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## **Raffles Interior Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1376)**

### **KEY FINDINGS OF THE SUPPLEMENTAL INDEPENDENT INVESTIGATION REPORT**

This announcement is made by the board of directors (the “**Board**”) of Raffles Interior Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to 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, 10 September 2021, 30 September 2021, 31 December 2021, 18 January 2022, 2 March 2022, 31 March 2022, 6 May 2022, 7 June 2022 and 30 June 2022, 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 appointments of independent advisor and internal control advisor; (iv) the quarterly update of suspension of trading; (v) the resumption guidance set forth by the Stock Exchange (the “**Resumption Guidance**”); (vi) the key findings of the independent investigation report; (vii) the key findings of the independent internal control review report; and (viii) the voluntary announcement regarding the appointment of lead independent non-executive director and updates on directors’ training (the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

### **BACKGROUND**

As mentioned in the announcement of the Company dated 2 March 2022, the Company received the Independent Investigation Report issued by Wellington Legal on 21 January 2022. The summary of the major findings of the Independent Investigation Report and the views of the Company on the contents of the Independent Investigation Report are set out in the abovementioned announcement.

Upon consideration, the independent board committee (the “**IBC**”) believes there is a need to conduct further investigation on the audit issues raised by PwC, the former auditor of the Company (the “**Issues**”). On 2 March 2022, Wellington Legal was engaged to conduct the supplemental independent investigation on the Issues (the “**Supplemental Investigation**”).

On 21 July 2022, the Company received the supplemental independent investigation report issued by Wellington Legal dated 20 July 2022 (the “**Supplemental Investigation Report**”). The key findings of the Supplemental Investigation Report are summarized as below:

## **SCOPE OF THE INVESTIGATION**

The Supplemental Investigation did not reveal any difference in views on the findings of the Independent Investigation Report.

Wellington Legal was engaged to address the following additional issues:

- (a) Ascertain whether there is any relationship between (i) each of the service providers (each referred to as “**Service Provider A**” to “**Service Provider G**”, collectively the “**Service Providers**”); (ii) Quasar Securities; and (iii) the Group and the management;
- (b) Elaborate on the commercial rationale of each service agreements entered into by the Company (“**Service Agreements**”);
- (c) Ascertain the reasonableness of the fees of the Service Providers (including the asset management fees of Service Provider A) and payment term arrangements by reference to the market practice for comparison;
- (d) Prepare a chronology of the key decisions made by the Company and reasons behind (including the deferral arrangements) based on further representations made by the Company;
- (e) Describe the level of knowledge and involvement of the other two executive directors in the negotiation and approval process of the Service Agreements; and
- (f) Analyse whether any of the Company’s directors, management and/or staff involved in the decision to engage the service providers had conducted any misconduct at all material times.

## **MAJOR INVESTIGATION PROCEDURES**

The major investigation procedures conducted by Wellington Legal include, but are not limited to, the following:

- (a) Obtaining and reviewing relevant documents and correspondences relating to the Service Agreements referred to in the Announcements (including but not limited to the relevant Service Agreements, internal records of the Company);

- (b) Reviewing the internal control policies and procedures of the Group in relation to service procurement and vendor selection and conducting interviews with the relevant personnel of the Group who are responsible for carrying out the procedures;
- (c) Conducting interviews with the relevant personnel of the Group to understand, among others, the circumstances leading to the entering of the Service Agreements (including the approval procedures as well as the service procurement and vendor selection procedures conducted by the Company), as well as its commercial substance and business rationale; and
- (d) Engaging a third-party financial advisor to conduct a market research analysis on the fees and payment term arrangements of service providers that provide similar scope of works as the Service Agreements entered into the Company.

## **SUMMARY OF THE MAJOR FINDINGS OF THE SUPPLEMENTAL INVESTIGATION REPORT**

### **(a) Relationship between the Company, the Service Providers and Quasar Securities**

Wellington Legal has carried out the following independent work to confirm if there is any relationship between the directors, shareholders and key management of the Service Providers with the Group, the Group's shareholders and management and Quasar Securities:

- (i) reviewed the information contained in the List of Connected Persons and Associates filed by the Company during the initial public offering on 7 May 2020;
- (ii) carried out interviews with the Service Providers and management of the Company;
- (iii) carried out searches on the internet on the personnel who were involved in the negotiations of the Service Agreements; and
- (iv) sent letters to each of the Service Providers and to Quasar Securities to seek confirmation if there is any relationship.

Save for those disclosed below, Wellington Legal concluded that there is no relationship between the shareholders, directors and key management of the Service Providers with the Group, the Group's shareholders and management and Quasar Securities:

- (i) Service Provider B was a lead sub-underwriter of Quasar Securities in the IPO; and
- (ii) A partner of the legal advisor to the Company in the IPO introduced Service Provider A to the Company. He is an independent non-executive director of the parent company of Service Provider A.

**(b) Division of duties and monthly management meetings amongst the executive directors**

Wellington Legal noted that there is a clear division of duties and responsibilities amongst the executive directors and there is no overlap of responsibilities between them.

The executive directors carried out their duties independently but would hold monthly management meetings (the “**Monthly Management Meetings**”) or ad hoc meetings to (i) discuss matters or issues relating to the operations of the Group on a macro level, including finance, strategic planning and the progress of the IPO (prior to listing); (ii) report on matters or issues falling within their areas of responsibility; and (iii) raise any important matters or issues for discussion that they deemed necessary.

Wellington Legal noted that the Monthly Management Meetings were held on 25 April 2020, 30 May 2020, 27 June 2020, 25 July 2020, 8 August 2020 and 5 September 2020.

In addition to the Monthly Management Meetings, the executive directors would also have ad hoc meetings to discuss any matters or issues when necessary, so that decisions could be made quickly and efficiently.

Regarding the division of duties amongst the executive directors, Wellington Legal noted that Mr. Chua Boon Par, the chairman, chief executive officer and executive director of the Company (“**Mr. Chua**”), was responsible for overseeing all day-to-day management, corporate strategies and business development and operations of the Group.

In particular, Mr. Chua was responsible for sourcing suitable service providers, such as those related to the Service Agreements, and to negotiate the contract terms and it was the usual practice amongst the executive directors for matters relating to the engagement of service providers for non-project related services to be delegated to Mr. Chua.

The executive directors have also confirmed that only Mr. Chua was involved in the negotiations of the Service Agreements. The other executive directors had no knowledge of the details of the Service Agreements until Mr. Chua updated them during the Monthly Management Meetings or ad hoc meetings.

Therefore, Mr. Chua was the one who made the final decision on the selection of the Service Providers and had full authority to negotiate and sign the contracts with them.

Apart from the 1st and 2nd Discretionary Investment Management Agreements entered into between Ngai Chin and Service Provider A, Mr. Chua was solely involved in the approval process of all Service Agreements.

**(c) The executive director's knowledge of the Service Agreements and their payments**

As mentioned in the above section (b), apart from Mr. Chua, the other two executive directors were not involved in the selection and negotiation process of the Service Agreements. They deferred to the judgment and expertise of Mr. Chua in selecting the most suitable service provider under the most favourable terms and were only notified of the engagement of the Service Providers during the Monthly Management Meetings or ad hoc meetings after the Service Agreements were entered into.

Similarly, the two other executive directors only became aware that payments had been made to the Service Providers during the Monthly Management Meeting following the payments, save for the payment to Service Provider A where one of these two executive directors was one of the signatories for instructions to the bank for the transfer of funds to Service Provider A.

Nevertheless, before entering into the Service Agreements, the other two executive directors were informed of the commercial rationale behind the engagement of the Service Providers.

**Service Agreements**

**Discussions**

1st Discretionary Investment Management Agreement with Service Provider A

The executive directors discussed and agreed that it would be beneficial to invest the idle cash placed in the Company's bank account in order for the Company to generate a higher return, as opposed to leaving the funds in the bank with a low interest rate. Therefore, the responsibility to engage a suitable investment manager was delegated to Mr. Chua.

2nd Discretionary Investment Management Agreement with Service Provider A

In light of the impact of COVID-19 pandemic to the Group's business and operations, the Group wanted to retain more cash on hand. Therefore, Mr. Chua reached out to Service Provider A to discuss a reduction of the amount to be provided to Service Provider A for investment and entered into the 2nd Discretionary Investment Management Agreement with Service Provider A.

The other two executive directors were only informed of the details concerning the 2nd Discretionary Investment Management Agreement during the following Monthly Management Meeting after Mr. Chua had signed the agreement.

## **Service Agreements**

### **Facilitator Agreement with Service Provider B**

## **Discussions**

The executive directors discussed the potential acquisition of interior design companies based in Hong Kong as part of the Company's potential expansion of its business to Hong Kong. The responsibility to engage the appropriate service provider to assist was delegated to Mr. Chua.

The other two executive directors only found out that Mr. Chua had entered into the Facilitator Agreement with Service Provider B during the Monthly Management Meeting following the signing of the Facilitator Agreement.

### **Proposal with Service Provider C**

In or around April 2020, shortly after it has been confirmed that the Company could be listed on the Stock Exchange, there were discussions amongst the executive directors on the need to seek assistance to attend to public relations matters relating to the IPO in general and other matters such as planning and organizing the listed ceremony and the dinner celebration after listing etc. since the Company was based in Singapore. Mr. Chua was given the responsibility of looking for a suitable public relations company to assist.

The other two executive directors only became aware of the engagement and the payment made to Service Provider C during the Monthly Management Meeting following the engagement and payment.

### **Advertising Campaign Quotation with Service Provider D**

In or about May 2020, Mr. Chua had discussed the expansion to Hong Kong with the other two executive directors, and they all agreed that media exposure would attract more investors and allow more people to know about the Company. Mr. Chua assumed the duty of looking for a suitable media company to assist.

The other two executive directors only became aware of the engagement and the payment made to Service Provider D during the Monthly Management Meeting.

## **Service Agreements**

Business and Consultancy Agreement and Internal Control Agreement with Service Provider E

Business Consultancy and Management Service Agreement with Service Provider F

## **Discussions**

Mr. Chua did not inform the other two executive directors before reaching out to Service Provider E. Nevertheless, Mr. Chua discussed the proposed fees with the other two executive directors before signing the agreements with Service Provider E. During the discussion, the other two executive directors agreed that there was a need for the services to be provided by Service Provider E to facilitate the Group's expansion to Hong Kong.

The other two executive directors both noted that the fees appeared to be substantial, yet they deferred to the judgment and expertise of Mr. Chua to assess whether the scope of services was sufficient and whether the fees were reasonable.

The other two executive directors only became aware that the agreements had been signed and that payments had been made during the following Monthly Management Meeting.

Considering that (i) the Group's existing production facilities were fully utilized; (ii) there remained uncertainty to the circuit breaker approach of the Singapore government which might affect the Company's operations, the Company considered that there was a need to expand its production outside of Singapore, so that the business activities of the Group would return to normal as soon as possible. Therefore, all the executive directors agreed that a consultant should be engaged to explore and advise on the feasibility of establishing manufacturing facilities/representative offices in countries such as Malaysia, Cambodia and Macau, and the responsibility to look for a suitable consultant was delegated to Mr. Chua.

Nevertheless, the other two executive directors only became aware of the engagement and the payment made to Service Provider F during the following Monthly Management Meeting.

## **Service Agreements**

Investment Advisory  
Agreement with Service  
Provider G

## **Discussions**

The executive directors came to the view that maintaining bank deposits would no longer be in the interest of the Company in terms of investment return under the COVID-19 pandemic and decided to explore investment opportunities which might yield high return for the Company. The responsibility to find the appropriate investment advisor was delegated to Mr. Chua.

Mr. Chua discussed the proposed fees to be charged by Service Provider G with the other two executive directors but they deferred to the judgement of Mr. Chua in assessing the reasonableness of fees and trusted that Mr. Chua would negotiate the most favourable terms for the Company.

Therefore, the other two executive directors only became aware of the engagement and the payment made to Service Provider G during the following Monthly Management Meeting.

### **(d) The executive director's knowledge of the deferral of the Service Agreements with Service Provider C, D, E and G**

Wellington Legal noted that all executive directors were involved in the decision-making process of the deferral arrangements of the relevant Service Agreements.

### **(e) Internal control policies**

Wellington Legal noted that the Company's Policy and Procedures Manual titled "Procurement, Accounts Payable and Payment" (the "**Manual**") only applied to the procurement of goods and services in relation to construction projects of the Company and did not apply to the procurement of services for non-project related matters.

Given the present policies, Mr. Chua had full authority and discretion to negotiate and sign the contracts with the Service Providers for non-project related matters and to decide whether to engage a particular service provider and the terms of such engagement without obtaining approval or consent of the other two executive directors.

Therefore, after explaining the commercial rationale for engaging the Service Providers and conducting simple due diligence on the Service Providers, Wellington Legal noted that Mr. Chua made the decision to engage the Service Providers.



Upon becoming aware of the internal control deficiencies arising from the Issues raised by PwC, the Company engaged Baker Tilly to carry out a review of the internal control procedures relating to the procurement of services for non-construction project related matters. The findings of Baker Tilly in the Internal Control Review dated 14 April 2022 are consistent with the findings of Wellington Legal in that the Company did not have procurement policy in relation to the engagement of the consultancy service providers.

For the summary of the major findings of the Internal Control Review, the recommendations made by Baker Tilly and the remedial actions taken by the Group, please refer to the announcement of the Company dated 6 May 2022 and the voluntary announcement of the Company date 7 June 2022.

**(f) Update on current status of the Service Agreements**

Wellington Legal noted that the Group wanted to conserve cash due to cash flow considerations caused by the impact of the COVID-19 pandemic, which was more severe than they had expected. Therefore, after discussions during the Monthly Management Meetings, the executive directors decided to terminate the Service Agreements which were not essential to the Group's operations or not for addressing the Group's immediate needs i.e. agreements with Service Providers D, E and F.

<b>Service Agreements with</b>	<b>Current status</b>
Service Provider A	The Discretionary Investment Management Agreement with Service Provider A was terminated on 8 March 2021 and the amount invested through Service Provider A has been returned together with profits generated. Therefore, there is no further follow up action in respect of the agreement with Service Provider A.
Service Provider B	The Company has written to Service Provider B to seek details of the services provided by them. Service Provider B provided the Company with certain information and documents as per its request.
Service Provider C	<p>The listing dinner still has not been arranged due to the travelling restrictions from the COVID-19 pandemic. Nevertheless, the Company has indicated that it still intends to hold a listing dinner in Hong Kong when the circumstances permit for the Company's staff to travel from Singapore to Hong Kong to attend a physical listing dinner.</p> <p>Therefore, the Company has written to Service Provider C seeking a further extension of services and Service Provider C agreed and confirmed the extension of service period to 31 December 2022.</p>

## **Service Agreements with**

## **Current status**

### **Service Provider D**

The Company noted that there remained to be outstanding services due from Service Provider D under both the Advertising Campaign and the Media Placement Campaign. However, the Company took the view that further airing of advertisements or sponsorships would no longer be an effective promotion for the Company, since advertisements and sponsorships were most effective if they were aired continuously for a period of time, but it has been almost a year since the Company's last advertisements and sponsorships were aired in Hong Kong.

Therefore, the Company wrote to Service Provider D seeking termination of the agreements for the Advertising Campaign and the Media Placement Campaign and a partial refund of the service fees paid thereunder in the amount of HK\$360,000 and HK\$650,000 respectively.

However, no written response has been received from Service Provider D up to the date of the Supplementary Report.

### **Service Provider E**

Since the Group's expansion to Hong Kong had been put on hold, the Company decided that it no longer needed the services to be provided by Service Provider E.

Therefore, the Company has written to Service Provider E seeking termination of the agreements and asked for a refund in the amount of HK\$8,550,000 and HK\$2,700,000 respectively.

Nevertheless, Service Provider E has refused the Company's request for termination and refund.

### **Service Provider F**

Service Provider F still had not been able to carry out the site visits to Cambodia, Malaysia and Macau due to the travel restrictions resulting from the COVID-19 pandemic and had only submitted a report on Cambodia and briefed the Company about the situation in Malaysia and Cambodia.

Further, the Group had been able to set up a temporary production facility in Johor Baru, Malaysia, to assist with the production which had helped alleviate some of their labour shortage issues in the meantime.

**Service Agreements with****Current status**

As the Group's expansion plans had been put on hold, the Company believed that it no longer required the services of Service Provider F. The Company wrote to Service Provider F seeking to terminate the agreement and a partial refund of the fees paid in the sum of HK\$1,620,000.

Service Provider F has replied that they would not consider a partial refund and would negotiate with the Company on an extension of the service period.

**Service Provider G**

The Investment Advisory Services Agreement with Service Provider G was terminated on 15 June 2021 and a full refund of the fees has been made. Therefore, there is no further follow up action in respect of the agreement with Service Provider G.

In respect of agreements with Service Providers D, E and F, Wellington Legal noted that:

- (i) the Company has considered commencing legal proceedings against them for breach of the terms and conditions of the agreements but has decided not to do so after seeking legal advice and assessing the merits of the potential claims;
- (ii) the Company had carried out a costs-benefit analysis and had considered the costs implications of commencing legal proceedings, the uncertainty as to whether the claim would be successful and the possibility that any judgment against the Service Providers could be an empty judgment; and
- (iii) therefore, the Company intends to commence without prejudice negotiations with the Service Providers to explore the possibility of a partial repayment and/or further extension of service period.

**(g) Reasonableness of the fees for the Service Agreements**

Wellington Legal has appointed an independent financial advisor (the "FA"), a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry on Type 6 (advising on corporate finance) regulated activities, to conduct market research on the fees for the services that were provided by the Service Providers under the respective Service Agreements.

As the scope of services were not fully set out in the Service Agreements, Wellington Legal had prepared the scope of works for each of the Service Agreements based on the information obtained from the interviews with Mr. Chua in order to ensure that the fee proposals were in line with scope of services which Mr. Chua believed would be provided under each of the Service Agreements.

For each scope of work, the FA has sent out requests for fee quotations (including details relating to the scope of works) to three potential service providers by way of email on an anonymous basis. If a potential service provider does not respond with a fee quotation, the FA will follow up with the potential service provider by phone. If the FA has not been able to obtain any fee quotations for a particular scope of works, the FA will send out two further requests for fee quotations to other potential service providers by using the same methodology. Upon consolidating the fee quotations for each scope of works, the FA then prepared a comparison for each Service Agreement with the fees incurred by the Company in relation to the Service Agreements.

The FA has issued a report on the results of its market research (the “**Market Research Report**”) which would serve as a reference to consider whether the fees charged by the service providers under the respective Service Agreements are reasonable. The findings are summarized hereinbelow:

<b>Service Provider</b>	<b>Fee(s) under Service Agreements</b>	<b>Conclusion of Wellington Legal</b>
A	1st Discretionary Investment Management Agreement      HK\$700,000	<p>The FA received three responses to the request for fee quotation.</p> <p>Upon comparison, the fees charged by Service Provider A is lower than the fee quotes received from all three service providers. The fee charged is reasonable.</p>
	2nd Discretionary Investment Management Agreement      HK\$558,000	<p>Upon comparison, the fees charged by Service Provider A is approximately 4% higher than the fee quotes received from the service providers, which is nominal. The fee charged is reasonable.</p>
B	HK\$6,250,000	<p>The FA received two responses to the request for fee quotation and the fee quotations depend on the deal size for identifying acquisition target or consideration payable for the subject acquisition on a success basis.</p> <p>As there is no indication of the deal size or consideration for the acquisition, Wellington Legal is unable to ascertain an exact fee for the services to be provided for the purpose of comparison of the fees charged by Service Provider.</p>

<b>Service Provider</b>	<b>Fee(s) under Service Agreements</b>		<b>Conclusion of Wellington Legal</b>
C	HK\$700,000		<p>The FA received three responses to the request for fee quotation.</p> <p>The fee quotes received are all slightly lower than the fees for Service Provider C, with a difference ranging from 1% to 19.86%.</p> <p>However, there is a gap of almost 2 years between the date of the service agreement with Service Provider C and fee quotes received. In the circumstances, it cannot be said that the fees charged by Service Provider C was clearly unreasonable.</p>
D	Media Placement Campaign	HK\$1.2 million	<p>The FA only received one response to the request for fee quotation.</p> <p>The fees quoted is substantially higher than the fees charged by Service Provider D.</p>
	Advertising Campaign	HK\$1.8 million	<p>The FA only received one response to the request for fee quotation. Nevertheless, the fees quoted was for “video advertising service”. Therefore, even when the fees quoted was 60% of the fees charged by Service Provider D, Wellington Legal indicated that the fees quoted was not useful as a reference as to whether the fees charged by Service Provider D was reasonable.</p>

<b>Service Provider</b>	<b>Fee(s) under Service Agreements</b>	<b>Conclusion of Wellington Legal</b>
E	Business and Consultancy Agreement	<p>The FA only received one response to the request for fee quotation.</p> <p>The fees charged by Service Provider E appear to be high at first glance as the fees quoted only worked out to 31.58% of the fees charged by Service Provider E.</p> <p>Nevertheless, Wellington Legal noted the possibility that the service provider may have a different understanding of the scope of services to be provided given the generic scope of work provided and that the current difficult business environment may have prompted the service provider to provide a low fee quote.</p>
	Internal Control Agreement	<p>The FA only received one response to the request for fee quotation.</p> <p>The fees charged by Service Provider E appear to be high at first glance as the fee quote works out to be 50% of the fees charged by Service Provider E.</p> <p>Nevertheless, Wellington Legal noted the possibility that the service provider may have a different understanding of the scope of services to be provided given the general scope of work to be provided and that the current difficult business environment may have prompted the service provider to provide a low fee quote.</p>
F	HK\$1,800,000	<p>The FA has not received any response to the request for fee quotation, therefore it is unable to provide any opinion as to whether the fees charged by Service Provider F are reasonable.</p>

<b>Service Provider</b>	<b>Fee(s) under Service Agreements</b>	<b>Conclusion of Wellington Legal</b>
G	HK\$2,000,000	<p>The FA only received one response to the request for fee quotation, the fee quotation of which is partly dependent on the amount of revenue and the value of the transaction.</p> <p>Therefore, as there is no basis for comparison, Wellington Legal is unable to provide any views as to the whether the fees of Service Provider G were reasonable.</p>

#### **(h) Misconduct**

As mentioned hereinabove, Mr. Chua was responsible for selecting the Service Providers, negotiating the terms of the Service Agreements and making the final decision to engage the Service Providers. No other executive director or senior management was involved in the decision to engage the Service Providers. Accordingly, the responsibility for the Service Agreements falls solely on Mr. Chua.

Given that the Company did not have any internal control policies which set out the requirements or procedures that must be followed before engaging a service provider for non-project related services, Wellington Legal noted that it was the usual practice of the Group for Mr. Chua to be authorized to handle affairs relating to contract negotiations on behalf of the Company.

While Mr. Chua did make efforts and was generally able to negotiate for a fee discount with the service providers, Wellington Legal noted that (i) he heavily relied on the recommendations of his personal friends and/or business acquaintances in selecting the Service Providers and (ii) approved and signed the Service Agreements without requesting revision of terms when they did not fully reflect the mutual understanding between Mr. Chua and the Service Providers. Thus, the manner in which he had selected the Service Providers when compared with the internal control policies for procurement of project related goods and services was inadequate. Nonetheless, in the absence of any internal control policies for the procurement of non-project related services, it cannot be said that Mr. Chua had committed any misconduct especially when the steps taken by him were the usual practice of the Group.

Further, it is noted that as the CEO of the Company, Mr. Chua should have been aware that internal control policies relating to the procurement of non-project related services was necessary and should be implemented, especially when there were clearly set out internal control policies for procurement of goods and services for project related matters. Therefore, Wellington Legal concluded that Mr. Chua should have put in place internal control policies for the procurement of non-project related services before procuring the non-project related services.

However, Wellington Legal has not found any evidence of impropriety on the part of Mr. Chua in making the decisions to enter into the Service Agreements or any evidence that there is any collusion between the executive directors and the directors, shareholders or key personnel of the service providers under the relevant Service Agreements.

## **OVERALL RESPONSES OF THE BOARD**

The Board (including the IBC) has reviewed the contents of the Supplemental Investigation Report and considers that the Supplemental Investigation Report has adequately addressed the Issues.

In addition to the update regarding the current status of the Service Agreements as mentioned in section (f) hereinabove, the Board would like to add that after writing to the Service Providers either seeking extension of the service period or termination of the service and partial refund of service fees or requesting for evidence of work done, the Company sought legal advice and considered taking recovery actions by commencing legal proceedings against and/or negotiating with the Service Providers.

Nevertheless, upon considering the legal advice provided to the Company and after making its own assessment as to the prospect of the success and/or the proportionality of legal costs which might have to be incurred in bringing claims against the Service Providers comparing to the amounts claimed, the Company decided not to commence any legal action against them.

Nonetheless, in order to act in the best interest of the Company, the Company decided to commence without prejudice negotiation with the Service Providers to explore the possibility of a partial repayment and/or further extension of service period.

## **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, 25 July 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Chua Boon Par, Mr. Ding Hing Hui and Mr. Leong Wai Kit; and the independent non-executive directors of the Company are Mr. Chia Kok Seng, Mr. Gay Soon Watt and Mr. Wong Heung Ming Henry.*