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Raffles Interior Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1376)

CHANGE IN USE OF PROCEEDS

Reference is made to (i) the prospectus issued by Raffles Interior Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 21 April 2020 (the “**Prospectus**”) in relation to the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, which sets out the intended use of the net proceeds from the issue of new shares of the Company (the “**Net Proceeds**”) at the time of preparing the Prospectus; (ii) the announcement of the Company dated 18 February 2022 in relation to the change in use of proceeds (the “**Announcement**”); and (iii) the interim report of the Company for the six months ended 30 June 2022 dated 8 September 2022 (the “**2022 Interim Report**”), in which the utilisation of the Net Proceeds up to 30 June 2022 was disclosed. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus, the Announcement and the 2022 Interim Report.

The board of directors of the Company (the “**Board**”) hereby announces that it has resolved to change the use of the unutilised portion of the Net Proceeds. Details of the revised allocation are set out as below.

USE OF PROCEEDS

As disclosed in the section headed “CHANGE IN USE OF PROCEEDS” in the Announcement, the revised allocation of the Net Proceeds were intended to be used for the following purposes:

- (a) approximately 32.3% of the net proceeds comprising:
 - (1) approximately 16.1% of the net proceeds to recruit new or additional skilled employees and support staff to strengthen our in-house capacity to undertake additional interior fitting-out projects; and
 - (2) approximately 16.2% of the net proceeds to broaden our scope of associated services by providing MEP services in-house through the recruitment of skilled personnel and applying for registrations under certain ME workheads with the BCA.

- (b) approximately 20.8% of the net proceeds to rent the New Rented Property to expand our existing production facilities;
- (c) approximately 9.2% of the net proceeds to invest in hardware devices and computer software to enhance our information technology capability and project implementation efficiency;
- (d) approximately 5.4% of the net proceeds to expand our scale of operations through the acquisition of new machinery and equipment to reduce the need to rely on our subcontractors for the provision of such machinery and equipment; and
- (e) approximately 32.3% of the estimated net proceeds to be reserved as our general working capital.

As disclosed in the section headed “Use of Net Proceeds from the Share Offer” in the 2022 Interim Report, the Company had utilised approximately S\$9.1 million (equivalent to approximately HK\$50.5 million) of the Net Proceeds up to 30 June 2022 in the manner disclosed in the Interim Report.

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately S\$3.8 million (equivalent to approximately HK\$20.9 million). The Board has resolved to change the use of the unutilised Net Proceeds. An analysis of the utilisation of the Net Proceeds as at the date of this announcement and the proposed change in the use of the unutilised Net Proceeds is set out as below:

Purpose	Revised allocation of the net proceeds as disclosed in the Announcement <i>S\$ million</i>	Utilised Net Proceeds as at the date of this announcement <i>S\$ million</i>	Unutilised Net Proceeds as at the date of this announcement <i>S\$ million</i>	Proposed application of the unutilised net proceeds <i>S\$ million</i>
Extending our service scope to include MEP services	4.2	4.2	—	—
Expanding the Group’s premises for its various operational needs (Factory expansion)	2.7	0.9	1.8	—
Enhancing our information technology capacity and project implementation efficiency	1.2	0.2	1.0	—
Financing additional machinery and equipment	0.7	0.3	0.4	—
General working capital	4.2	3.6	0.6	3.8
	<u>13.0</u>	<u>9.2</u>	<u>3.8</u>	<u>3.8</u>

The unutilised Net Proceeds are expected to be fully utilised in the next quarter. The completion time of using such proceeds will be determined based on the Company's actual business needs and future business development.

Save for the aforesaid changes, there is no other change in use of the Net Proceeds.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Board is pleased to announce that the Group has been awarded 3 sizeable projects with an aggregate contract sum of not less than approximately S\$34.7 million (equivalent to approximately HK\$190.5 million) in September 2022 for performing interior fitting-out and renovation work for new constructed/renovated buildings and it is expected the sites will be handed over to the Group for work in October 2022.

Since the projects are in early stage, the Group expects to incur cash outflows for the upfront payments to the materials suppliers and subcontractors before receive progress payment from the clients. Based on the best estimation of the Directors with reference to the timetable and work schedule, it is expected the Group would require to pay upfront payments of no less than S\$11.0 million (equivalent to approximately HK\$60.4 million) by next quarter.

Having considered (i) the Group's latest cash position (which comprised cash and cash equivalents and pledged fixed deposits) of approximately S\$10.2 million (equivalent to approximately HK\$56.0 million) as at 30 June 2022 as disclosed in the 2022 Interim Report; (ii) the undrawn borrowing facilities granted to the Group; and (iii) the funding need for other ongoing projects and daily operation of the Group, the Directors are of the view that the Group has imminent funding needs and resolved to reallocate the unutilised net proceeds of approximately S\$3.2 million (equivalent to approximately HK\$17.6 million) to reinforce its capital base for projects' funding needs.

The Board confirms that there are no material changes in the nature of the business of the Group as set out in the Prospectus. The Board considers the above change in the use of the Net Proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group and is therefore in the interests of the Group and the shareholders as a whole.

The Board will continuously assess the plan for the use of the unutilised Net Proceeds and may revise or amend such plan where necessary to cope with the changing market conditions and strive for better business performance of 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
Wong Heung Ming Henry
Chairman and lead independent non-executive director

Hong Kong, 5 October 2022

For the purpose of this announcement, translations of S\$ into Hong Kong dollars or vice versa have been calculated by using an exchange rate of HK\$1.00 equal to S\$5.49. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

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.