on the trade and other payables. The payment term agreed was payment to the supplier upon collection from the trade receivables.

Amount due to shareholder by a subdiary pertains to amount due to corporate shareholder by the subsidiary, Bo Dao Road Construction Co. Ltd. Amount due to shareholder is non-trade, unsecured, non-interest bearing and repayable on demand.

The currency profiles of the Group's and Company's trade and other payables as at reporting date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Renminbi | 190,818 | 171,063 | – | – |
| Singapore dollar | 4,463 | 4,663 | 4,119 | 4,046 |
| | 195,281 | 175,726 | 4,119 | 4,046 |

The carrying amounts of accruals and other payables approximate their fair values.

## 22. Deferred tax liabilities

Deferred tax liabilities relate to the infrastructure projects in China which will be taxable only when all the 26 projects from the sole contract that the Group currently has, are completed and the corresponding receivables have been collected. Movements in deferred tax liabilities during the financial year/period were as follows:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RMB'000** | **RMB'000 Restated** |
| Deferred tax liabilities | | |
| At beginning of the year | 10,523 | – |
| Recognised in profit or loss | 12,106 | 10,523 |
| At end of the year | 22,629 | 10,523 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 23. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

***Compensation of directors and key management personnel remuneration***

The remuneration of directors and other members of key management during the financial year/period are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Short-term employee benefits | 2,293 | 3,124 | 811 | 504 |

Included in the key management personnel's remuneration are costs of defined contribution plans for the Group amounting to RMB91,000 (2019: RMB81,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 24. Operating segments

Business segment

As the Group operates principally in a single business segment which is the provider of infrastructure projects, no reporting by business operations is presented.

Geographical segment

As the business of the Group is engaged entirely in the PRC, no reporting by geographical location of operations is presented.

## 25. Financial instruments by category

At the reporting date, the aggregate carrying amounts of financial assets at amortised cost and financial liabilities at amortised cost were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RMB'000** | **RMB'000 Restated** | **RMB'000** | **RMB'000** |
| *Financial assets* | | | | |
| At amortised cost | 420,972 | 277,675 | 141,076 | 144,570 |
| *Financial liabilities* | | | | |
| At amortised cost | 195,281 | 175,726 | 4,119 | 4,046 |

## 26. Financial risk management

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 26. Financial risk management (Continued)

**Credit risks**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group has adopted a policy of only dealing with creditworthy counterparties. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

To minimise credit risk, the Group has developed and maintained the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic
- conditions that are expected to cause a significant change to the debtor's ability to
- meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 26. Financial risk management (Continued)

### Credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

| Category | Definition of category | Basis for recognising expected credit loss (ECL) |
|---|---|---|
| I | Counterparty has a low risk of default and does not have any past-due amounts. | 12-month ECL |
| II | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL – not credit-impaired |
| III | Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default). | Lifetime ECL – credit impaired |
| IV | There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery. | Amount is written off |

The table below details the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

| | Note | Category | 12-month or lifetime ECL | Gross carrying amount | Loss allowance | Net carrying amount |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **30 June 2020** | | | | | | |
| Trade receivables | 15 | Note 1 | Lifetime ECL (simplified) | 312,865 | – | 312,865 |
| Other receivables | 15 | I | 12–month ECL | 11,407 | – | 11,407 |
| | | | | | – | |
| **30 June 2019 (Restated)** | | | | | | |
| Trade receivables | 15 | Note 1 | Lifetime ECL (simplified) | 166,557 | – | 166,557 |
| Other receivables | 15 | I | 12–month ECL | 7,141 | – | 7,141 |
| | | | | | – | |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 26. Financial risk management (Continued)

**Credit risk (Continued)**

| | Note | Category | 12-month or lifetime ECL | Gross carrying amount | Loss allowance | Net carrying amount |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **30 June 2019** | | | | | | |
| Amount due from a subsidiary | 14 | I | 12-month ECL | 141,073 | – | 141,073 |
| **1 January 2019** | | | | | | |
| Amount due from a subsidiary | 14 | I | 12-month ECL | 144,540 | – | 144,540 |

**Trade receivables (Note 1)**

The management considers the credit risk on trade receivables to be limited because the counterparty is a provincial government authority of China. As mentioned in Note 3.2(iv), according to the latest rating assessment by Moody's, S&P and Fitch, the credit rating of China stood at A1(Stable), A+(Stable) and A+(Stable) respectively. As such the Group does not expect credit loss from trade receivables.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Exposure to credit risk

Credit exposure to an individual customer is restricted by the credit limit approved by the credit controller. Customers' payment profile and credit exposure are continuously monitored by the credit controller and reported to the management and Board of Directors. The Group's trade receivables include 1 debtor (2019: 1 debtor) that collectively represented 100% (2019: 100%) of trade receivables at reporting date.

The Group's concentration of credit risk by geographical locations is mainly at the PRC, which account for 100% (2019: 100%) of the total trade receivables as at year end.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 26. Financial risk management (Continued)

**Market risks**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risks

The Group transacts business in currencies, other than the respective functional currency of the Group entities, and hence is exposed to foreign currency risks.

At present, the Group does not have any formal policy for hedging against exchange exposure.

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency of PRC is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through authorised financial institutions.

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year/period are as follows:

| | Group | Company | |
|---|---|---|---|
| | Singapore dollar | Singapore dollar | Renminbi |
| | RMB'000 | RMB'000 | SGD'000 |
| **2020** | | | |
| Cash and cash equivalents | 3 | 3 | – |
| Trade and other payables | (4,463) | (4,119) | – |
| | (4,460) | (4,116) | – |
| **2019** | | | |
| Cash and cash equivalents | 34 | – | – |
| Trade and other receivables | 51 | – | – |
| Trade and other payables | (4,663) | – | – |
| Amount due from subsidiary | – | – | 28,460 |
| | (4,578) | – | 28,460 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 26. Financial risk management (Continued)

**Market risks (Continued)**

Foreign currency risks (Continued)

*Foreign currency sensitivity analysis*

The Group and Company are mainly exposed to Singapore dollar (SGD).

The following table details the Group's sensitivity to a 10% change in SGD against RMB, and the Company's sensitivity to a 10% change in SGD against RMB in FY2019. The sensitivity analysis assumes an instantaneous 10% change in the foreign currency exchange rates at the end of the financial year/period with all variables held constant.

| | Increase/(Decrease) | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | Profit or loss | | | |
| | 2020 | 2019 | 2020 | 2019 |
| | RMB'000 | RMB'000 | RMB'000 | SGD'000 |
| **SGD** | | | | |
| Strengthens against RMB | (446) | (458) | (412) | – |
| Weakens against RMB | 446 | 458 | 412 | – |
| **RMB** | | | | |
| Strengthens against SGD | – | – | – | 2,846 |
| Weakens against SGD | – | – | – | (2,846) |

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their cash and cash equivalents.

The Group does not expect any significant effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 26. Financial risk management (Continued)

### Liquidity risks

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both interest and principal cash flows.

| | Less than 1 year RMB'000 |
|---|---|
| **Group** | |
| **Undiscounted Financial Assets** | |
| Cash and bank balances | 97,221 |
| Trade and other receivables | 51,002 |
| As at 30 June 2020 | 148,223 |
| Cash and bank balances | 104,606 |
| Trade and other receivables | 25,056 |
| As at 30 June 2019 | 129,662 |
| **Undiscounted Financial Liabilities** | |
| Trade and other payables | 195,281 |
| As at 30 June 2020 | 195,281 |
| Trade and other payables | 175,726 |
| As at 30 June 2019 | 175,726 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 26. Financial risk management (Continued)

**Liquidity risks (Continued)**

| | Less than 1 year RMB'000 |
|---|---|
| **Compawny** | |
| **Undiscounted Financial Assets** | |
| Cash and bank balances | 3 |
| Amount due from a subsidiary | 141,073 |
| As at 30 June 2020 | 141,076 |
| Cash and bank balances | 30 |
| Amount due from a subsidiary | 144,540 |
| As at 30 June 2019 | 144,570 |
| **Undiscounted Financial Liabilities** | |
| Trade and other payables | 4,119 |
| As at 30 June 2020 | 4,119 |
| Trade and other payables | 4,046 |
| As at 30 June 2019 | 4,046 |

## 27. Fair value of assets and liabilities

*Cash and cash equivalents, trade receivables (current), other receivables and other payables*

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

*Trade receivables (non-current)*

The fair values of non-current trade receivables are computed based on future cash flows discounted at the prevailing 1, 2, 3, 5, 7 and 10-years China Government Bond Yield rates. As there are no material differences between those rates prevailing as at 30 June 2020 and as at 30 June 2019, the carrying amounts of non-current trade receivables approximate their fair values.

*Trade payables*

The carrying amounts of trade payables approximate its fair values as it is subject to normal trade credit terms.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 28. Acquisition of a subsidiary

On 1 August 2018, the Group acquired 90.91% of the issued share capital of Bo Dao Road Construction Co. Ltd ("Bo Dao") for consideration of RMB100 million. The consideration was being financed by proceeds from the placement. This transaction had been accounted for by the acquisition method of accounting.

Bo Dao is an entity incorporated in the People's Republic of China with its principal activity being the road project construction, management, operation and maintenance. The Group acquired Bo Dao for various reasons, the primary reason being to gain access to Bo Dao's already established manufacturing facilities and assembled workforce (instead of setting up new facilities which may take time to reach optimum production efficiency levels).

### 28.1 Consideration transferred (at acquisition date fair values)

| Bo Dao Road Construction Co. Ltd | Total RMB'000 |
|---|---|
| Consideration | 100,000 |

### 28.2 Assets acquired and liabilities assumed at the date of acquisition

| Bo Dao Road Construction Co. Ltd | Total RMB'000 |
|---|---|
| **Non-current assets** | |
| Plant and equipment | 247 |
| **Current assets** | |
| Cash and cash equivalents | 100 |
| Other current assets | 130 |
| Asset recognised from costs incurred to fulfil a contract (Note 2.15) | 216,437 |
| **Current liabilities** | |
| Trade and other payables | (88,230) |
| **Net assets assumed** | 128,684 |

### 28.3 Non-controlling interest

The non-controlling interest (9.09%) in Bo Dao recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to RMB10,000,000. This fair value was estimated by applying an income approach.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 28. Acquisition of subsidiary (Continued)

### 28.4 Bargain purchase arising on acquisition

| Bo Dao Road Construction Co. Ltd | Total RMB'000 |
|---|---|
| Consideration transferred | 100,000 |
| Add: Non-controlling interest | 10,000 |
| Less: Fair value of identifiable net assets assumed | (128,684) |
| Bargain purchase arising on acquisition | (18,684) |

Bargain purchase arose in the acquisition of Bo Dao.

Bargain purchase amounting to approximately RMB18,684,000 was recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income as "Other Income" (Note 5). The acquisition had resulted in bargain purchase as this is the initiative by the provincial government of Sichuan, China, by encouraging the co-operation between foreign incorporated entities with the state-owned enterprise.

The Group measured the fair value of the identifiable assets and liabilities of Bo Dao as at 30 November 2018 based on an independent valuation report from a professional PRC valuer, Truscel Capital LLP Singapore, dated 30 September 2019.

### 28.5 Net cash inflow on acquisition of subsidiary

| Bo Dao Road Construction Co. Ltd | Total RMB'000 |
|---|---|
| Consideration transferred | – |
| Add: Cash and cash equivalent balances acquired | 92 |
| | 92 |

### 28.6 Impact of acquisition on the results of the Group

Included in the profit before tax for the previous year was RMB36 million attributable to the additional business incurred by Bo Dao. Revenue for the period from Bo Dao amounted to RMB189 million.

Had the business combination during the previous year been effected at 1 January 2018, the revenue of the group from continuing operations would have been RMB189 million, and the profit for the year would have been RMB36 million.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29. Lost of control of subsidiaries

As at 30 June 2019, the Company determined that it had lost control of the following subsidiaries (the PRC subsidiaries):

(i) Simwa Holdings Ltd
(ii) Shishi Simwa Knitting & Dyeing Co., Ltd
(iii) Xiamen Sunny Dyeing and Printing Co., Ltd

Rationale

The board had concluded that the Company had no option but to de-consolidate the PRC subsidiaries from its financial reporting as at 30 June 2019.

The effect of de-consolidation was that in future, the financial results of the subsidiaries were no longer reported in the Company's Annual Report (i.e. the report will be at a Company, not Group level) and the investment in the subsidiaries was written down in the Company's accounts as a disposal without consideration. In the event that the Company was able to re-establish control over the PRC subsidiaries and/or their assets, the Company will then re-consolidate and/or recognize this value.

De-consolidation will allow the Company to prepare and issue financial reports that, to the extent possible given the circumstances, most closely and accurately reflect the true financial position of the Company.

As shareholders will be aware, the Company had been unable to complete its financial reporting on a Group basis (including the PRC subsidiaries information). The board did not, until now, believe that de-consolidation was warranted as they were waiting for further information and confirmations on the PRC subsidiaries. The board now believes that the decision to de-consolidate as at 30 June 2019 was justified.

**The de-consolidation was based on a combination of factors:**

1. The Board had incomplete records for the Company itself and no access to the books and records of the PRC subsidiaries or reliable information on which to reconstruct the financial performance of the PRC subsidiaries.

2. The Board had restructured the operation of the Group and these subsidiaries were deemed as non-contributing to the financial performance of the Group.

3. The discovery and confirmation of the existence of significant litigation involving the PRC subsidiaries in China which was not disclosed by PRC Management, points to the subsidiaries having gone out of control even before 31 December 2017.

4. The Board had concluded that they had lost power over the subsidiaries especially over the operational right and the power to influence the variable returns of these entities.

Given the circumstances and based on the available information, the Board believes that the Company and its shareholders have been the victim of financial misreporting and non-disclosure by the PRC subsidiaries under the control and management of previous management, in relation to financing debt, material litigation and cash balances.

The Board believes that de-consolidating the accounts as at 30 June 2019 will be the fairest and most accurate way of reporting the Company's financial position going forward and will allow the Company to pursue a restructuring and reorganization of its listing to safeguard its remaining value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29. Lost of control of subsidiaries (Continued)

Details of the disposal were as follows:

Carrying amounts of net assets of which control was lost:

| | 30 June 2019 RMB'000 |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment | 24,599 |
| Land use rights | 2,244 |
| **Current assets** | |
| Inventories | 566 |
| Trade and other receivables | 11,067 |
| Cash and bank balances | 112 |
| **Current Liabilities** | |
| Trade and other payables | (4,593) |
| Bank borrowings | (12,900) |
| **Net assets de-recognised** | 21,095 |
| Adjustments | (2,036) |
| | 19,059 |

No consideration was received on disposal of the above subsidiaries.

| | |
|---|---|
| **Loss on disposal:** | |
| Consideration received | – |
| Net assets de-recognised | (19,059) |
| Attributable reserves: | |
| Statutory reserve | – |
| Merger deficit | – |
| | (19,059) |

No cash was received for the disposal of the above subsidiaries.

| | |
|---|---|
| **Net cash out on disposal of subsidiaries** | |
| Cash and cash equivalents disposed | 112 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 30. Capital management policies and objectives

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business and maximise shareholder value.

The Group's management reviews the capital structure on an annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2019.

The review of the Group's capital risk management policies and objectives is conducted by the Audit Committee and the Board of Directors.

The Group and the Company are in compliance with externally imposed capital requirements for the financial years ended 30 June 2020 and 30 June 2019.

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents and amount due from a subsidiary.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Net debt | 98,060 | 71,120 | (136,957) | (140,523) |
| Total equity | 209,434 | 180,723 | 137,563 | 141,058 |
| Gearing ratio | 47% | 39% | N.M* | N.M* |

* N.M – Not meaningful

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 31. New or revised accounting standards and interpretations

**New accounting standards effective on 1 July 2019**

The Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases:

Adoption of SFRS(I) 16 Leases

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the statement of financial position. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.19 Lease.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

On a lease-by-lease basis, the Group has accounted for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 July 2019 are as follows:

The Group leases office under operating leases from non-related party. The Group elected to account the operating lease with lease term less than 12 month as short term lease.

**Amount recognised in profit or loss**

| | **2020**<br>**RMB'000** |
|---|---|
| Expenses relating to short-term leases (Note 6) | 361 |

The Group had total cash outflows for leases of RMB361,000 in 2020.

Accordingly, the initial application of SFRS(I) 16 Leases has no impact to the Group's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 32. Significant events during the current financial year

(a) Outbreak of Coronavirus Disease ("COVID-19")

With the rapid spread of the COVID-19 pandemic globally, strict government containment measures have been implemented in the People's Republic of China ("PRC") where the major subsidiary is engaged in the PRC, in many instances resulting in full or partial national lockdowns, states of emergency, elevated social distancing and travel restrictions in varying stages.

The Group continues to take all pre-cautionary measures in prevention of another wave of the COVID-19 outbreak and is still committed to improving the business performances overall. Although there has been a delay in deliverance of road parcels and the acceptance process by the client construction schedule due to the COVID-19 situation, the construction of the road parcels are progressing in the first quarter of FY2021. The Company will continue to work with its client in monitoring the progress closely.

(b) Clinches bid for the Bangladesh Trust Green City Development Project

On 8 May 2020, the Group announced that Army Welfare Trust of The People's Republic of Bangladesh ("AWT") has selected the Group's proposal after evaluating several from both local and international participating companies. The Group shall undertake the design, financing, construction, marketing, operation, and maintenance of Trust Green City with an estimated gross development value of USD800 million.

The Group and AWT have, on 7 May 2020, entered into a Memorandum of Understanding (MOU) which establishes the preliminary framework of Trust Green City, setting out areas of responsibilities, schedules of tasks and the timelines to sign definitive agreements.

## 33. Comparative figures

(a) The independent auditor's report dated 11 October 2019 contains a qualified opinion on the financial statements for the financial period ended 30 June 2019. Below is the extract of the basis for qualified opinion.

**Extracted from auditor's report for the financial period ended 30 June 2019**

**Basis for Qualified Opinion**

1. Opening balances

Our independent auditor's report dated 9 January 2019 contained a disclaimer of opinion on the financial statements for the financial year ended 31 December 2017. The basis for disclaimer of opinion on the financial statements for the financial year ended 31 December 2017 is disclosed in Note 37 to the financial statements.

In view of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for the financial year ended 31 December 2017, we were unable to determine whether the opening balances as at 1 January 2018 are fairly stated.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 33. Comparative figures (Continued)

(a) (Continued)

**Basis for Qualified Opinion (Continued)**

1. Opening balances

Since the opening balances as at 1 January 2018 are entered into the determination of the financial position of the Group and of the Company as at 30 June 2019 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial period from 1 January 2018 to 30 June 2019, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group's and the Company's financial statements for the financial period from 1 January 2018 to 30 June 2019.

Our opinion on the current financial period's financial statements of the Group and the Company is also modified because of the possible effects of these matters on the comparability of the current period's figures and the corresponding figures

2. Non-consolidation of certain subsidiaries due to loss of control over those subsidiaries

As disclosed in Note 32 to the financial statements, the board of directors (the "Board") are of the view that the Company has lost its ability to control certain of its subsidiaries during the financial period, namely Simwa Holdings Ltd, Shishi Simwa Knitting & Dyeing Co., Ltd and Xiamen Sunny Dyeing and Printing Co., Ltd (collectively previous "subsidiaries"). The net assets lost due to deconsolidation amounted to approximately RMB19 million as a result of loss of control on 30 September 2018 as cited by the Board.

We were unable to perform any audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the basis for the deconsolidation as cited by the Board as well as the resultant computation of the RMB19 million net assets loss arising from the deconsolidation. In addition, management had used the management accounts of the subsidiaries as at 31 December 2017 to perform the deconsolidation instead of using the management accounts as at 30 September 2018, the point where the Company had lost control of the subsidiaries. In addition, there was an unreconciled difference of RMB2,036,000 from the computation of loss on net assets arising from deconsolidation which cannot be accounted for by management.

Accordingly, we are unable to determine if the deconsolidation had been properly carried out in accordance with SFRS(I) 10 Consolidated Financial Statements and whether the relevant disclosures have been properly made in accordance with SFRS(I) 12 Disclosure of Interest in Other Entities. Consequently, we were unable to determine the effect of adjustments, if any, on the financial position of the Group and the Company as at 30 June 2019 and on the Group's financial performance and cash flows for the period then ended had management used the management accounts at the date when the control was lost.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 33. Comparative figures (Continued)

(a) (Continued)

**Basis for Qualified Opinion (Continued)**

3. Management determination of functional currency

As disclosed in Note 3.1(iii) to the financial statements, the Company's functional currency for the previous financial year ended 31 December 2017 was Renminbi ("RMB"). During the current financial period, the Company changed its functional currency from RMB to Singapore dollar ("SGD").

Management has determined the Company's functional currency to be SGD because the Company is an investment holding company with no revenue. Hence, management has looked at the currency in which funds from financing activities are generated. In this case, the Company's financing is placement from its Singapore investors which are in SGD.

Although the key operating subsidiary during the current financial period (namely Bo Dao Road Construction Co. Ltd) is operating in PRC and sales are denominated in RMB, the sales price are determined based on a SGD cost structure of the services provided. In addition, management makes pricing decisions with the impact of SGD in mind as the current managing director is a Singapore Citizen. This is unlike previously where the managing director was a PRC citizen.

However, management is unable to provide us with the corroborative audit evidence to support management's assessment such as costing information or budgets of the Company to determine if they have been prepared based on SGD. Similarly, management is unable to provide us with the minutes of management meetings to determine if management's discussion on issues relating to sales are carried out with SGD in mind.

Accordingly, we were unable to determine the appropriateness of management's determination of functional currency of the Company to be SGD and the resultant currency translation reserve amounting to RMB797,000 and RMB1,609,000 for the Group and Company respectively as at 30 June 2019, and for the period ended on that date.

(b) Unequal comparative financial periods

The financial statements for 2019 cover a period of eighteen months from 1 January 2018 to 30 June 2019. Accordingly, the comparative amounts for the consolidated statement of profit or loss and other comprehensive income; consolidated statement of changes in equity; consolidated statement of cash flows; and the statement of changes in equity of the Company, are not entirely comparable.

(c) Reclassification of deferred tax liabilities

During the current financial year, the Group classified the deferred tax liabilities as non-current liabilities. The comparative balance of RMB11,658,000 in the consolidated statement of financial position was reclassed to non-current liabilities from current liabilities previously for consistency. Since the balance is reclassification within the consolidated statement of financial position, this reclassification did not have any effect on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 34. Prior year adjustment

Adjustments for the revenue and non-current trade receivables have been made to the prior year's financial statements to enhance comparability with the current year's financial statements.

As a result, certain line items have been amended in the statements of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flow, and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

| | As previously stated | Adjustments | As Restated |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **For the Financial Period ended 30 June 2019:** | | | |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | | | |
| **Group** | | | |
| Revenue | 189,071 | (4,539) | 184,532 |
| Profit before tax | 36,523 | (4,539) | 31,984 |
| Income tax expense | (11,658) | 1,135 | (10,523) |
| **Profit for the year** | 24,865 | (3,404) | 21,461 |
| Total comprehensive income for the year | 24,865 | (3,404) | 21,461 |
| Profit attributable to: | | | |
| Equity holders of the parent Company | 20,319 | (2,991) | 17,328 |
| Non-controlling interests | 4,546 | (413) | 4,133 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the parent Company | 20,319 | (2,991) | 17,328 |
| Non-controlling interests | 4,546 | (413) | 4,133 |
| Basic and diluted earnings per share | 0.47 | (0.07) | 0.40 |
| **As at 30 June 2019** | | | |
| Statements of Financial Position | | | |
| **Group** | | | |
| **Non-current assets** | | | |
| Trade and other receivables | 152,482 | (4,539) | 147,943 |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | 11,658 | (1,135) | 10,523 |
| **Equity** | | | |
| Accumulated losses | (14,468) | (2,991) | (17,459) |
| Non-controlling interests | 16,429 | (413) | 16,016 |
| **For the Financial Period ended 30 June 2019:** | | | |
| Consolidated Statement of Cash Flows | | | |
| **Group** | | | |
| Profit before tax | 36,523 | (4,539) | 31,984 |
| Trade and other receivables | (169,902) | 4,539 | (165,363) |

# STATISTICS OF SHAREHOLDINGS

AS AT 6 OCTOBER 2020

## DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 91 | 13.79 | 5,452 | 0.01 |
| 100 - 1,000 | 135 | 20.45 | 64,136 | 0.09 |
| 1,001 - 10,000 | 330 | 50.00 | 1,246,776 | 1.84 |
| 10,001 - 1,000,000 | 96 | 14.55 | 6,028,266 | 8.87 |
| 1,000,001 and above | 8 | 1.21 | 60,606,953 | 89.19 |
| Total | 660 | 100.00 | 67,951,583 | 100.00 |

* Excluding Treasury Shares as at 28 September 2020 - 8,000 shares

## LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | CHINA CAPITAL INVESTMENT (GROUP) CO., LTD. | 16,666,667 | 24.53 |
| 2 | MAGIC MICRO CO., LTD | 13,799,833 | 20.31 |
| 3 | UOB KAY HIAN PTE LTD | 9,355,333 | 13.77 |
| 4 | PHILLIP SECURITIES PTE LTD | 9,103,708 | 13.40 |
| 5 | SU WANRU | 5,250,002 | 7.73 |
| 6 | ZENG FUZU | 3,083,333 | 4.54 |
| 7 | RAFFLES NOMINEES (PTE) LIMITED | 1,769,544 | 2.60 |
| 8 | KWEK SWEE HENG | 1,578,533 | 2.32 |
| 9 | LEE GUAN HUAT | 667,100 | 0.98 |
| 10 | RHB SECURITIES SINGAPORE PTE LTD | 651,510 | 0.96 |
| 11 | ONG SING ENG | 511,782 | 0.75 |
| 12 | OCBC SECURITIES PRIVATE LTD | 335,562 | 0.49 |
| 13 | PU WEIDONG | 218,400 | 0.32 |
| 14 | WONG POH HWA @ KWAI SENG | 180,000 | 0.26 |
| 15 | GOODMARKS PTE LTD | 166,800 | 0.25 |
| 16 | WONG CHI KWAN BETTY MRS WONG CHI KWAN BETTY | 162,860 | 0.24 |
| 17 | ZHANG BAOHUI | 135,000 | 0.20 |
| 18 | RSM (LING KIM CHYE - B828/2017) | 134,000 | 0.20 |
| 19 | ADDISON GOH SIONG HOON (ADDISON WU XIANGYUN) | 125,800 | 0.19 |
| 20 | LAN LONG CHUN | 121,080 | 0.18 |
| Total: | | 64,016,847 | 94.22 |

%: Based on 67,951,583 shares (excluding shares held as treasury shares) as at 6 October 2020
* Treasury Shares as at 6 October 2020 - 8,000 shares

# STATISTICS OF SHAREHOLDINGS

AS AT 6 OCTOBER 2020

## SUBSTANTIAL SHAREHODERS

| | No. of Shares | | |
|---|---|---|---|
| **Name** | **Direct Interests** | **Deemed Interests** | **%** |
| China Capital Investment (Group) Co., Ltd. | 16,666,667 | – | 24.53 |
| Magic Micro Co., Ltd | 13,799,833 | – | 20.31 |
| Wellgain International Holdings Limited | 9,044,186 | – | 13.31 |
| Wu Xinhua[1] | – | 9,044,186 | 13.31 |
| Asia Hausse Investments Pte. Ltd. | 8,333,333 | – | 12.26 |
| Lin Sin Hoe[2] | – | 8,333,333 | 12.26 |
| Su Wan Ru | 5,250,002 | – | 7.73 |

**Notes:**

1 Wu Xinhua is the legal and beneficial owner of all the issued and paid-up share capital of Wellgain International Holdings Limited ("Wellgain"). Accordingly, he is deemed interested in the 49,044,186 shares held by Wellgain. Wellgain's interests in the 9,044,186 shares are held by Philip Securities Pte Ltd as nominee.

2 Lin Sin Hoe is the sole shareholder of Asia Hausse Investments Pte. Ltd ("Asia Hausse"). Accordingly, he is deemed interested in the 8,333,333 shares held by Asia Hausse. Asia Hausse's interests in the 8,333,333 shares are held by UOB Kay Hian Pte Ltd as nominee.

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 6 October 2020, 21.86% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 Annual General Meeting of Raffles Infrastructure Holdings Limited (the "Company") will be held by way of electronic means on Friday, 30 October 2020 at 2.00 p.m. (Singapore Time) to transact the following business:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 30 June 2020 together with the Independent Auditor's Report thereon.
**(Resolution 1)**

2. To approve the Directors' fees of S$240,000 for the financial year ending 30 June 2021 to be paid quarterly in arrears. (FY2020: S$200,000)
**(Resolution 2)**

3. To re-elect Wong Ann Chai who is retiring pursuant to Bye-law 85(6) of the Company.
**(Resolution 3)**

4. To re-elect Mr Ma Zhi who is retiring pursuant to Bye-law 85(6) of the Company.
**(Resolution 4)**

5. To note the retirement of Mr Toh Hai Joo who is retiring by rotation pursuant to Bye-law 86(1) of the Company and has decided not to seek re-election.

6. To re-appoint Messrs RT LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.
**(Resolution 5)**

7. To transact any other ordinary business that may properly be transacted at an annual general meeting.

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

8. **Authority to issue shares and convertible securities** **(Resolution 6)**

"That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and

# NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent. of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent. of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue or consolidation or subdivision of shares,

and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the Monetary Authority of Singapore) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

*(See Explanatory Note)*

BY ORDER OF THE BOARD
Lee Wei Hsiung
Company Secretary
Singapore, 15 October 2020

# NOTICE OF ANNUAL GENERAL MEETING

**Explanatory Note:**

Ordinary Resolution 6, if passed, will authorise the directors to issue shares and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50 per cent. of the total number of issued shares (excluding treasury shares and subsidiary holdings) (the "50% Limit"), with a sub-limit of 20 per cent for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time that Ordinary Resolution 6 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 6 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares. As at 6 October 2020, the Company had 8,000 treasury shares and no subsidiary holdings.

**NOTES:**

1. The Annual General Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. **Printed copies of this Notice will not be sent to members**. Instead, this Notice will be sent to members by electronic means via publication on the SGX website at https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements relating to attendance at the Annual General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Annual General Meeting, addressing of substantial and relevant questions at the Annual General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Annual General Meeting, accompanying Company's announcement dated 15 October 2020. This announcement will be made available on the SGX website at https://www.sgx.com/securities/company-announcements.

3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting. The accompanying proxy form for the Annual General Meeting will be made available on the SGX website at https://www.sgx.com/securities/company-announcements.

4. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

5. CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 20 October 2020.

6. The Chairman of the Meeting, as proxy, need not be a member of the Company.

7. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02, Singapore 068898; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar, Tricor Barbinder Share Registration Services at sg.is.proxy@sg.tricorglobal.com

   in either case not less than 48 hours before the time appointed for holding the Annual General Meeting.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   **In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**

# NOTICE OF ANNUAL GENERAL MEETING

8. Due to the constantly evolving COVID-19 situation, the Company may be required to change its Annual General Meeting arrangements at short notice. Members are advised to regularly check the Company's website or announcements released on SGXNET for updates on the Annual General Meeting.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Ma Zhi and Mr Wong Ann Chai are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 30 October 2020 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

| | **MA ZHI** | **WONG ANN CHAI** |
|---|---|---|
| Date of Appointment | 1 April 2020 | 1 October 2020 |
| Date of last re-appointment | N.A. | N.A. |
| Age | 42 | 53 |
| Country of principal residence | Hong Kong | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Ma Zhi for re-appointment as Executive of the Company. The Board have reviewed and concluded that Mr Ma Zhi possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. | The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Wong Ann Chai for re-appointment as Non-Executive Chairman of the Company. The Board have reviewed and concluded that Mr Wong Ann Chai possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.<br><br>In addition, the Board, having reviewed the independence of Wong Ann Chai and taking into account the deliberations of the NC, is of the view that he is able to exercise independent and objective judgement considering that there are no relationships or circumstances which may affect his judgement and ability to discharge his duties and responsibilities as Independent Director. |
| Whether appointment is executive, and if so, the area of responsibility | Executive.<br>Mr Ma provides stewardship for the business development, funding and financing of new projects. | Non-Executive. |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | **MA ZHI** | **WONG ANN CHAI** |
|---|---|---|
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Executive Director | Non-Executive Chairman |
| Professional qualifications | • Master's Degree in Television Director<br>• Bachelor's Degree in Radio and Television Literature | • Bachelor of Arts (Honours) in Engineering Science, University of Oxford (UK)<br>• MBA from the Massachusetts Institute of Technology-Sloan School of Management (USA) |
| Working experience and occupation(s) during the past 10 years | Year 2018 to Present: Managing Director of Hongyuan Yufu Fund Investment<br>Year 2016 to Year 2018: Executive Director of Co-Prosperity Holdings Limited<br>Year 2005 to Year 2011: Vice President of Great United Petroleum Holding Co., Ltd | Year 2014 to Present: Managing Director of Nanosun Pte Ltd |
| Shareholding interest in the listed issuer and its subsidiaries | Nil | Nil |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | No | No |
| Conflict of Interest (including any competing business) | No | No |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes |
| Other Principal Commitments Including Directorships | | |
| Past (for the last 5 years) | Co-Prosperity Holdings Limited | Oceanus Group Limited |
| Present | Hongyuan Yufu Fund Investment<br>China Moutai Tasting Center (Hong Kong) Limited | Nanosun Pte Ltd |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | | MA ZHI | WONG ANN CHAI |
|---|---|---|---|
| a) | Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No |
| b) | Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No |
| c) | Whether there is any unsatisfied judgment against him? | No | No |
| d) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | | MA ZHI | WONG ANN CHAI |
|---|---|---|---|
| e) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |
| f) | Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No |
| g) | Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | | MA ZHI | WONG ANN CHAI |
|---|---|---|---|
| h) | Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No |
| i) | Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No |
| j) | Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–<br><br>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or<br><br>ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | MA ZHI | WONG ANN CHAI |
|---|---|---|
| iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or<br><br>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,<br><br>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | No | No |
| k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No |

萊富士

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