Raffles Interior Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1376)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of Raffles Interior Limited (the "**Company**") is pleased to present the audited annual results of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Notes	***S$000***	*S$000*
Revenue	*5*	**64,221**	76,659
Cost of sales	*8*	**(66,803)**	(60,440)
Gross (loss)/profit		**(2,582)**	16,219
Other income		**2,341**	21
Other gains		**—**	5
Losses arising from the Transactions	*7*	**(4,420)**	—
Administrative expenses	*8*	**(11,032)**	(9,803)
Operating (loss)/profit		**(15,693)**	6,442
Finance income		**22**	38
Finance costs		**(403)**	(399)
Finance costs, net		**(381)**	(361)
(Loss)/profit before income tax		**(16,074)**	6,081
Income tax credit/(expense)	*9*	**125**	(1,443)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to equity holders of the Company		**(15,949)**	4,638
Basic and diluted (loss)/earnings per share for (loss)/profit attributable to equity holders of the Company (expressed in Singapore cents per share)	*10*	**(1.75)**	0.62

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	As at 31 December 2020 S$000	2019 S$000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,642**	2,738
Right-of-use assets		**848**	746
		3,490	3,484
Current assets			
Financial asset at fair value through profit or loss	*12*	**1,418**	—
Contract assets		**29,132**	27,869
Trade and other receivables, deposits and prepayments	*13*	**11,645**	8,933
Pledged fixed deposits		**1,588**	1,560
Cash and cash equivalents		**17,070**	2,628
		60,853	40,990
Total assets		**64,343**	44,474
EQUITY			
Share capital	*14*	**1,829**	—
Share premium		**29,730**	—
(Deficit)/reserves		**(18,087)**	12,409
Total equity		**13,472**	12,409
LIABILITIES			
Non-current liabilities			
Borrowings		**3,583**	—
Lease liabilities		**580**	582
Deferred income tax liabilities		**11**	7
		4,174	589
Current liabilities			
Trade and other payables and accruals	*15*	**35,445**	24,234
Contract liabilities		**278**	—
Borrowings		**10,480**	5,323
Lease liabilities		**281**	143
Current income tax liabilities		**213**	1,776
		46,697	31,476
Total liabilities		**50,871**	32,065
Total equity and liabilities		**64,343**	44,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 7 January 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-111, Cayman Islands.

The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") on 21 March 2019 and the principal place of business in Hong Kong is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The head office and principal place of business of the Group is at 59 Sungei Kadut Loop, Singapore 729490. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 7 May 2020 (the "**Listing Date**"). The trading in the shares of the Company on the Main Board has been suspended with effect from 1 April 2021.

The Company is a subsidiary of Ultimate Global Enterprises Limited ("**Ultimate Global**"), incorporated in the British Virgin Islands (the "**BVI**"), which is also the Company's ultimate holding company. Ultimate Global is owned by Mr. Lo Lek Chew ("**Mr. Lo**"), Mr. Chua Boon Par ("**Mr. Chua**"), Mr. Ding Hing Hui ("**Mr. Ding**"), Mr. Leong Wai Kit ("**Mr. Leong**"), Mr. Low Lek Huat, Mr. Low Lek Hee and Mr. Ng Foo Wah ("**Mr. Ng**") (collectively the "**Ultimate Shareholders**").

The Company is an investment holding company and the principal activities of its operating subsidiary, Ngai Chin Construction Pte. Ltd. ("**Ngai Chin**"), are the provision of interior fitting-out service in the Republic of Singapore ("**Singapore**").

The consolidated financial statements are presented in Singapore Dollars ("**S$**" or "**SGD**"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand ("**S$'000**"), unless otherwise stated.

2 GROUP REORGANISATION

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**") as described below, the interior fitting-out services business was carried out by Ngai Chin. Ngai Chin was controlled by the Ultimate Shareholders. Mr. Lo, Mr. Chua, Mr. Ding, Mr. Leong, Mr. Low Lek Huat, Mr. Low Lek Hee and Mr. Ng, each holding an effective interest of 33%, 15%, 12%, 10%, 10%, 10% and 10% in the Company, respectively. The Ultimate Shareholders have been managing and controlling Ngai Chin on a collective basis on all decisions, including but not limited to, financial, management and operational matters of Ngai Chin. Each of the Ultimate Shareholders has reiterated his agreement in writing that, in respect of the aforesaid matters in relation to Ngai Chin, they have always been acting in concert.

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the Reorganisation which principally involved the following steps:

(a) On 27 July 2018, Flourishing Honour Limited ("**Flourishing Honour**") was incorporated in the BVI. On 18 January 2019, Flourishing Honour allotted and issued one share to the Company for cash at par.

(b) On 7 January 2019, the Company was incorporated in the Cayman Islands. Upon its incorporation, one nil-paid initial share was transferred to Ultimate Global, which is a company incorporated in the BVI on 8 November 2018 and owned by the Ultimate Shareholders in proportion to the effective interest held by each of the Ultimate Shareholders in Ngai Chin.

(c) On 30 March 2020, a sale and purchase agreement was entered into between the Ultimate Shareholders, Flourishing Honour and the Company, pursuant to which the Ultimate Shareholders transferred their entire shareholding interests in the Ngai Chin to Flourishing Honour, in consideration of the Company (i) allotting and issuing 99 shares of the Company to Ultimate Global, credited as fully paid; and (ii) crediting the initial share held by Ultimate Global as fully paid.

Upon the completion of the Reorganisation, the Company has become the holding company of the companies now comprising the Group.

3 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Companies Ordinance.

Since the finance costs from general borrowings were presented as finance costs in the current year, a reclassification adjustment of S$329,000 has been put through to cost of sales and finance costs for the year ended 31 December 2019 to reclassify such finance costs from "cost of sales" to "finance costs" to conform with the current year's presentation. These reclassifications have no effect on financial position, profit for the year or cash flows of the Group.

4 ADOPTION OF NEW AND AMENDED STANDARDS

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

(i) New and amended standards and interpretations effective in 2020

The Group has adopted the following new and amended standards and interpretations for the first time for the accounting period beginning on 1 January 2020:

Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting
Amendments to IFRS 7, IFRS 9 and IAS 39	Interest rate benchmark reform

The adoption of the new and amended IFRSs does not have any material impact on the Group's consolidated financial statements for the current and prior years.

(ii) New and amended standards and interpretations that are not yet effective and have not been early adopted by the Group

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	COVID-19-Related Rent Concessions[4]
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[6]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.
6 Effective for annual periods beginning on or after 1 April 2021.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company (the "**Directors**") anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 37 Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The Directors are assessing the impact on the amendments, and expected no significant impact on the financial position and performance of the Group based on preliminary assessment.

5 REVENUE

An analysis of the Group's revenue for the years ended 31 December 2020 and 2019 is as follows:

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Contract revenue	**64,221**	76,659
Timing of revenue recognition: Over time	**64,221**	76,659

Transactions price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied as at the end of the year:

	As at 31 December	
	2020	2019
	S$'000	*S$'000*
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied		
— Construction contracts		
To be recognised within 1 year	**33,769**	43,592
To be recognised between 1 to 2 year(s)	**7,023**	—
	40,792	43,592

Management expects that all the transaction price allocated to the unsatisfied performance obligation as of 31 December 2020 and 2019 may be recognised as revenue during the reporting period mentioned above. The amounts disclosed above do not include variable consideration which is not highly probable that a significant reversal will not occur.

6 SEGMENT INFORMATION

The Group is principally engaged in the provision of interior fitting-out services in Singapore. Revenue recognised during the year is analysed by the executive Directors being the chief operating decision-makers ("**CODMs**") of the Group. For the purposes of resources allocation and performance assessment, the CODMs review the overall results and financial position of the Group as a whole. Accordingly, the Group has a single operating segment and no discrete operating segment financial information is available.

(a) *Geographical information*

The Group's operations are located in Singapore (country of domicile) and Malaysia.

Information about the Group's revenue from external customers is presented based on Singapore. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers Year ended 31 December		**Non-current assets** *(note)* **As at 31 December**	
	2020	2019	**2020**	2019
	S$'000	*S$'000*	***S$'000***	*S$'000*
Singapore (country of domicile)	**64,221**	76,659	**3,372**	3,484
Malaysia	**—**	—	**118**	—
	64,221	76,659	**3,490**	3,484

Note: Non-current assets represented property, plant and equipment and right-of-use assets.

(b) *Information about major customers*

Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for approximately 14.1% and 49.9% (2019: approximately 18.2% and 49.0%) respectively of the Group's total revenue for the year ended 31 December 2020.

The revenue from customers individually contributing over 10% of the total revenue of the Group during the year are as follows:

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Customer A	**N/A**[1]	13,972
Customer B	**9,053**	N/A[1]
	9,053	13,972

Note 1: Revenue from the customers contributed less than 10% of the total revenue of the Group for the respective years.

7 LOSSES ARISING FROM THE TRANSACTIONS

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Loss on the Transactions *(note 13(iv)(a) to (e))*	**4,420**	—

8 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Subcontractor charges (included in cost of sales)	**50,766**	45,672
Cost of materials used	**7,711**	5,501
Employee benefit expenses (including directors' emoluments)	**11,874**	13,450
Depreciation of property, plant and equipment	**666**	645
Depreciation of right-of-use assets	**208**	169
Bad debts written off	**38**	—
Impairment of trade receivables	**4**	—
Impairment of contract assets	**22**	—
Rental expenses	**357**	210
Utilities	**192**	217
Repair and maintenance	**743**	822
Auditor's remuneration		
— Audit services	**499**	101
Listing expenses	**1,442**	2,240
Legal and professional fees	**1,706**	21
Foreign exchange difference, net	**483**	—
Others	**1,124**	1,195
	77,835	70,243
Represented by:		
Cost of sales	**66,803**	60,440
Administrative expenses	**11,032**	9,803
	77,835	70,243

9 INCOME TAX (CREDIT)/EXPENSE

Singapore income tax has been provided at the rate of 17% (2019: 17%) on the estimated assessable profit during the year ended 31 December 2020.

The amount of income tax (credit)/expense charged to the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2020	2019
	S$'000	*S$'000*
Current income tax	**25**	1,533
Overprovision of tax in prior year	**(154)**	—
	(129)	1,533
Deferred income tax expense/(credit)	**4**	(90)
Income tax (credit)/expense	**(125)**	1,443

10 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2020 and 2019.

	Year ended 31 December	
	2020	2019
(Loss)/profit attributable to equity holders of the Company (S$'000)	**(15,949)**	4,638
Weighted average number of ordinary shares in issue ('000)	**913,251**	750,000
Basic (loss)/earnings per share in Singapore cents	**(1.75)**	0.62

Weighted average of 750,000,000 ordinary shares for the year ended 31 December 2019, being the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in note 14, are deemed to have been issued throughout the year ended 31 December 2019.

Weighted average of 913,251,366 ordinary shares for the year ended 31 December 2020 is calculated based on the weighted average of approximately 250,000,000 ordinary shares issued upon the share offer as detailed in note 14 during the year ended 31 December 2020, in addition to the aforementioned 750,000,000 ordinary shares for the year ended 31 December 2020.

There were no potential dilutive ordinary shares outstanding for the years ended 31 December 2020 and 2019, and hence the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

11 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation or during the years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

12 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020	2019
	S$'000	*S$'000*
Beginning of financial year	**—**	—
Acquisition	**1,418**	—
End of financial year	**1,418**	—

The amount represents unlisted equity shares with initial investment costs of HK$8,300,000 (equivalent to approximately S$1,418,000) which is measured at fair value through profit or loss ("**FVTPL**").

The fair value was determined by the Directors with reference to the statement provided by a security brokerage company.

Subsequent to the end of the reporting period, the Group requested to terminate the investment agreement on 1 March 2021, and the amount of HK$8,689,000 (equivalent to approximately S$1,478,000) (including the investment costs and a holding profit of HK$389,000) (equivalent to approximately S$60,000) and a remaining balance of the prepaid asset management fee HK$310,000 (equivalent to approximately S$53,000) together with the monies placed in a designated brokerage account as set out in the investment agreement of HK$622,000 (equivalent to approximately S$106,000) was refunded to the Group in July 2021.

13 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December	
	2020	2019
	S$'000	*S$'000*
Trade receivables	**9,738**	7,157
Less: provision for allowance for doubtful debts	**(23)**	(19)
Trade receivables, net	**9,715**	7,138
Prepayments	**611**	75
Deposits	**746**	710
Deferred listing expenses	**—**	1,001
Monies placed in brokerage account	**106**	—
Other receivables *(note)*	**467**	9
	1,930	1,795
Total	**11,645**	8,933

Note: The receivable in the amount of S$466,000 (2019: nil) related to Jobs Support Scheme is granted by the Singapore government.

The carrying amounts of trade and other receivables approximate their fair values.

The Group's trade and other receivables are denominated in S$.

The Group normally grants credit terms to its customers of up to 65 days. The ageing analysis of the gross amounts of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2020	2019
	S$'000	*S$'000*
0–30 days	**8,720**	3,590
31–60 days	**403**	2,081
61–90 days	**376**	1,041
Over 90 days	**239**	445
	9,738	7,157

(i) Transferred receivables

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement with full recourse basis. Under this arrangement, the Group has transferred the relevant receivables to the bank in exchange for approximately 80% of cash and is prevented from selling or pledging the receivables. However, the Group has still retained the credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its consolidated statement of financial position. The amount repayable under the factoring agreement is presented as trade financing. The Group considers the held to collect business model to remain appropriate for these receivables and hence continues to measure them at amortised cost.

	As at 31 December	
	2020	2019
	S$'000	*S$'000*
Transferred receivables	**7,948**	4,154
Associated trade financing borrowing	**6,359**	3,323

(ii) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair values.

(iii) Impairment and risk exposure of trade receivables

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables and contract assets. During the years ended 31 December 2020 and 2019, the Group has assessed that the expected losses for trade receivables were S$4,000 and S$nil respectively.

The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables mentioned above. The Group does not hold any collateral as security.

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed when necessary. The majority of the Group's trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history.

The Group does not charge interest or hold any collateral over these balances.

Allowance for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to individual customer's credit quality. In determining the recoverability of a trade receivable, the management of the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period, and no impairment was considered necessary for those balances which are not past due at each reporting date.

In the opinion of the management, the trade receivables at the end of each reporting period are of good credit quality. Considering the high creditability of these customers, the good track record with the Group and the subsequent settlement, the management believes that no impairment allowance is necessary in respect of the remaining unsettled balances.

(iv) Prepayments

The Company completed its initial public offering with its shares listed on the Stock Exchange on 7 May 2020. During the year ended 31 December 2020, the Company entered into several agreements with a number of parties, and the Directors represented that these service providers, were advisory or consulting firms and were independent of the Group and not related to any of the Directors relating to the following services:

(a) provision of consultancy services for a period of three years starting from May 2020 in respect of financial and business matters and internal control matters of HK$9,500,000 (equivalent to approximately S$1,738,000) and HK$3,000,000 (equivalent to approximately S$549,000) respectively;

(b) provision of business consultancy and management services of HK$1,800,000 (equivalent to approximately S$324,000);

(c) provision of exclusive facilitator-services for restructuring and acquisition of HK$6,250,000 (equivalent to approximately S$1,143,000);

(d) provision of advertising and sponsorship services in relation to a weekly finance television program of HK$1,800,000 (equivalent to approximately S$324,000) and newspaper placement services of HK$1,200,000 (equivalent to approximately S$216,000);

(e) provision of public relations and communication services of HK$700,000 (equivalent to approximately S$126,000);

(f) provision of investment advisory services and retainer services for two years of HK$2,000,000 starting from June 2020 (equivalent to approximately S$359,000); and

(g) asset management fee of HK$558,000 (equivalent to approximately S$95,000) in respect of an unlisted investment of HK$8,300,000 (equivalent to approximately S$1,418,000) which is measured at financial assets at FVTPL (note 12), in which the amount of HK$62,000 (equivalent to approximately S$10,000) was recognised in profit or loss and HK$496,000 (equivalent to approximately S$85,000) was recorded as prepayment as at 31 December 2020 as the Directors believed that such an amount was recoverable.

Items (a) and (f) above are collectively referred to as the "**Transactions**" of which the majority were entered into by the Company one month before or after the initial public offering of the shares of the Company on the Main Board of the Stock Exchange.

In the opinion of the Directors, the abovementioned Transactions were related to (i) expansion of the Group's business and/or operations outside of Singapore's ordinary business and (ii) increase of the returns on idle funds through investment which are consistent with the Group's plans to expand the business and operations and also the use of the additional cash generated from the initial public offering.

However, the Group has recognised a loss on these Transactions amounting to approximately HK$24,250,000 (equivalent to approximately S$4,420,000) for the year ended 31 December 2020 for the above items (a) to (e) to fully write down the carrying amount of these prepayments, because the Directors believed that the amounts were irrecoverable.

For item (f) above, the amount paid during the year ended 31 December 2020 amounted to HK$2,000,000 (equivalent to approximately S$359,000) being recorded as a prepayment (included in prepaid expenses to the consolidated financial statements) as the Directors believed that such an amount was recoverable. Subsequent to the end of the reporting period, the Group has terminated the agreement and requested for refund and the amount of HK$2,000,000 (equivalent to approximately S$359,000) has been refunded to the Group in June and July 2021.

For item (g) above, subsequent to the end of the reporting period, the Group has terminated such investment agreement and the amount of the prepaid asset management fee after netting off against the asset management fee to be recognised in profit or loss during 1 January 2021 to 30 June 2021 (i.e. the date of realisation of such asset), the remaining prepaid asset management fee of HK$310,000 (equivalent to approximately S$53,000), together with the monies placed in brokerage account (which included in other receivables) of HK$622,000 (equivalent to approximately S$106,000) have been refunded to the Group in July 2021.

14 SHARE CAPITAL OF THE COMPANY

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 7 May 2020 by way of placing of 225,000,000 ordinary shares and public offer of 25,000,000 ordinary shares at the price of HK$0.50 per share (the "**Share Offer**").

	Number of ordinary shares	**Nominal value of ordinary shares** *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At the date of incorporation on 7 January 2019 and 31 December 2019	38,000,000	380
Increase in authorised share capital *(note (a))*	9,962,000,000	99,620
As at 31 December 2020	10,000,000,000	100,000

	Number of ordinary shares	Nominal value of ordinary shares
		S$'000
Issued and fully paid:		
At the date of incorporation on 7 January 2019	1	—
At 31 December 2019	1	—
Issuance of shares pursuant to the Reorganisation *(note (b))*	99	—
Share capitalisation *(note (c))*	749,999,900	1,372
Issuance of shares pursuant to the Share Offer	250,000,000	457
At 31 December 2020	1,000,000,000	1,829

Notes:

(a) On 7 January 2019, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. As at the time of its incorporation, one share was allotted and issued in nil paid form to the initial subscriber, an independent third party. The said share was transferred to Ultimate Global on the same day.

(b) On 30 March 2020, the Company acquired the entire issued share capital of Ngai Chin from the Ultimate Shareholders. In settlement of the aforesaid consideration, the Company allotted and issued 99 shares credited as fully paid, to Ultimate Global at the instruction of the Ultimate Shareholders. Following the completion of the above acquisition, Ngai Chin became an indirect wholly-owned subsidiary of the Company.

(c) Pursuant to the written resolution of the then sole shareholder of the Company dated 30 March 2020, it was resolved that the authorised share capital of the Company increased from HK$380,000 to HK$100,000,000 by the creation of an additional 9,962,000,000 shares; and conditional on the share premium account of the Company being credited as a result of the Share Offer, an amount of HK$7,499,999 which will then be standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par a total of 749,999,900 shares for allotment, rank *pari passu* in all respects with all the then existing shares.

15 TRADE AND OTHER PAYABLES AND ACCRUALS

Trade and other payables and accruals comprise the following:

	As at 31 December	
	2020	2019
	S$'000	*S$'000*
Trade payables	**14,104**	8,334
Accruals for project cost	**17,836**	13,915
Other payables and accruals		
— Accrued expenses	**2,004**	447
— Accrued listing expenses	**—**	1,122
— Deferred income	**561**	—
— Good and services tax payables	**940**	413
— Others	**—**	3
	35,445	24,234

Included in accruals for project cost is retention payable amounting to S$2,921,000 (2019: S$2,624,000). The retention payables to subcontractors are interest-free and payable after the completion of maintenance period or in accordance with the terms specified in the relevant contracts for a period of generally 12 months after completion of the relevant works.

The ageing analysis of the trade payables based on invoice date as at 31 December 2020 and 2019 is as follows:

	As at 31 December	
	2020	2019
	S$'000	*S$'000*
0–30 days	**5,826**	3,780
31–60 days	**2,776**	1,833
61–90 days	**1,748**	220
Over 90 days	**3,754**	2,501
	14,104	8,334

The credit period on purchases from suppliers and subcontractors as at 31 December 2020 is 30 to 90 days (2019: 30 to 90 days) or payable upon delivery.

The carrying amounts of trade and other payables and accruals approximate their fair values due to their short maturities.

The Group's trade and other payables and accruals are mostly denominated in S$.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an interior fitting-out services provider in Singapore. Our interior fitting-out services include (i) project management and construction management of the interior fitting-out projects; (ii) construction and installation of interior fitting-out works; (iii) customising, manufacturing and supplying of carpentry/joinery and integral fixtures; and (iv) maintenance of the projects that we undertake on an ad-hoc basis.

During the year ended 31 December 2020, the Group's revenue decreased by 16.3% to approximately S$64.2 million as compared to approximately S$76.7 million for the year ended 31 December 2019. The Group's gross profit and net profit also decreased by 116.1% and 445.7% to gross loss of approximately S$2.6 million and net loss of S$15.9 million respectively, as compared to gross profit and net profit approximately S$16.2 million and S$4.6 million for the year ended 31 December 2019, respectively. The decrease was mainly due to the decrease in the Group's revenue as a result of the imposition of circuit breaker measures by the Singapore government in April and May 2020 due to the outbreak of Coronavirus Disease 2019 ("**COVID-19**"). During the circuit breaker period between 7 April 2020 to 1 June 2020, the Group's interior fitting out services were identified as non-essential business and therefore all of the Group's project sites were halted. Although the circuit breaker measures have been gradually lifted on 2 June 2020, works at site could not resume immediately due to the spike in COVID-19 infections among foreign workers living in the dormitories and the additional safety and controlling measures for each construction project before work could resume at site. The Group was only able to fully resume operation since November 2020, therefore revenue recognised during the year ended 31 December 2020 significantly reduced when compared to the year ended 31 December 2019.

Construction contracts for the built environment sector are expected to grow to between S$23 billion and S$28 billion in 2021, as the sector recovers from the impact of the COVID-19 pandemic (from the speech of Desmond Lee, the National Development Minister of Singapore, made on 18 January 2020).

The growth of the construction industry in the medium term will be supported by public sector developments such as public housing, transport and healthcare infrastructure. Private sector demand is projected to improve steadily, in tandem with the recovery of the global economy.

Thus, despite projects were postponed in light of market uncertainties and disruption, we are confident that the business will start to pick up in 2022 to 2023. With the supervision of the Group's senior management and dedicated staff coupled with the proceeds received from the Share Offer, the Group believes that it is in a very healthy position to weather any storm ahead.

As at 31 December 2020, the Group had 19 projects on hand (including contracts in progress and contracts which are yet to commence) with a notional contract value of approximately S$66.3 million, of which approximately S$25.5 million had been recognised as revenue before 31 December 2020. The remaining balance will be recognised as the Group's revenue in accordance with the progress towards completion.

2020 looks promising until COVID-19 struck globally. In Singapore, Circuit Breaker measures were imposed by the Singapore Government from 7 April 2020 to 1 June 2020 to combat the local transmission of COVID-19. As the Group's interior fitting out services are identified as non-essential business, all of the Group's project sites were halted. Although the circuit breaker measures have been gradually lifted on 1 June 2020, work at site cannot resume immediately due to the spike in COVID-19 infections among foreign workers living in the dormitories and the additional safe and controlled measures for each construction projects before work can resume at site.

COVID-19 is a crisis of the generation and brought about a new set of challenges across all industries. As we get used to the new norm, it has toughened our people to manage and overcome this crisis, collectively and cohesively.

Despite the bleak outlook for Singapore's construction industry in the short term due to the COVID-19 outbreak, the Group is confident that we will be able to weather through any storms with our ever-committed management team and staff.

FINANCIAL REVIEW

	For the year ended 31 December		
	2020	2019	Change
	(audited)	(audited)	
Revenue *(S$000)*	**64,221**	76,659	(12,438)
Gross (loss)/profit *(S$000)*	**(2,582)**	16,219	(18,801)
Gross (loss)/profit margin	**–4.0%**	21.2%	–25.2%
Net (loss)/profit *(S$000)*	**(15,949)**	4,638	(20,587)

Revenue

The Group's principal operating activities are provision of interior fitting-out services for (i) owners or tenants of commercial and light-industrial properties; (ii) construction contractors; and (iii) professional consultants, and our revenue was mainly derived from projects involving fitting-out works for office space.

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Number of projects with revenue contribution	**Revenue** *(S$'000)*	**Percentage of Revenue** *(%)*	Number of projects with revenue contribution	Revenue *(S$'000)*	Percentage of Revenue *(%)*
Owners/tenants	**31**	**43,247**	**67.4**	46	62,064	81.0
Construction contractors	**7**	**10,945**	**17.0**	9	7,389	9.6
Professional consultants	**12**	**10,029**	**15.6**	19	7,206	9.4
	50	**64,221**	**100.0**	74	76,659	100.0

The Group's overall revenue decreased by approximately S$12.4 million or approximately 16.2% from approximately S$76.7 million for the year ended 31 December 2019 to approximately S$64.2 million for the year ended 31 December 2020. The decrease is mainly due to (i) the imposition of circuit breaker measures by the Singapore government in April 2020 which resulted in suspension of works at site from 7 April 2020 to 19 June 2020; (ii) shut down of the Group's dormitories due to a spike in COVID-19 infection across migrant worker dormitories which the Group's foreign workers were only allowed to resume work on site in August 2020; and (iii) the mandatory Safe Distancing Measures which were put in place before commencing work at site. Thus, the Group only operated for 7 months during the year ended 31 December 2020 as compared to 12 months during the year ended 31 December 2019.

Cost of Sales

The Group's cost of sales increased by approximately S$6.4 million or approximately 10.5% from approximately S$60.4 million for the year ended 31 December 2019 to approximately S$66.8 million for year ended 31 December 2020. Such increase in cost of sales was generally due to unabsorbed overheads amounting to approximately S$2.4 million incurred during the work stoppage period. Additional cost is incurred to engage more subcontractors and supplied labor to complete the project within the new stipulated timeline and to implement a system on Safe Distancing Measures to provide a safe working environment and minimise the risk of further outbreaks.

Measures like appointing safe management officer and/or safety distancing officer on sites, segregation of teams to reduce physical interaction and ensuring safety distancing at sites including dedicated accommodation (requirement for workers to be cohort), segregated teams, segregation at shared facilities, safety transportation measures for shuffling the workers to sites, support on contact tracing requirement, implementing health checks and protocols, providing medical personal protective equipment (mask, hand sanitizers etc), ensuring cleanliness of worksites and dormitories (routine disinfection) and etc., resulted in extra overheads.

Gross Profit and Gross Profit Margin

The gross loss of the Group for the year ended 31 December 2020 amounted to approximately S$2.6 million, representing a decrease of approximately 115.9% as compared to a gross profit of approximately S$16.2 million for the year ended 31 December 2019, which was driven by the decrease in revenue and increase in cost of sales for the same period. The Group recorded negative gross profit margin of approximately 4.0% for the year ended 31 December 2020 as compared to a gross profit margin of 21.2% for the year ended 31 December 2019 which was mainly due to additional cost incurred as more supplied labor and subcontractors were engaged to complete the projects within the new stipulated timeline and enhanced work safety measures imposed at work sites for preventing COVID-19, which resulted in a significant drop in the gross profit margin for the year ended 31 December 2020.

Other Income

Other income mainly included income from (i) interest income from bank; (ii) government grants; and (iii) sundry income. During the year ended 31 December 2020, other income amounted to approximately S$2.3 million compared to approximately S$21,000 for the year ended 31 December 2019. This is mainly due to the additional grants of approximately S$2.3 million given by the Singapore government to support firms affected by COVID-19.

Administrative Expenses

The administrative expenses of the Group for the year ended 31 December 2020 amounted to approximately S$11.0 million as compared to S$9.8 million for year ended 31 December 2019 mainly due to post-listing expenses incurred by the Company and provision of legal and professional expenses for resumption.

Finance Costs

Finance costs for the year ended 31 December 2020 was approximately S$403,000 (2019: S$399,000) which represents interest on lease liabilities, trade financing and loans. The interest has increased due to additional leases and a S$5 million temporary bridging loan taken up during the year ended 31 December 2020.

Income Tax (Credit)/Expense

The Group's income tax expense decreased to approximately S$0.1 million credit for the year ended 31 December 2020 from approximately S$1.4 million for the year ended 31 December 2019. Such decrease was in line with the decreased in profit as the Company has ceased operation for 5 months due to COVID-19 measures.

Net (Loss)/Profit

Profit attributable to owners of the Company for the year ended 31 December 2020 decreased by approximately S$20.6 million from approximately S$4.6 million for the year ended 31 December 2019 to a net loss of approximately S$15.9 million for the year ended 31 December 2020. Excluding the listing expenses of approximately S$2.2 million and S$1.4 million for the years ended 31 December 2019 and 31 December 2020 respectively, the profit before income tax for the year ended 31 December 2019 of the Group was approximately S$6.1 million and loss before income tax was approximately S$16.1 million for the year ended 31 December 2020.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

Liquidity, Financial Resources and Capital Structure

The Company's shares were successfully listed on the Main Board of the Stock Exchange on 7 May 2020 and there has been no change in capital structure of the Group since then. The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination of its cash and cash equivalents, cash flows generated from operations and net proceeds from the Share Offer.

The Group adopts a prudent cash and financial management policy. The Group's cash, mainly denominated in SGD, is generally deposited with certain financial institutions.

As at 31 December 2020, the Group had total cash and bank balances of approximately S$17.1 million as compared to approximately S$2.6 million as at 31 December 2019 and bank borrowings of approximately S$14.1 million as at 31 December 2020 compared to S$5.3 million as at 31 December 2019.

Pledge of Assets

Other than the building included in property, plant and equipment and pledged fixed deposits, the Group did not pledge any assets to secure any banking facilities or bank loans during the years ended 31 December 2020 and 31 December 2019.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy financial position throughout the year. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Foreign Exchange Risk

Foreign exchange risk arises from future commercial transactions, recognised assets or liabilities denominated in a currency that is not the entity's functional currency. The Group has no significant foreign exchange risk as the Group mainly operates in Singapore with majority of the transactions settled in SGD.

Gearing Ratio

Gearing ratio is calculated by dividing all interest-bearing borrowings by total equity at the period-end date and expressed as a percentage. The gearing ratio of the Group as at 31 December 2020 was 110.8% (2019: 48.7%).

Significant Investment, Material Acquisitions and Disposal of Subsidiaries and Associated Companies

Apart from the reorganisation in relation to the listing of the Company's shares (as set out under the section headed "History, Reorganisation and Group Structure" of the prospectus of the Company dated 21 April 2020 (the "**Prospectus**")), there were no significant investments held, material acquisitions or disposals of subsidiaries and associated companies by the Group during the year ended 31 December 2020. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 31 December 2020.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets as at 31 December 2020.

Employees and Remuneration Policy

As at 31 December 2020, the Group had a total of 418 employees (2019: 346 employees), including executive Directors. Total staff costs including Directors' emoluments for the year ended 31 December 2020 amounted to approximately S$11.9 million (2019: approximately S$13.5 million), salaries, wages and other staff benefits, contributions and retirement schemes. In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefits levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from central provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and experience, responsibility, workload and time devoted to the Company, and approved by the Board.

Environmental Policies and Performance

Details of environmental policies, performance and compliance with laws and regulations are set out in the "Environmental, Social and Governance Report" in the 2020 annual report.

Contingent Liabilities

As at 31 December 2020, the Group had performance bonds of approximately S$5.4 million (2019: S$5.5 million) given in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and the customers. The performance guarantees will be released upon completion of the contracts.

Capital Expenditures and Capital Commitments

During the year ended 31 December 2020, the Group acquired items of property, plant and equipment of approximately S$573,000 (2019: S$68,000).

As at 31 December 2020, the Group had no material capital commitments.

Use of Net Proceeds from the Share Offer

The net proceeds from the Share Offer were approximately HK$69.9 million (equivalent to approximately S$13.0 million) (after deducting listing expenses). As disclosed in the announcement of the Company dated 18 February 2022, as impacted by the prolonged COVID-19 pandemic, the Board considered that the execution of the Group's expansion plan of acquiring a design company and expanding the Group's premises would not be the best timing for the Group in short run and the Board has resolved to re-allocate HK$16.2 million (equivalent to approximately S$3.0 million) to reinforce its capital base for projects' funding needs. For details, please refer to the Company's announcement dated 18 February 2022. An analysis of the utilisation of the revised allocation of the net proceeds from the Share Offer from the Listing Date up to 31 December 2020 is set out below:

Purpose	Revised allocation of the net proceeds as disclosed in the announcement of the Company dated 18 February 2022	Approximate percentage of the total net proceeds	Approximate actual amount utilised as at 31 December 2020	Unused amount of net proceeds as at 31 December 2020	Expected date to fully utilised the unutilised amount
	S$ million		*S$ million*	*S$ million*	
Extending our service scope to include MEP services	4.2	32.3%	0.8	3.4	30 June 2023
Expanding the Group's premises for its various operational needs	2.2	16.9%	0.4	1.8	31 December 2023
Acquisition of a Singapore based design company	—	—	—	—	N/A
Enhancing our information technology capacity and project implementation efficiency	1.2	9.2%	0.2	1.0	31 December 2022
Financing additional machinery and equipment	0.7	5.4%	0.3	0.4	31 December 2023
General working capital	4.7	36.2%	1.2	3.5	31 December 2023
	13.0	100.0%	2.9	10.1	

During the period from the Listing Date to 31 December 2020, the Group has utilised approximately S$2.9 million, which is in line with the purposes shown above.

As at 31 December 2020, the unused amount of net proceeds was placed in licensed banks in Hong Kong and Singapore.

EVENTS AFTER THE REPORTING PERIOD AND SUSPENSION OF TRADING

Save as disclosed in this announcement, the announcements of the Company dated 23 March 2021, 24 March 2021, 31 March 2021, 1 April 2021, 23 April 2021, 26 May 2021, 30 June 2021, 8 July 2021, 10 September 2021, 30 September 2021, 31 December 2021, 18 January 2022, 18 February 2022 and 31 March 2022 (the "**Announcements**") in relation to (i) the possible delay in publication of (1) the Group's audited annual results announcement for the year ended 31 December 2020 and (2) the Group's 2021 interim results announcement; (ii) the suspension of trading of its shares; (iii) the resumption guidance set forth by the Stock Exchange; (iv) the appointments of independent adviser and internal control advisor; (v) the quarterly updates of suspension of trading; (vi) the termination of discretionary investment management agreements and disposal of investment; and (vii) change in use of proceeds, the Group had no other significant event requiring disclosure subsequent to 31 December 2020 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Wong Heung Ming Henry (chairman of the Audit Committee), Mr. Chia Kok Seng and Mr. Gay Soon Watt.

The annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee. The Group's consolidated financial statements have been audited by the Company's auditor, Moore Stephens CPA Limited ("**Moore Stephens**"), who has issued a disclaimer of opinion.

The Audit Committee has reviewed the Group's audited annual results for the year ended 31 December 2020 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group with no disagreement by the Audit Committee.

SCOPE OF WORK OF MOORE STEPHENS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020 (the "**Independent Auditor's Report**"):

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Raffles Interior Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") which comprise the consolidated statement of financial position as at 31 December 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 for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we are unable to form an opinion as to whether the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"). In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

(I) ***Limitation of scope on prepayments made by the Group***

As detailed in note 20(iv) to the consolidated financial statements, during the year ended 31 December 2020, the Company entered into several agreements with a number of parties which the directors of the Company represented that they were advisory or consulting firms and were independent of the Group and not related to any of the directors of the Company (the "**Service Providers**") relating to the following services as represented by the directors of the Company (the "**Professional Services**"):

(a) provision of consultancy services for a period of three years starting from May 2020 in respect of financial and business matters and internal control matters of HK$9,500,000 (equivalent to approximately S$1,738,000) and HK$3,000,000 (equivalent to approximately S$549,000) respectively;

(b) provision of business consultancy and management services of HK$1,800,000 (equivalent to approximately S$324,000);

(c) provision of exclusive facilitator-services for restructuring and acquisition of HK$6,250,000 (equivalent to approximately S$1,143,000);

(d) provision of advertising and sponsorship services in relation to a weekly finance television program of HK$1,800,000 (equivalent to approximately S$324,000) and newspaper placement services of HK$1,200,000 (equivalent to approximately S$216,000);

(e) provision of public relations and communication services of HK$700,000 (equivalent to approximately S$126,000); and

(f) provision of investment advisory services and retainer services for two years of HK$2,000,000 starting from June 2020 (equivalent to approximately S$359,000).

Items (a) to (f) above are collectively referred to as the "**Transactions**" of which the majority were entered into by the Company one month before or after the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Main Board**").

The Company made an announcement on 31 March 2021 to inform the public of (a) the delay of the publication of the audited annual results announcement for the year ended 31 December 2020 and (b) the requests by the predecessor auditor in respect of the audit of the Group's consolidated financial statements for the year ended 31 December 2020 for additional information in relation to various agreements entered into by the Company, including those relating to the Transactions. On 23 March 2021, an independent board committee (the "**IBC**"), which is comprised of all the independent non-executive directors of the Company, was established. The IBC proposed to appoint an independent professional adviser (the "**Investigation Firm**"), to assist the IBC in conducting the investigation, and the Investigation Firm was appointed on 30 April 2021.

The total contractual amount of the Transactions was amounted to HK$26,250,000 (equivalent to approximately S$4,779,000) and the Group had paid the entire contractual amount to the Service Providers during the year ended 31 December 2020 which was initially recognised by the Group as prepayments. During the year ended 31 December 2020, the Group recognised a loss on these prepayments amounting to approximately HK$24,250,000 (equivalent to approximately S$4,420,000) which were related to items (a) to (e) above to fully write down the carrying amount of these prepayments as such amounts were considered as irrecoverable.

For item (f) above, the amount paid during the year ended 31 December 2020 amounted to HK$2,000,000 (equivalent to approximately S$359,000) and the same amount was recorded as a prepayment as at 31 December 2020. Subsequent to the end of the reporting period, the Group terminated the agreement with the counterparty and requested for refund and the amount of HK$2,000,000 (equivalent to approximately S$359,000) was refunded to the Group in June and July 2021.

Regarding the circumstances described above, we have been provided with explanations and supporting documents from the management of the Group and the Investigation Firm which are contained in the Independent Investigation Report issued by the Investigation Firm dated 14 January 2022 (the "**Report**") about the commercial substance of the Transactions and the reasons for the Group entering into the agreements relating to the Transactions, in particular (a) the commercial reason why the Transactions were entered into within one month before or after the initial public offering (the "**IPO**") of the shares of the Company on the Main Board, (b) reasons why only simple procedures regarding service procurement, vendor's selection process and level of service fees comparison had been taken by the management of the Group before the management of the Group decided to enter into the agreements relating to the Transactions and (c) the commercial reason why significant payments had been made upfront to the Service Providers before the delivery of the Professional Services to the Group. However, up to the date of this report, we had not obtained sufficient appropriate audit evidence to satisfy ourselves about the concerns we expressed regarding the Transactions of which the aggregate prepayments made by the Group amounted to HK$26,250,000 (equivalent to approximately S$4,779,000) during the year ended 31 December 2020. Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding the commercial substance and nature of the Transactions and the reasons why the Group entered into the agreements relating to the Transactions. Also, as mentioned above, the Group had recognised a loss on these prepayments amounting to approximately HK$24,250,000 (equivalent to approximately S$4,420,000) for the year ended 31 December 2020 because the directors of the Company believed that the amounts were irrecoverable. We had inquired with the management of the Group as to (a) what steps had been taken to recover the amounts and (b) reasons why the amounts were considered as irrecoverable. However, up to the date of this report, we were unable to obtain sufficient appropriate audit evidence regarding the nature and the appropriateness of the amount of the loss of HK$24,250,000 (equivalent to approximately S$4,420,000) being recognised in the consolidated profit or loss for the year ended 31 December 2020 and of the amount of prepayments/assets being recognised by the Group as at 31 December 2020, and consequentially to the related elements making up the consolidated statement of changes in equity, the consolidated statement of cash flows and the related presentation and disclosures in the consolidated financial statements for the year ended 31 December 2020. Furthermore, we were unable to obtain sufficient appropriate audit evidence as to how the cash outflow of HK$26,250,000 (equivalent to approximately S$4,779,000) should be presented in the consolidated financial statements as we were unable to obtain sufficient appropriate audit evidence about the commercial substance and nature of the Transactions. No alternative procedures could be performed by us on the abovementioned aspects. Any adjustment found to be necessary in respect of these matters might have significant consequential effects on the financial position, financial performance and cash flows of the Group for the year ended 31 December 2020, and the related disclosures in the consolidated financial statements.

(II) ***Limitation of scope on fair value measurement of the financial asset at fair value through profit or loss***

As at 31 December 2020, the Group recognised a financial asset which represented an unlisted investment in a private company acquired in August 2020 through entering into a discretionary investment management agreement (the "**Discretionary Investment Management Agreement**") with an asset management company (the "**Asset Management Company**"), of which the accounting policy adopted by the Group was to measure such an asset at fair value through profit or loss, as disclosed in note 18 to the consolidated financial statements. As at 31 December 2020, the fair value of the asset estimated by the management of the Group amounted to HK$8,300,000 (equivalent to approximately S$1,418,000) which was equivalent to the cost of the investment on initial recognition. Also, we noted that the Group made a prepayment of HK$558,000 (equivalent to approximately S$95,000) to a designated broker and custodian company that was specified in the Discretionary Investment Management Agreement during the year relating to asset management fees for three years from August 2020, of which the details were set out in note 20(iv)(g) to the consolidated financial statements. As part of the audit, we had been provided with explanations and supporting documents from the management of the Group and the Report about (a) the commercial reason why the Group entered into such Discretionary Investment Management Agreement shortly after the IPO, in which the Group gave "full discretion" power to the Asset Management Company as to what investment products (specified in the general investment guidelines including listed equity securities in Hong Kong, fixed income products traded worldwide, fund on funds, other alternate assets) to be acquired or disposed of, and why eventually only the unlisted investment in a private company was acquired as the sole managed asset in the investment portfolio under such prescribed general investment guidelines, (b) reasons why only simple procedures, approval procedures were conducted by the management of the Group before the management of the Group decided to enter into the Discretionary Investment Management Agreement, and (c) reasons why the Group made upfront payment for the three-year asset management service that was to manage just one private unlisted investment. Up to the date of this report, we were unable to obtain sufficient appropriate evidence relating to the commercial substance and business rationale for the Group to enter into the Discretionary Investment Management Agreement and to acquire such unlisted private investment as well as making an upfront payment for the three-year asset management service. Also, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding the reasonableness of the methodology, key assumptions and data adopted by the management in determining the fair value of the financial asset as at 31 December 2020 (e.g. valuation techniques and key inputs applied in the fair value measurement process). For the abovementioned reasons, we were unable to evaluate whether the fair value of the financial asset were appropriately estimated on both initial recognition of the financial asset and as at the end of the reporting period, although, subsequent to the end of the reporting period, the Group terminated the Discretionary Investment Management Agreement on 1 March 2021, the Asset Management Company then disposed of the investment and refunded an amount of HK$8,689,000 (approximately equivalent to S$1,478,000) together with remaining balance of the prepaid asset management fees of HK$310,000 (approximately equivalent to S$53,000) to the Group in July 2021.

Any adjustments that might have been found necessary in respect of the above would have a consequential significant effect on the financial position of the Group as at the end of the reporting period, the loss for the year and the related disclosures in the consolidated financial statements.

Considering the significance of the matters described above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the Group's consolidated financial statements.

Other Matter

The combined financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 21 April 2020.

ADDITIONAL INFORMATION REGARDING THE DISCLAIMER OF AUDIT OPINION

As disclosed in the paragraph headed "Basis for Disclaimer of Opinion" (the "**Audit Qualification**") in the Independent Auditors' Report, Moore Stephens does not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2020.

The matters which gave rise to such disclaimer of opinion related to (1) scope limitations concerning the Group's prepayment; and (2) scope limitation on fair value measurement of the financial assets at fair value through profit or loss.

The Audit Committee has reviewed and agreed with the Audit Qualification. At the Board meeting held immediately after the meeting of the Audit Committee held on 27 May 2022, the Audit Committee reported to and discussed with the Board on the Audit Qualification. The Board provided response to the Audit Qualification and the Audit Committee concurred with the management. The management and the Audit Committee have the following opinions on the matters which gave rise to the disclaimer of opinion for the year ended 31 December 2020.

(1) Scope limitations concerning the Group's prepayment

As disclosed in the Independent Auditor's Report, the auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves regarding the commercial substance and nature of the Transactions and the reasons why the Group entering into the agreements relating to the Transactions. The Group had recognised a loss on these prepayments amounting to approximately HK$24,250,000 (equivalent to approximately S$4,420,000) for the year ended 31 December 2020 because the Directors believed that the amounts were irrecoverable.

With regard to the Transactions, the Company established an independent board committee (the "**IBC**") comprising 3 independent non-executive Directors on 23 March 2021 and engaged Wellington Legal with the purposes of investigating (i) the Transactions and (ii) identifying if there are any other similar fund transfer arrangements (the "**Independent Investigation**") with effect from 30 April 2021. The IBC also engaged an internal control consulting firm (the "**Internal Control Adviser**") to assess and conduct a review of the internal control systems and procedures of the Group and selected subsidiary of the Company, and to make recommendations accordingly (the "**Internal Control Review**"). Key findings of the Independent Investigation and the Internal Control Review are summarised in the announcement of the Company dated 2 March 2022 and 6 May 2022 respectively.

The management, the IBC and the Audit Committee have reviewed the reports prepared by Wellington Legal and the Internal Control Adviser. They concluded that the Transactions were made with the intention to pursue business opportunities for the Group. The management has taken up the recommendations from the Internal Control Adviser to remedy the internal control system and procedures in order to avoid any future situations. The IBC and the Audit Committee are of the view that this Audit Qualification have been duly dealt with given that:

(i) In view of the significant uncertainty on the recoverability of the prepayments, the management is of the view that it is prudent to make full impairment on the prepayment of approximately HK$24,250,000 (equivalent to approximately S$4,420,000) for the year ended 31 December 2020.

(ii) the Company has put in the place adequate internal control system and procedures as recommended by the Internal Control Adviser.

In the above circumstances, the full impairment losses have been made in the year ended 31 December 2020 in respect of the prepayment paid to the service providers due to their recoverable amounts were in doubt, and hence the Company expects that disclaimer relating to the audit opinion on this issue will be removed in the next year's audit except for the effect on comparability of corresponding figures.

(2) Scope limitation on fair value measurement of the financial assets at fair value through profit or loss

Subsequent to the end of the reporting period, as disclosed in the announcement on disclosable transaction of discretionary investment management agreement and disposal of investment dated 8 July 2021, Ngai Chin had terminated the investment management agreement with effect from 30 June 2021, and an amount of approximately S$1,652,971.70 (equivalent to approximately HK$9,571,405.31) was returned to Ngai Chin as a result.

As the investment is disposed in 2021, the Company expects that the disclaimer relating to the audit opinion on this issue will be removed in the next year's audit except for the effect on comparability of corresponding figures.

Based on the above, the Board is of the view that the issues giving rise to the incidents have no carried forward effect on the Group's consolidated financial statements for the year ended 31 December 2021 and that any modified opinion in the forthcoming year should only be related to the comparability of 2020 figures in the consolidated financial statements for the year ended 31 December 2021.

The Audit Committee agreed with the findings of the investigation team and the implementation of reinforcement measures on internal control to prevent the recurrence of similar events in future. After considering the reasons stated above (the "**Reasons**"), the Audit Committee concurs with the views of the Board that the incident should not have any continuing effect on the Group's consolidated financial statements in the coming financial year end and that any modified opinion in the forthcoming year should only be related to the comparability of 2020 figures in the consolidated financial statements for the year ended 31 December 2021.

The Board had obtained the understanding from the auditor that the Company considers itself to have addressed the issues giving rise to the disclaimer of opinion in the consolidated financial statements for the year ended 31 December 2020. In light of the Reasons and barring any unforeseeable circumstances, the auditor views that the disclaimer of opinion in respect of the same issues should no longer recur for the year ended 31 December 2021 except for the qualification of the effects on comparability of corresponding figures in prior year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the period from the Listing Date to 31 December 2020 with the exception of code provision A.2.1, which requires the roles of chairman and chief executive to be held by different individuals.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chua Boon Par currently holds both positions. Throughout our business history, Mr. Chua has held the key leadership position of our Group and has been deeply involved in the formulation of corporate strategies, management of the business and operations of our Group. Taking into account the continuation of the implementation of our business plans, our Directors, including our independent non-executive Directors, consider that Mr. Chua is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Group and its shareholders as a whole.

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Code of Ethics and Securities Transactions (the "**Company's Code**") no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required provisions set out in the Company's Code during the period from the Listing Date and up to the date of this announcement.

ANNUAL GENERAL MEETING

The 2021 annual general meeting of the Company ("**2021 AGM**") will be held on Wednesday, 13 July 2022, and the notice of the 2021 AGM will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 8 July 2022 to Wednesday, 13 July 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 July 2022.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.rafflesinterior.com.

The 2020 annual report will also be published on the above websites and will be dispatched to the shareholders of the Company in due course.

FURTHER ANNOUNCEMENT(S)

The Company will issue further announcement(s) in relation to the Group's interim results for the six months period ended 30 June 2021 and the Group's annual results for the year ended 31 December 2021. In addition, the Company will issue further announcement(s) when necessary if there are other material developments in the completion of the audit process.

APPRECIATION

The Directors would like to take this opportunity to express sincere gratitude to all shareholders for their continued support and to thank all staff members of the Group for their dedication and contribution to the Group.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021, and will remain suspended until further notice.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

By Order of the Board
Raffles Interior Limited
Chua Boon Par
Chairman, chief executive officer and executive director

Hong Kong, 27 May 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chua Boon Par, Mr. Ding Hing Hui and Mr. Leong Wai Kit; and three independent non-executive Directors, namely Mr. Chia Kok Seng, Mr. Gay Soon Watt and Mr. Wong Heung Ming Henry.