

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Raffles Interior Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1376)

QUARTERLY UPDATE ON SUSPENSION OF TRADING AND SUBMISSION OF RESUMPTION APPLICATION

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 and Rule 13.24A 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, 25 May 2021, 26 May 2021, 30 June 2021, 8 July 2021, 10 September 2021, 30 September 2021, 31 December 2021, 18 January 2022, 2 March 2022, 31 March 2022, 6 May 2022, 27 May 2022, 7 June 2022, 9 June 2022, 24 June 2022, 30 June 2022, 25 July 2022, 5 August 2022, 12 August 2022, 30 August 2022, 8 September 2022 and 23 September 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 change of auditor; (iv) the appointments of independent advisor and internal control advisor; (v) the quarterly update of suspension of trading; (vi) termination of Discretionary Investment Management Agreements and disposal of investment; (vii) profit warning for the Group’s 2021 Interim Period; (viii) the resumption guidance set forth by the Stock Exchange (the “**Resumption Guidance**”); (ix) the key findings of the independent investigation report; (x) key findings of the independent internal control review report; (xi) the annual results for the year ended 31 December 2020; (xii) appointment of a lead independent non-executive director (“**Lead INED**”) and updates on directors’ training; (xiii) the 2020 annual report; (xiv) the interim results for the six months ended 30 June 2021; (xv) the 2021 interim report; (xvi) the key findings of the supplemental independent investigation report; (xvii) the annual results for the year ended 31 December 2021; (xviii) the 2021 annual report; (xix) the interim results for the six months ended 30 June 2022; (xx) the 2022 interim report; and (xxi) resignation of Chairman, Executive Director and Chief Executive Officer (the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

Pursuant to Rule 13.24A of the Listing Rules, the Board would like to provide an update to the shareholders and potential investors of the Company on the Company's progress to meeting the Resumption Guidance as set forth in the announcements of the Company dated 23 April 2021 and 18 January 2022.

SUBMISSION OF RESUMPTION APPLICATION

The Company is pleased to announce that the Company has submitted the application for resumption of trading (the "**Resumption Application**") to the Stock Exchange on 9 August 2022.

Since the suspension of trading in the shares of the Company on the Stock Exchange on 1 April 2021, the Company has taken active steps to remedy the issues leading to its trading suspension in order to fulfill all the conditions set out in the Resumption Guidance (the "**Resumption Conditions**"). As detailed in the below section headed "Fulfilment of the Resumption Guidance", the Directors are of the view that the Company has already fulfilled all the Resumption Conditions.

The Resumption Application is currently being reviewed by the Stock Exchange and the Company will make further announcement(s) to inform the public once there is any update.

FULFILMENT OF THE RESUMPTION GUIDANCE

Resumption Conditions

On 22 April 2021, the Company received a letter from the Stock Exchange setting out the resumption conditions (1) to (4) hereinbelow. Subsequently, on 14 January 2022, the Company received a further letter from the Stock Exchange setting out the additional resumption condition (5) hereinbelow. The Resumption Conditions are set out as follows:

- (1) Conduct an appropriate independent investigation into the audit issues raised by the former auditor of the Company, PricewaterhouseCoopers (the "**Audit Issues**"), assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions;
- (2) Publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (3) Demonstrate its compliance with Rule 13.24;
- (4) Announce all material information for the Company's shareholders and investors to appraise the Company's position; and
- (5) Conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules.

Resumption Condition (1)

In April 2021, the independent board committee (“**IBC**”), comprising all the independent non-executive directors of the Company, and the Board has appointed Wellington Legal as the independent advisor to conduct an independent investigation into the Audit Issues (the “**Investigation**”) and to prepare an independent investigation report.

The Company received an independent investigation report dated 14 January 2022 (the “**Initial Independent Investigation Report**”) and a supplemental independent investigation report dated 20 July 2022 (the “**Supplemental Independent Investigation Report**”, which together with the Initial Independent Investigation Report, the “**Independent Investigation Reports**”) issued by Wellington Legal.

The key findings of the Initial Independent Investigation Report and the Supplemental Independent Investigation Report are disclosed in the Company’s announcements dated 2 March 2022 and 25 July 2022 respectively. Please refer to the said announcements for detailed information.

The Board (including the IBC) has reviewed the contents of the Independent Investigation Reports and considers that the Audit Issues have been adequately addressed.

After reviewing the Supplemental Independent Investigation Report and upon serious consideration of the cost implication and the prospect of success, the Company decided not to commence legal proceedings but commence without prejudice negotiations with the service providers to explore the possibility of a partial repayment and/or further extension of service period. As at the date of this announcement, the without prejudice negotiations with the service providers are still ongoing and in progress.

Resumption Condition (2)

On 24 May 2021, the Company appointed Moore Stephens CPA Limited (“**Moore Stephens**”) as the new auditor.

The Company has published all the then outstanding financial results on the following dates:

- (i) the 2020 Annual Results announcement on 27 May 2022;
- (ii) the 2020 Annual Report on 9 June 2022;
- (iii) the 2021 Interim Results announcement on 24 June 2022;
- (iv) the 2021 Interim Report on 30 June 2022;
- (v) the 2021 Annual Results announcement on 5 August 2022; and
- (vi) the 2021 Annual Report on 12 August 2022.

Due to (i) scope limitation concerning the Group’s prepayments and (ii) scope limitation on fair value measurement of the financial assets at fair value through profit or loss (the “**Audit Modifications**”), Moore Stephens issued a disclaimer of audit opinion for the 2020 Annual Report and expressed a qualified opinion for 2021 Annual Report to the extent only due to the comparative information between 2020 and 2021. Details and additional information of the Audit Modifications are included in the 2020 and 2021 Annual Report.

In light of the Audit Modifications issued in the auditor’s report of 2020, the Board obtained an understanding from Moore Stephens that the Audit Modifications have been addressed on the basis that:

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

During the year ended 31 December 2020, the Group had paid HK\$26,250,000 (equivalent to approximately S\$4,779,000) to the various service providers during the year ended 31 December 2020 which was initially recognized as prepayments.

The Group recognized losses arising from these transactions amounting to approximately HK\$24,250,000 (equivalent to approximately S\$4,420,000) as considered these amounts as irrecoverable and the remaining amounts of HK\$2,000,000 (equivalent to approximately S\$359,000) was refunded to the Group in June and July 2021.

The losses arising from the abovementioned transactions had been fully recognized and included in the profit or loss during the year ended 31 December 2020, and there was no consequential impact on the consolidated financial statements and no amount of any services had been recognized for the year ended 31 December 2021 and neither unutilised prepayment nor other receivable was recognized as at 31 December 2021.

Hence there was no significant financial impact carried forward to the consolidated financial statements for 2021; and

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

The Group terminated the related discretionary investment management agreement and disposed of the investment. The investment costs together with remaining balance of the prepaid asset management fees and profit arising from the investment were refunded to the Group in July 2021.

On the basis as described as above, Moore Stephens has issued a qualified opinion for the year ended 31 December 2021 in respect of comparability of the corresponding figures on the consolidated statements profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2020 in the auditor’s report of 2021. Details of the qualified opinion of 2021 are set out in the 2021 Annual Results announcement on 5 August 2022.

Except for the possible effects on the matters described in the section of “Basis for Qualified Opinion” of the 2021 Annual Report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended have been properly prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Resumption Condition (3)

(i) Sufficient operations and improvement of financial performance

The Company is a Singapore-based interior fitting-out services provider. The Group’s interior fitting-out services include project management and construction management of the interior fitting-out project; construction and installation of interior fitting-out works; customizing, manufacturing and supply of carpentry/joinery and integral fixtures, and maintenance of the projects that it undertakes on an ad-hoc basis. It also provides services for a range of private commercial projects, including office space, food and beverage (F&B) retail space, and guest and hotel rooms.

As disclosed in the 2021 Annual Results and 2022 Interim Results, the Group’s audited revenue and net loss attributable to equity holders of the Company was approximately S\$79.6 million and S\$1.1 million for the year ended 31 December 2021 and approximately S\$30.7 million and S\$0.3 million for the six months ended 30 June 2022, respectively.

For the year ended 31 December 2021, the revenue of the Group increased approximately 23.9% and the net loss decreased of approximately 93.0% over the corresponding period in the last year. The Directors consider the slight net loss for the year ended 31 December 2021 was mainly due to the relatively high subcontracting costs incurred during the year for catching up the project delay as a result of the work stoppage due to COVID-19, which is temporary. For the six months ended 30 June 2022, the revenue and net loss of the Group remained relatively stable as compared to 30 June 2021. The Directors consider the slight net loss for the period 30 June 2022 was mainly due to cessation of certain COVID-19 related grants from the Singapore government.

The business operations of the Group are continuing as usual in all material aspects.

(ii) Sufficient Assets

As disclosed in the 2021 Annual Results and 2022 Interim Results, the Group’s total assets and net assets were approximately S\$57.6 million and S\$12.3 million as at 31 December 2021 and approximately S\$46.3 million and S\$12.0 million as at 30 June 2022, respectively.

Based on the above, the Board is of the view that the Group has a viable and sustainable business with a sufficient level of operations and assets to meet the requirement under Rule 13.24 of the Listing Rules.

Resumption Condition (4)

Since its trading suspension on 1 April 2021, the Company has continued to disclose material information in connection with, among others, the 2020 and 2021 Annual Results and Annual Reports and 2022 Interim Results and Interim Report, the Audit Issues and the status on fulfilment of the Resumption Guidance to the public by publishing announcements in a timely manner.

The Board believes that the Company has announced all material information it considers necessary and appropriate for the Company's shareholders and investors to appraise the Company's financial performance and financial position.

Resumption Condition (5)

The Company has appointed Baker Tilly as the internal control advisor of the Company to assist the Company in its resumption application by performing an internal control review and preparing an internal control review report ("**Internal Control Review Report**").

The Internal Control Review Report covered key internal controls of contracting/vendor engagement, investment management and compliance with financial reporting obligations for the period from 1 January 2020 to 31 December 2020.

For the summary of the major findings of the Internal Control Review Report, the recommendations made by the internal control advisor 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 dated 7 June 2022.

In short, the Board is of the view that:

- (i) The Internal Control Review has adequately assessed the effectiveness of the internal controls of the Group and ascertained certain internal control deficiencies;
- (ii) The identified internal control deficiencies have been remediated; and
- (iii) The remedial actions and improvement measures implemented by the Group are adequate and sufficient to address the identified internal control deficiencies.

The internal control advisor also considered that the Group now has in place adequate internal controls and procedures to meet ongoing obligations under the Listing Rules.

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.

The Company will publish further announcement(s) to keep the Company's shareholders and potential investors informed of the status and development of the Company as and when appropriate, as well as publish quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

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
Wong Heung Ming Henry
Chairman and independent non-executive director

Hong Kong, 30 September 2022

As at the date of this announcement, the executive directors of the Company are 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.