

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
RAFFLES INFRASTRUCTURE HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Report on the Audit of the Financial Statements

Qualified Opinion

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

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

Basis for Qualified Opinion

1. Opening balances

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

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

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
RAFFLES INFRASTRUCTURE HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (Continued)**

Report on the Audit of the Financial Statements (Continued)

Basis for Qualified Opinion (Continued)

1. Opening balances (Continued)

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

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

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

As disclosed in Note 29 to the financial statements, the board of directors (the "Board") were of the view that the Company had lost its ability to control certain entities during the financial period ended 30 June 2019, namely Simwa Holdings Ltd, Shishi Simwa Knitting & Dyeing Co., Ltd and Xiamen Sunny Dyeing and Printing Co., Ltd (collectively "previous subsidiaries"). The net assets lost due to deconsolidation amounted to approximately RMB 19 million as a result of loss of control on 30 September 2018 as cited by the Board.

We were unable to perform any audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the basis for the deconsolidation as cited by the Board as well as the resultant computation of the RMB 19 million net assets loss arising from the deconsolidation. In addition, management had used the management accounts of the previous subsidiaries as at 31 December 2017 to perform the deconsolidation instead of using the management accounts as at 30 September 2018, the point where management had asserted that the Company had lost control of the subsidiaries. Furthermore, there was an unreconciled difference of RMB 2,036,000 from the computation of loss on net assets arising from deconsolidation which cannot be accounted for by management.

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
RAFFLES INFRASTRUCTURE HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (Continued)**

Report on the Audit of the Financial Statements (Continued)

Other information

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

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

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

Emphasis of Matter

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

Key Audit Matters

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
RAFFLES INFRASTRUCTURE HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (Continued)**

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matters	How the matter was addressed in the audit
Revenue recognition <i>i) Revenue (refer to Note 4 to the financial statements)</i> <i>ii) Discounting of non-current trade receivables (refer to Note 3.2(iv) to the financial statements)</i> The principal activity of a significant subsidiary of the Group is in provision of infrastructure and construction project in accordance to the public-private partnership ("PPP") agreement as contracted with a government authority in the People's Republic of China. Under the terms of the contract, the completed sections of the rural road are required to undergo quality checks by the contracted parties before the performance obligation is satisfied. Upon completion of the satisfied performance obligation, the subsidiary will be paid by the government authority on a straight-line method over a 10 years period. The Group had only one contract comprising 26 projects. In the current financial year ended 30 June 2020, the subsidiary had undiscounted revenue of RMB 213,554,000 from 5 out of 26 projects upon satisfying the identified single performance obligation. As there is a significant financing component, in determining the transaction price, the subsidiary had adjusted the above agreed amount of consideration for the effects of the time value of money. The carrying amount of non-current trade receivables as at the end of the reporting year had been reduced accordingly. The amount of significant financing component amounted to RMB 25,562,000 for the financial year ended 30 June 2020. Accordingly, the revenue recognised for the financial year ended 30 June 2020 was RMB 187,992,000. Management had used the prevailing 1, 2, 3, 5, 7 and 10-years China Government Bond Yield rate as the discount rate to determine the amount of the significant financing component and the corresponding fair value of the non-current trade receivables at initial recognition, as this is the normal rate at which other entities would provide secured or unsecured lending to the debtor.	We reviewed the application of the Group's revenue recognition policy and challenged management's assessment on whether the accounting treatment complies with SFRS(I) 15. In particular, we challenged management's assumptions on the identification of a single performance obligation and on whether the revenue is recognised at a point in time or over time. We tested on a full basis whether valid contractual agreements or other documentation were in place to support the terms of the contracts as represented by management. We also performed checking on whether the applicable terms of the relevant contracts had been followed, including but not limited to performing re-computation of revenue according to proper contract terms. We considered external evidence, especially interim payment certificate stamped and verified by all independent parties to ascertain whether performance obligations had been satisfied and that the revenue has been recognised appropriately in the financial period. We challenged the appropriateness of management's use of the prevailing China Government Bond rate as the discount rate to determine the amount of the significant financing component and the corresponding fair value of the non-current trade receivables at initial recognition.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
RAFFLES INFRASTRUCTURE HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (Continued)**

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
RAFFLES INFRASTRUCTURE HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (Continued)**

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

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

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

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

RT LLP
Public Accountants and
Chartered Accountants

Singapore
13 October 2020