

**ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE LISTING MANUAL – QUALIFIED  
OPINION BY THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR  
FINANCIAL YEAR ENDED 30 JUNE 2019**

---

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Board of Directors (the “**Board**”) of Raffles Infrastructure Holdings Limited (the “**Company**”, together with its subsidiaries, referred to as the “**Group**”) wishes to announce the information in relation to the qualified opinions issued by our Company’s independent auditors, RT LLP on the audited financial statements (the “**Audited FS**”) for financial period ended 30 June 2019. An extract of the full Independent Auditor’s Report (the “**Auditor’s Report**”) from the Company’s Annual Report (the “**Annual Report FY2019**”) is enclosed below for Shareholders’ reference.

Shareholders of the Company are advised to read the Auditor’s Report and the Audited FS in the Annual Report FY2019, which will be despatched in due course.

**By Order of the Board**  
**Choo Han Kiat, Eric**  
**Executive Director and Chief Executive Officer**  
11 October 2019

## ***INDEPENDENT AUDITOR'S REPORT***

TO THE MEMBERS OF RAFFLES INFRASTRUCTURE HOLDINGS LIMITED  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

### **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 2019, 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 period 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 2019 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 period ended on that date.

#### **Basis for Qualified Opinion**

1. Opening balances

Our independent auditor's report dated 9 January 2019 contained a disclaimer of opinion on the financial statements for the financial year ended 31 December 2017. The basis for disclaimer of opinion on the financial statements for the financial year ended 31 December 2017 is disclosed in Note 37 to the financial statements.

In view of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for the financial year ended 31 December 2017, we were unable to determine whether the opening balances as at 1 January 2018 are fairly stated.

Since the opening balances as at 1 January 2018 are entered into the determination of the financial position of the Group and of the Company as at 30 June 2019 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial period from 1 January 2018 to 30 June 2019 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 period from 1 January 2018 to 30 June 2019.

Our opinion on the current financial period'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 period's figures and the corresponding figures.

## ***INDEPENDENT AUDITOR'S REPORT***

TO THE MEMBERS OF RAFFLES INFRASTRUCTURE HOLDINGS LIMITED  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

### **Report on the Audit of the Financial Statements (Continued)**

#### **Basis for Qualified Opinion (Continued)**

2. Non-consolidation of certain subsidiaries due to loss of control over those subsidiaries

As disclosed in Note 32 to the financial statements, the board of directors (the "Board") are of the view that the Company has lost its ability to control certain of its subsidiaries during the financial period, 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 RMB19 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 subsidiaries as at 31 December 2017 to perform the deconsolidation instead of using the management accounts as at 30 September 2018, the point where the Company had lost control of the subsidiaries. In addition, 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.

Accordingly, we are 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 2019 and on the Group's financial performance and cash flows for the period then ended had management used the management accounts at the date when the control was lost.

3. Management determination of functional currency

As disclosed in Note 3.1(iii) to the financial statements, the Company's functional currency for the previous financial year ended 31 December 2017 was Renminbi ("RMB"). During the current financial period, the Company changed its functional currency from RMB to Singapore dollar ("SGD").

Management has determined the Company's functional currency to be SGD because the Company is an investment holding company with no revenue. Hence, management has looked at the currency in which funds from financing activities are generated. In this case, the Company's financing is placement from its Singapore investors which are in SGD.

Although the key operating subsidiary during the current financial period (namely Bo Dao Road Construction Co. Ltd ) is operating in PRC and sales are denominated in RMB, the sales price are determined based on a SGD cost structure of the services provided. In addition, management makes pricing decisions with the impact of SGD in mind as the current managing director is a Singapore Citizen. This is unlike previously where the managing director was a PRC citizen.

However, management is unable to provide us with the corroborative audit evidence to support management's assessment such as costing information or budgets of the Company to determine if they have been prepared based on SGD. Similarly, management is unable to provide us with the minutes of management meetings to determine if management's discussion on issues relating to sales are carried out with SGD in mind.

Accordingly, we were unable to determine the appropriateness of management's determination of functional currency to be SGD and the resultant currency translation reserve amounting to RMB797,000 and RMB1,609,000 for the Group and Company respectively as at 30 June 2019, and for the period ended on that date.

## ***INDEPENDENT AUDITOR'S REPORT***

TO THE MEMBERS OF RAFFLES INFRASTRUCTURE HOLDINGS LIMITED  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

### **Report on the Audit of the Financial Statements (Continued)**

#### **Basis for Qualified Opinion (Continued)**

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.

#### **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 January 2018; unable to perform any audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the basis for the deconsolidation of certain subsidiaries; and unable to determine the appropriateness of management's determination of the functional currency of the Company. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to those matters.

**INDEPENDENT AUDITOR'S REPORT**

TO THE MEMBERS OF RAFFLES INFRASTRUCTURE HOLDINGS LIMITED  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

**Report on the Audit of the Financial Statements (Continued)****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.

Key audit matters	How the matter was addressed in the audit
<p><b>Revenue recognition</b></p> <p><b>i) Adoption of SFRS(I) 15</b> (refer to Note 4 to the financial statements)</p> <p><b>ii) Discounting of non-current trade receivables</b> (refer to Note 3.2(iv) to the financial statements)</p> <p>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.</p> <p>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 period ended 30 June 2019, the subsidiary recognised undiscounted revenue of RMB 208,864,000 from 5 out of 26 projects upon satisfying the identified single performance obligation.</p> <p>As there is a significant financing component, in determining the transaction price, the subsidiary had adjusted the 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 period had been reduced accordingly. The amount of significant financing component amounted to RMB19,793,000 for the financial period ended 30 June 2019.</p> <p>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.</p>	<p>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 of time or over time.</p> <p>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..</p> <p>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.</p> <p>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.</p>

***INDEPENDENT AUDITOR'S REPORT***

TO THE MEMBERS OF RAFFLES INFRASTRUCTURE HOLDINGS LIMITED  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

**Report on the Audit of the Financial Statements (Continued)****Key Audit Matters (Continued)**

<b>Key audit matters</b>	<b>How the matter was addressed in the audit</b>
<p><b>Accounting for business combination (refer to Note 31 to the financial statements)</b></p> <p>The Group acquired 90.91% of Bo Dao Road Construction Co. Ltd for a purchase consideration of RMB100,000,000 during the financial period as part of the strategy for the restructured business operations of the Group. Under SFRS(I) 3 Business Combinations, the Group is required to assess and determine the fair values of the assets acquired and liabilities assumed, including any potential intangible assets and non-controlling interests.</p> <p>In accounting for a business combination, significant management judgement is involved in the valuation of these assets and liabilities acquired. As a result of the business combination, management recognised a bargain purchase (negative goodwill) of RMB18,684,000.</p>	<p>We reviewed the Group's processes for the review and the determination of the accounting for business combination. We also challenged the accounting of business acquisitions by reviewing the legal and contractual documents to determine whether the acquisition is a business combination or the acquisition of an asset.</p> <p>We perused through the reports issued by an independent professional valuer firm and checked the computations to allocate the purchase price to the different assets and liabilities acquired as well as identification of bargain purchase arising from the business combinations during the financial period.</p> <p>We reviewed the independence and track record of competency of the professional valuer and compared the methodologies and key assumptions used in deriving the allocated values to generally accepted market practices and market data.</p>

**INDEPENDENT AUDITOR'S REPORT**

TO THE MEMBERS OF RAFFLES INFRASTRUCTURE HOLDINGS LIMITED  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

**Report on the Audit of the Financial Statements (Continued)****Key Audit Matters (Continued)**

Key audit matters	How the matter was addressed in the audit
<p><b>Special Audit</b></p> <p>As stated in Note 36 and as announced by the Company on 13 August 2019, following the completion of the Special Audit relating to the compensation claims by three customers, KPMG had issued a report (the "KPMG Report") on its findings to the Company.</p> <p>The Company's Board of Directors (the "Board") had reviewed the KPMG report and had noted that KPMG had in their report highlighted that their review team was not provided with the majority of the supporting documents. As such, the special auditor was not able to draw a conclusion to the findings. As of the date of this report, we have not noted any response from SGX on whether they have accepted the findings.</p> <p>As announced on 30 August 2019, the Board planned to seek legal advice, on the basis of the KPMG Report findings, in relation to (i) the continuing obligations (if any) of the Company under the Listing Rules (ii) the extent of any damage caused to the Company arising from these matters that took place in the past under previous management; and (iii) the appropriate action (including any legal action if deemed appropriate) the Company can reasonably take. We have not noted any further development on the issues.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ol style="list-style-type: none"> <li>1) Inquired with the Board on the status of consultation with the SGX Regulation Pte Ltd ("SGX ReGCo")</li> <li>2) Discussed with the Audit Committee and the Board on their views with respect to any material financial impact on the financial statements.</li> </ol>

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

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

In preparing the consolidated 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.

## ***INDEPENDENT AUDITOR'S REPORT***

TO THE MEMBERS OF RAFFLES INFRASTRUCTURE HOLDINGS LIMITED  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

### **Report on the Audit of the Financial Statements (Continued)**

#### **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.
- (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.



## ***INDEPENDENT AUDITOR'S REPORT***

TO THE MEMBERS OF RAFFLES INFRASTRUCTURE HOLDINGS LIMITED  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

### **Report on the Audit of the Financial Statements (Continued)**

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

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.

### **Report on Other Legal and Regulatory Requirements**

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

RT LLP  
Public Accountants and  
Chartered Accountants

Singapore  
11 October 2019