ANNUAL REPORT 2019

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RAFFLES

RAFFLES INFRASTRUCTURE HOLDINGS LIMITED

CONTENTS

CORPORATE PROFILE

Raffles Infrastructure Holdings Limited ("Raffles Infrastructure" or the "Company") together with its subsidiaries (collectively known as the "Group") is primarily engaged in the investments of infrastructure projects in Asia. Following a management and business restructuring in late 2017, the Group has successfully established a platform providing an integrated suite of services from investments, financing to construction and operation under the Public Private Partnership (PPP) model.

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

On behalf of the Board and Management, I am pleased to present Raffles Infrastructure's Annual Report for FY2019. This has been an eventful year for the group, even as we embark on our transition into the next chapter of our development.

EMERGING OUT OF THE PAST

In August 2019, the Group announced that KPMG had completed its special audit ("Special Audit") and had submitted its findings to the Singapore Exchange Securities Trading Limited ("Singapore Exchange" or "SGX-ST") and the Audit Committee pertaining to the compensation claims allegedly made by three customers of Shishi Simwa Knitting and Dyeing Co., Ltd. ("Shishi Simwa") (the Company's subsidiary engaged in fabrics manufacturing) in 2017 totalling RMB486 million, which the previous executive directors announced they had paid out in or around 29 September 2016. The Special Audit report indicated that no such compensation was actually paid out.

We are currently seeking legal advice from our lawyers and in consultation with the SGX-ST on the remedial actions to be taken or that can feasibly be taken.

In relation to the fabrics operations, as we have not been able to obtain any meaningful financial and operational records from Shishi Simwa, we deconsolidated its financial results from the Group during the year under review. We have also made a full impairment in respect of this legacy business, allowing us to break from the past and to focus on our new infrastructure investment business.

We wish to emphasise that irrespective of legal actions taken or the results of such actions taken, there will be not be any adverse negative impact on the financial and operational position of the Group going forward.

LETTER TO SHAREHOLDERS

RETURN INTO THE BLACK

We are pleased to share with our shareholders that following our management and business restructuring in late 2017, we are now starting to see the fruits of our labour as our infrastructure investment segment made its maiden contribution during the year, driven mainly by the Xingwen County rural road infrastructure project. Our FY2019 revenue surged more than 600% by RMB189.1 million, as the Group made a return into the black, netting a profit before tax of RMB36.5 million.

INTENTION TO EXIT SINGAPORE EXCHANGE WATCH-LIST

Following our successful turnaround in FY2019, we will be applying to SGX-ST to exit watch-list for financial exit criteria under rule 1314(1) of the Listing Manual.

TRANSFORMED AND BEYOND

Looking forward, we expect our strong earnings momentum to continue into FY2020 from the Xingwen County Rural Road project. As at 30 June 2019, the Xingwen County government has accepted 5 out of the 26 road parcels to be completed and delivered. The Group is also presently working with Chinese local government agencies on the project route design for the Dengfeng City Railway project. With the total project value of approximately S$1.2 billion, we anticipate it to offer strong earnings visibility for the Group until 2026.

We will continue to focus on our expansion in Asia, strengthening our position as we tender for and are awarded more projects within the region. At this important juncture of our nascent development, we are very pleased to welcome on board a new synergistic shareholder, Magic Micro Co. Ltd., listed on the Korea Exchange. Magic Micro recently acquired a 20.3% stake in our Company, and we hope to tap on their strong network; and together, we believe we can explore potential opportunities in projects within Asia, and perhaps, even beyond. The Group is currently looking into the feasibility of certain projects in Asia, including Vietnam and Bangladesh, where there is a dearth of quality infrastructure.

Finally, with effect from the new financial period commencing 1 July 2019, we will be using Singapore Dollars as the reporting currency for our Group.

NOTE OF APPRECIATION

In closing, and on behalf of the management, I would like to extend my appreciation to our dedicated employees for their efforts and hard work. I would also like to take this opportunity to thank our shareholders for their support and faith in Raffles Infrastructure. Moving ahead, we will strive to perform better with the aim of maximizing shareholders' interests and value.

ERIC CHOO HAN KIAT

Executive Director &
Chief Executive Officer

BUSINESS REVIEW

OVERALL

During the financial period under review between 01 January 2018 and 30 June 2019 ("FY2019"), the Group deconsolidated the Fabrics subsidiaries' financials from 3QFY2019, given that the Group had not been able to get clarity of their financial statements and had no control over the operations of the Fabrics subsidiaries.

In 4QFY2019, the Group completed its acquisition of its subsidiary, Bo Dao Road Construction Co. Ltd ("Bo Dao"), whose business activities are the construction of roadway and railway in the People's Republic of China. Following the acquisition, the Group officially commenced its infrastructure business delivering 5 road parcels under the Xingwen County Rural Road project at the end of FY2019.

These two main occurrences (i.e. the deconsolidation and the acquisition) during FY2019 have resulted in the Group's figures as at the end of FY2019 to be not entirely comparable with figures from previous financial periods since they are not related to the same operation. With the new business direction, the Group has charted in the infrastructure segment, the Group has as at the end of FY2019, reported a net profit attributable to shareholders of approximately RMB24.9 million.

REVIEW OF FINANCIAL PERFORMANCE

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group reported a total revenue of RMB189.1 million for FY2019, with a Gross Profit of RMB50.0 million (Gross Margin at 26.4%). This is solely contributed by earnings from the 5 out of 26 parcels of road accepted by the Group's client under the Xingwen County Rural Road project.

During the year, the Group recognised a discount for revenue and non-current receivables due to effect of time value of money. The payment term for this contract is over 10 years. The revenue would be RMB208.9 million without the above adjustment.

OTHER INCOME

Other income is mainly attributable from the one-off gain arising from the acquisition of Bo Dao.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses of RMB1.1 million in FY2017 are mainly attributable to the Group's previously owned Fabric subsidiaries.

BUSINESS REVIEW

ADMINISTRATIVE EXPENSES

Administrative expenses of RMB13.5 million in FY2019 are attributed to Legal & Professional fees of RMB6.4 million, Director fees of RMB1.6 million, Payroll & Employees' benefits of RMB2.2 million, and operating expenses of RMB3.2 million.

OTHER OPERATING EXPENSES

The Group has recognised a net assets lost of RMB19 million as a result of loss of control of its previously owned Fabric subsidiaries.

FINANCE COST

There is no finance cost incurred during the year as there is no loan taken during FY2019.

INCOME TAX EXPENSES

The effective tax rate for our operations in China is 25% of the profit.

PROFIT

The Group reported a net profit after tax of RMB24.9 million for FY2019, before minority interest in tandem with the above.

REVIEW OF FINANCIAL POSITION

Property, plant and equipment declined from RMB24.5 million as at 31 December 2017 to RMB0.3 million as at 30 June 2019; due to the deconsolidation of the previously owned Fabric subsidiaries.

There is no land use rights as at 30 June 2019. The land use rights of RMB2.2 million as at 31 December 2017 was wholly attributable to the previously owned Fabric subsidiaries.

The contract assets of RMB88.3 million as at 30 June 2019 consists of parcels of roads that are still under construction and ones yet to be accepted by the client. Upon every acceptance of a road parcel by the client, the Group will recognise the revenue for the relevant parcels and transfer from contract assets to trade receivables.

The total trade receivables and other receivables of RMB178.2 million as at 30 June 2019 are mainly from the 5 parcels of roads that have been completed and accepted by the client, amounting to RMB171.1 million. The other receivables relate mainly to construction expenses that will be reimbursed by the client upon completion of the project.

The standard credit term given to the client is a period of 10 years of progressive payments for every parcel of road accepted. As such, the trade receivables are reclassified between non-current and current based on the progressive payment due and payable within the current period.

Cash and cash balances increased from RMB0.1 million as at 31 December 2017 to RMB104.6 million as at 30 June 2019 mainly attributable to the successful share placement amounting to RMB150.0 million in September 2018.

Trade payables of RMB18.5 million as at 30 June 2019 are mainly the cost of construction and legal and professional fees arising from Infrastructure segment. Other payables of RMB5.1 million as at 30 June 2019 included Director Fees, Accruals, Professional Fees and Amount due to a Shareholder by a subsidiary amounted to RMB152.1 million.

REVIEW OF CASHFLOW POSITION

The Group brought forth a positive cash flow of RMB105.3 million during the period after the successful Shares Placement amounting to RMB151.0 million in September 2018 and an amount due to Shareholder by a subsidiary of RMB152.1 million. This was partly offset by cash used in working capital amounting to RMB198.4 million and cash used in investing in office equipment of RMB0.3 million.

BOARD OF DIRECTORS

ERIC CHOO HAN KIAT, 46
Executive Director and Chief Executive Officer

Academic and professional qualification:
Master's Degree in International
Accounting and Finance,
London School of Economics and Political Science,
United Kingdom

Date of first appointment as director:
5 October 2017

Length of service:
1 year 9 months (as at 30 June 2019)

Present directorships in other listed companies:
Nil

Present Principal Commitments:
Nil

Directorships in other listed companies held over the preceding three years:
Nil

Background and experience:
Mr Choo is responsible for the overall planning of the business direction and development of Raffles Infrastructure. He is in charge of key investments and growth strategies, and delivering sustainable returns for the Group's new business in infrastructure projects. Mr Choo was first appointed Executive Director to take charge of the overall management of Raffles Infrastructure's precursor, China Fibretech Ltd. on 5 October 2017.

Prior to joining Raffles Infrastructure, Mr Choo built extensive industry experience and network in the PRC across the financial management, merger and acquisition, as well as corporate finance fields. With the opening of the Chengdu office in 2014, Mr Choo had completed projects of contract values exceeding RMB400 million, spanning across a wide customer base counting prominent state owned enterprises, government- linked investment firms, and PRC's top privately owned enterprises. Earlier, he had spent over two decades in various finance roles in global multi-national companies including Hewlett Packard and Apple Inc.

LEOW YONG KIN, 48
Non-Executive Lead Independent Director

Academic and professional qualification:
Honours Degree in BA Accounting,
University of Lincolnshire & Humberside

Chartered Accountant,
Institute of Singapore Chartered Accountants

Chartered Accountant,
Association of Chartered Certified Accountants

Date of first appointment as director:
5 October 2017

Length of service:
1 year 9 months (as at 30 June 2019)

Served on the following Board Committees:
Audit Committee – Chairman
Remuneration Committee – Member
Nominating Committee – Member

Present directorships in other listed companies:
C&G Environmental Protection Holdings Ltd – Independent Director (Chairman – Audit, Nominating and Remuneration Committees)

China Sports International Ltd – Independent Director (Chairman – Nominating and Remuneration Committees, member of Audit Committee)

Present Principal Commitments:
AccountsPro Consulting Services Pte Ltd – Director
CJW Mining (Singapore) Pte Ltd – Director

Directorships in other listed companies held over the preceding three years:
China Taisan Technology Group Holdings Limited
China Star Food Group Limited

Background and experience:
Mr Leow has more than two decades of field experiences in the finance and accounting sectors largely with American and Japanese multi-national organisations. In 2014, he joined China Great Land Holdings Ltd. as the Chief Financial Officer till about mid of 2017. He is now a Director of AccountsPro Consulting Services Pte Ltd, providing enterprise solutions such as accounting, payroll and HRM software. Mr Leow is now also a Director of a mining company currently with CJW Mining (Singapore) Pte Ltd.

BOARD OF DIRECTORS

TOH TIONG SAN, 53
Non-Executive Independent Director

Academic and professional qualification:
Honours Degree in Electrical Engineering,
National University of Singapore

Date of first appointment as director:
23 October 2017

Length of service:
1 year 8 months (as at 30 June 2019)

Served on the following Board Committees:
Remuneration Committee – Chairman
Nominating Committee – Member
Audit Committee – Member

Present directorships in other listed companies:
Jackspeed Corporation Limited

Present Principal Commitments:
Nil

Directorships in other listed companies held over the preceding three years:
Nil

Background and experience:
Mr Toh has over 20 years of experience in private equity, fund management and corporate finance. In 1991, he joined DBS Bank in its private equity arm and capital market services, handling deal origination, due diligence, deal structuring, valuation, financial modelling, investment monitoring and divestments, merger and acquisition activities, financial engineering and securitisation. Mr Toh was also formerly with Temasek Holdings as its Director of Investments from 2000 and Managing Director of Emirates Tarian Asset Management Pte Ltd from 2006.

TOH HAI JOO, 46
Non-Executive Independent Director

Academic and professional qualification:
Bachelor's Degree in Accountancy,
Nanyang Technological University

Chartered Accountants,
Institute of Singapore Chartered Accountants

Date of first appointment as director:
1 March 2018

Length of service:
1 year 4 months (as at 30 June 2019)

Served on the following Board Committees:
Nominating Committee – Chairman
Audit Committee – Member
Remuneration Committee – Member

Present directorships in other listed companies:
Nil

Present Principal Commitments:
TR Asia Investment Holdings Pte Ltd – Director
TR Formac Pte Ltd – Director

Directorships in other listed companies held over the preceding three years:
China Great Land Holdings Ltd.

Background and experience:
Mr Toh has extensive experience in group financial operations, finance & corporate governance and control in the capacity of Directors as well as Financial Controller. He was in accounting, audit and corporate tax, financial management and corporate control for listed companies, multinational companies for several years. He also has 7 years of experience helming the Audit Committee in a listed company, on top of being a member of the Remuneration and Nomination Committees.

BOARD OF DIRECTORS

LI JIA CHEN, 48
Non-Executive Non-Independent Director

Academic and professional qualification:
Degree in Economics and Trading,
Zhengzhou University

Master's Degree in Business Administration,
China Renmin University

Date of first appointment as director:
28 September 2018

Length of service:
9 months (as at 30 June 2019)

Present directorships in other listed companies:
Nil

Present Principal Commitments:
China Capital Investment Group -
Vice Chairman and President of Operations

Directorships in other listed companies held over the preceding three years:
Nil

Background and experience:
Mr Li is Vice Chairman and President of Operations for China Capital Investment Group (CCIG), a cornerstone investor in Raffles Infrastructure. He previously spent more than 10 years in the China International Council for the Promotion of Multinational Corporations under the Ministry of Commerce as well as in the China International Material and Equipment Trade Cooperation Centre under the State-owned Assets Supervision and Administration Commission for Financial Asset and Management Committee.

KEY MANAGEMENT

YANG ZHI, 53
Operations Manager

Academic and professional qualification:
Bachelor Degree in Electronic Engineering,
Changsha Railway College

Date of appointment:
1 August 2019

Background and experience:
Mr Yang oversees the operations of existing project, and works alongside with our CEO for the ones in the pipeline. He joined the Group with experience as the Asian-Pacific Region Deputy General Manager at China Railway Construction Corporation International Ltd, General Manager of CRCCI (Bangladesh) Ltd., Head of Overseas Department of the China Railway 23th Bureau Co., Ltd. and the Head of Technology Department of the Zhuzhou Bridge Factory.

JIANG JIAN PENG, 38
Financial Controller (China)

Academic and professional qualification:
Bachelor Degree in Accountancy,
University of Finance and Economics

Date of appointment:
1 December 2018

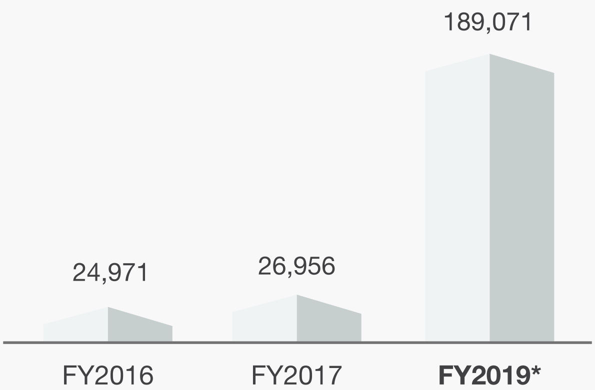
Background and experience:
Mr Jiang oversees the finance function for Raffles Infrastructure in the absence of a Chief Financial Officer for the Group, and is in charge of the financial reporting for the subsidiaries in China. With 2 assistants between Singapore and China, he supervises the accounts team in the other subsidiary. He has more than 15 years of experience in Corporate Finance and has extensive knowledge in accountancy, corporate finance, mergers and acquisitions.

GROUP FINANCIAL HIGHLIGHTS

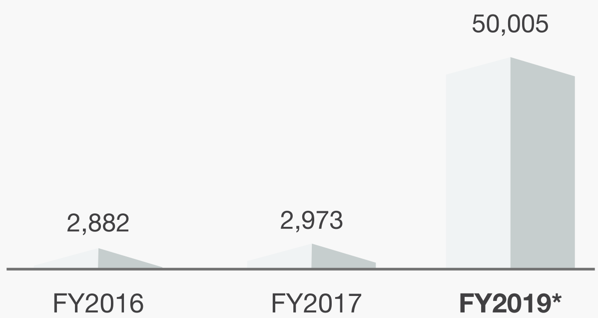
	FY2016	FY2017	FY2019*
Revenue (RMB'000)	24,971	26,956	189,071
Gross Profit (RMB'000)	2,882	2,973	50,005
(Loss)/Profit after tax (RMB'000)	(3,587)	(3,137)	24,865
Equity attributable to owners of the company (RMB'000)	19,659	16,522	184,127

* *Note: The Group's financial year end has been changed from 31 December to 30 June. FY2019 consists of 18 months from 1 Jan 2018 to 30 Jun 2019.*

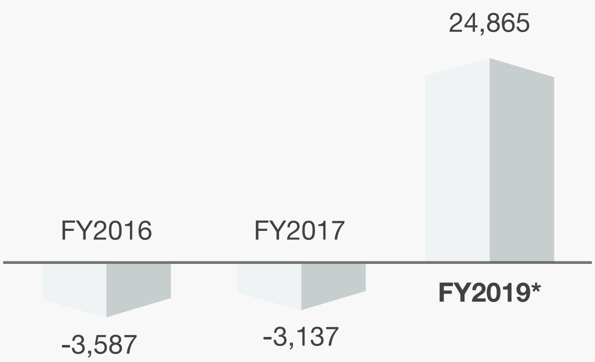
REVENUE
(RMB'000)



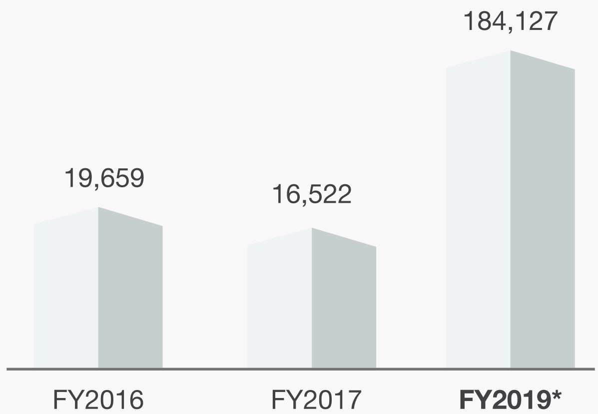
GROSS PROFIT
(RMB'000)



(LOSS)/PROFIT AFTER TAX
(RMB'000)



EQUITY ATTRIBUTE TO OWNERS OF THE COMPANY
(RMB'000)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Eric Choo Han Kiat
Executive Director and Chief Executive Officer

Mr Li Jia Chen
Non-Executive Non-Independent Director

Mr Leow Yong Kin
Non-Executive Lead Independent Director

Mr Toh Tiong San
Non-Executive Independent Director

Mr Toh Hai Joo
Non-Executive Independent Director

AUDIT COMMITTEE

Mr Leow Yong Kin (Chairman)
Mr Toh Hai Joo
Mr Toh Tiong San

NOMINATING COMMITTEE

Mr Toh Hai Joo (Chairman)
Mr Toh Tiong San
Mr Leow Yong Kin

REMUNERATION COMMITTEE

Mr Toh Tiong San (Chairman)
Mr Toh Hai Joo
Mr Leow Yong Kin

COMPANY SECRETARIES

Mr Lee Wei Hsiung
Ms Wang Shin Lin, Adeline

ASSISTANT SECRETARY & RESIDENT REPRESENTATIVE

BeesMont Corporate Services Limited

BERMUDA COMPANY REGISTRATION NUMBER

40381

BERMUDA REGISTERED ADDRESS

BeesMont Corporate Services Limited
5th Floor, Andrew's Place,
51 Church Street,
Hamilton HM, 12 Bermuda

SINGAPORE SHARE REGISTRAR AND SHARE TRANSFER AGENT

Tricor Barbinder Share Registration Services
80 Robinson Road, #02-00,
Singapore 068898
Tel: 6236 3333 Fax: 6236 4399

INDEPENDENT AUDITOR

RT LLP
Public Accountants and Chartered Accountants
1 Raffles Place
#17-02 One Raffles Place
Singapore 048616

Partner-in-charge:
Mr Ravinthran Arumugam
(Since the financial year ended 31 December 2017)

PRINCIPAL BANKERS

Agricultural Bank of China
Overseas-Chinese Banking Corporation Limited

SUSTAINABILITY REPORT

BOARD STATEMENT

The Board of Directors (the “Board”) is proud to present Raffles Infrastructure Holdings Limited’s Sustainability Report for the financial period from 1 January 2018 to 30 June 2019 (“FY2019”), which formalises and demonstrates our commitment towards building a more sustainable future. Within the infrastructure industry, we recognise the significant impact that our company can have on the economy, environment and society at large (“EES”). As we stay focused on our capabilities in foundation and geotechnical engineering, we will deliver on that mission by taking a proactive approach, adopting sustainable practices and staying relevant through innovation.

In this, our first sustainability report, we firmly believe that building a sustainable business is vital to our continued success and that we must be fully accountable for our impact on the environment, our customers, our people and our community as well as our financial performance.

The Sustainability Report also complements our financial and corporate governance disclosures in our Annual Report as an expression of our firm belief in doing business with integrity and innovation to deliver quality and sustainable services to our clients.

The Board has considered sustainability issues as part of its strategic formulation, determined the material EES to be appliable to our group. Management provides regular update to the Board on the status of these material EES highlighted in the report.

The delivery of sustainable results is, crucially, a critical aspect of our ability to remain a strong and financially stable company. Acknowledging this helps to put into focus our commitment to principles laid out in our Corporate Sustainability Policy. Our responsibility to society is to ensure that sustainable practices are incorporated into every link of our value chain. We must meet the needs not only of our customers, employees and the community we operate in, but also those of our environment and our future generations.

Moving forward, Raffles Infrastructure Holdings Limited will build on the foundation of this Sustainability Report and work with our stakeholders and business partners to continuously improve our business models and EES performance to foster better sustainability development.

This report provides details about how we have met and will meet our responsibilities with our key stakeholders during FY2019 and beyond.

SUSTAINABILITY REPORT

ABOUT THE GROUP

Raffles Infrastructure Holdings Limited (the "Company") together with its subsidiaries (collectively known as the "Group") are mainly engaged in infrastructure investments and developments in Asia. The Group works on project with participations by state owned enterprises in People Republic of China (the "PRC"). The Group works with local authorities of PRC to ensure projects that are in line with local national policy directives. The Group congregates financial, human resources and technology resources.

The Company is incorporated in Bermuda and is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Currently, its main operations are located in the People's Republic of China (the "PRC").

The Company's primary operating infrastructure business in PRC is its subsidiary; Bo Dao Road Construction Co., Ltd. Its main customer is the local county government in the PRC. In 2018, Shishi Simwa Knitting and Dyeing Co., Ltd was deconsolidated due to loss of control.

The principles and code of conducts of the Company are to maintain a strong and dynamic management team to strive continuously for stable, profitable and sustainable projects in Asia, and to ensure outstanding deliveries. Concurrently, the Company appoints independent internal auditors to ensure good controls and governance.

As at the end of FY2019, the Group employed a total of 7 employees in Singapore and PRC. In terms of economic performance, the Group recorded revenue of RMB189,071 million in FY2019 from infrastructure business. With its new business direction, the Group reported a net profit attributable to shareholders of approximately RMB24,865 for the 18 months period ended 30 June 2019, compared to a net loss of approximately RMB3,137,000 for the previous financial year.

GOVERNANCE STRUCTURE

A robust governance structure is crucial to ensuring that the Company is committed to sustainability.

The Company has a Board of Directors that includes 3 Independent Directors forming the Remuneration Committee, Audit Committee and the Nomination Committee currently. Each Committee has its own terms of reference and operating procedures, which are reviewed periodically. Reviews and appointments of independent external and internal auditors enhances good governance for the Company.

The primary roles of the Board are to protect and enhance long term shareholders' value and returns, set the Group's corporate strategies and directions, oversee management of the Group's business affairs, financial performance and key operational initiatives, and implement risk management policies and practices.

The Board holds formal meetings quarterly and convenes ad-hoc meetings when circumstances require. Where a physical board meeting is not possible, the Board meets via electronic means.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This Sustainability Report sets out our efforts toward contributing to a sustainable built environment. This is the first annual Sustainability Report which covers FY2019. This report discloses the policies, practices, targets and performance of the Group in terms of the material environmental, social and governmental factors that the Group has identified. This Sustainability Report focuses on addressing our Group's Economic, Environmental, Social and Governance ("EES") issues in line with the Singapore Exchange's Listing Rules 711A and 711B for listed companies (in addition to financial reporting). With this information, we aspire to provide stakeholders with an accurate, complete and meaningful overview on how we manage these sustainability issues in our business activities.

Reporting Standard

We have adhered to the principles set out in SGX-ST's Listing Rules for Sustainability Reporting and applied the Global Reporting Initiative ("GRI") Reporting Principles for Defining Report Content and Quality.

We have chosen GRI Standards to be the reporting framework as it is very comprehensive and serves as a much needed guidance for us. The report has been prepared in accordance with the GRI Standards: "Core" option.

SUSTAINABILITY REPORT

The content of this Sustainability Report is identified by the 4 Content Reporting Principles established by the GRI Standards, as follows:

Principles	Objectives
Stakeholder Inclusiveness	**Defining stakeholders and explaining how the Group has responded to their expectations and interests**
Sustainability Context	**Presenting the Group's performance in the wider context of sustainability**
Materiality	**Identifying the Group's significant EES topics**
Completeness	**Disclosing significant EES topics and boundaries to assess the Group's performance in the reporting period**

For future sustainability reporting, the Group will consider expanding our reporting scope to cover more of our future operations in overseas markets, in addition to PRC.

Opinion and Feedback

We value feedback from all stakeholders on this report. For any queries or comments on our sustainability practices, please contact us at admin@rafflesinfrastructure.com.

STAKEHOLDER ENGAGEMENT

Understanding and responding to the needs and feedback of stakeholders is key to achieving business sustainability and good outcomes for stakeholders. The Group's stakeholders are those who are materially influenced by or affected by the Group's business. Stakeholders' inputs play an important role in determining the Group's priorities and arranging activities.

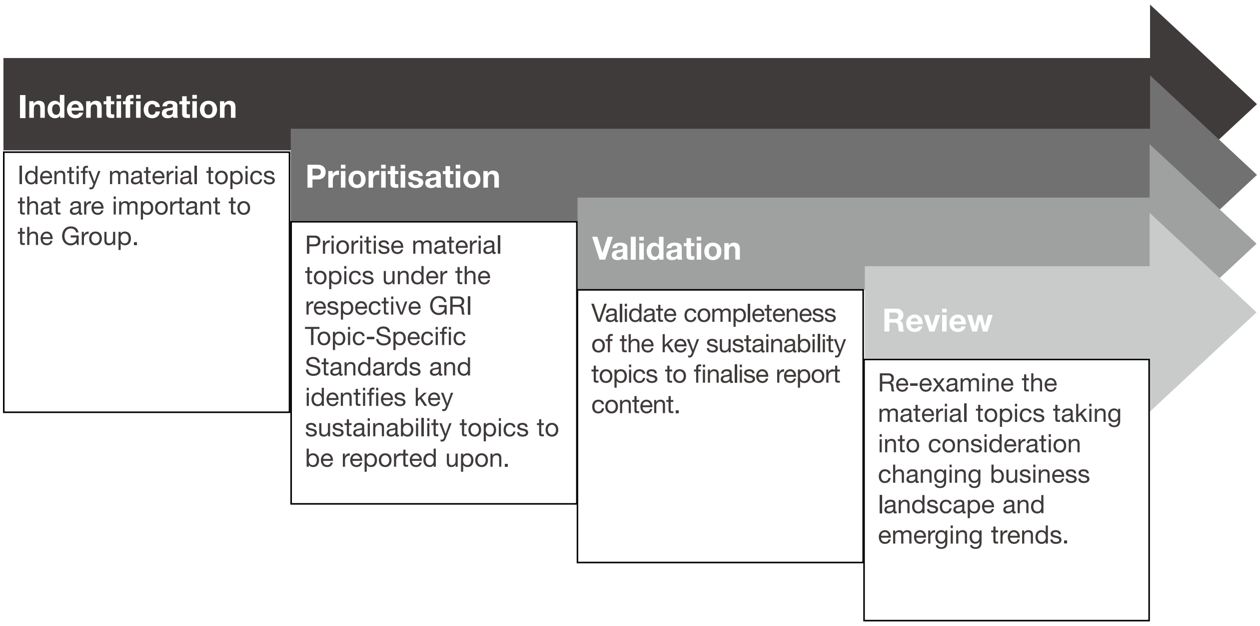
The Company has regular interaction with a range of stakeholders based on different kinds of engagement approaches, as seen below:

Key Stakeholder Groups		Engagement Platforms
Internal stakeholders	Employees	• Staff dialogue sessions • Training and development programmes • Appreciation events and festival celebrations • Formal/informal meetings • Remuneration and recognition
External stakeholders	Customer	• Deliver completed parcel on schedule • Good safety record • Satisfactory quality • Formal/informal meetings
	Supplier	• Phone calls • Formal/informal meetings • Fair procurement • Other business practices
	Shareholders and investors	• Annual report and sustainability report • Announcement and circulars • Company's website • Annual General Meeting / Special General Meeting • Investor Presentations (to be planned)
	Local communities	• engagement to minimise negative EES impact • reward community efforts • assistance for underprivileged groups
	Government and regulators	• Site visits • Formal meeting • Dialogue sessions
	Financiers	• Direct communication, meetings and discussion • Announcements and circulars

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

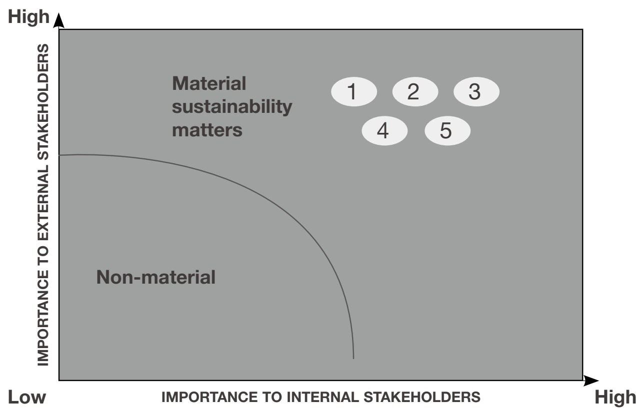
The Group adopts a four-step process to define material EES topics:



The Group has prioritised the material topics based on impact to the operations and the inputs received from the various stakeholders whom they have contacted and interacted with in the day-to-day business activities. The following EES topics have been identified and the approaches of managing these topics are stated in this report:

The Group has identified the following material EES factors that are important to the sustainability of our organisation and business:

a) Economic Performance
b) Corporate Governance
c) Employees
d) Environment, quality and safety
e) Community
f) Corporate Communication



Substainability Matter	
1	Regulatory Compliance
2	Sustainable Use of Materials
3	Minimising noise pollution
4	Occupational Health & Safety
5	Quality of work & Customer Satisfaction

SUSTAINABILITY REPORT

OUR FOCUS, COMMITMENTS AND TARGETS ("Targets")

With our material EES factors identified and key stakeholders in mind, we have mapped out our sustainability priorities, impact to stakeholders and boundaries under the key focus areas which are set out below. We believe this approach covers critical areas of our businesses, is sustainable, and can align the Group with profitability.

We envision that these initiatives will lead to increased value creation, along with positive impact to our operating environment and societies. We are committed to ensuring measurable targets and goals toward creating sustainable value for all our stakeholders.

Focus	Impact to stakeholder	2019 Performance	Commitment and Target
Economic Performance Financial Strength	All our internal and external stakeholders look to the Group to deliver on financial performance.	Group revenue – RMB189,071 million. Profit attributable to owners of the Company – RMB24,865 million. Net assets value - RMB184,127 million.	Revenue growth. New business initiatives. To improve operation results. Prudent capital management.
Corporate Governance Corporate governance Risk management	Compliance with legislation as well as national and international standards of corporate governance, anti-corruption, risk management, environmental health and safety.	Results and necessary reporting requirements complied with and results released on time. No incident of legal/ regulatory non-compliance.	Commitment to release financial results on time or earlier. Continuous strengthening of the enterprise risk management framework.
Employee Staff retention Reward and remuneration	Develop human capital and retain staff who are important assets to the Group.	No major attrition or loss of key management staff to competitors.	Commitment to retain worthy and high performance staff. Improvise training programme and implement succession planning for key management positions.

SUSTAINABILITY REPORT

Focus	Impact to stakeholder	2019 Performance	Commitment and Target
Environmental, quality and safety Safety and quality management. Recycling & reuse of Paper.	Issues ranging from promoting work safety environmental and reduce wastages, efficacy, recycle/reuse and conservation are key issues impacting all our stakeholders.	No incident of fatal accident reported. Reduced reliance on paper.	Promote safety and quality management. Promote environmentally friendly working place by creating awareness on caring for Green & Healthy Environment via advocating messages on email signatories of staff to remind them to print when necessary.
Community Involvement Employee participation.	Our ability to innovate also translates to how we manage business continuity and build strong relationships with our community.	Provide hiring opportunities and growing our employees in-line with our business expansion.	Introduce social programmes for employee participation such as visitation of the disadvantaged and community work.
Corporate Communication Building relationship with stakeholders.	An open, constant flow of communication using available platforms is important in all aspects of our operations, and applies to all our stakeholder groups, in order to build trusted relationships with all our stakeholders.	Quarterly and full year announcement are made available, and disclosures of all material developments of the Group.	Ensure all communication mediums and platforms are clearly set out and are available. Quarterly and media briefings in conjunction with the release of the Group's quarterly and full year financial results.

SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE

The Group recorded revenue of RMB189,071 for FY2019. More details about the Group's economic performance and data can be obtained from the financial statements on pages 40 to 57 of our Annual Report 2019.

Population growth statistics paint a rosy future for the infrastructure industry. The demand for infrastructure has never been greater. Worldwide, construction is already one of the largest industry sectors but focusing on this strong demand obscures a more precarious reality. Underlying challenges in projects' profitability, performance, labor, and sustainability could derail the industry's growth.

To prepare for the future and challenges, we intend to invest in digitization which we believe will increase productivity, eliminate waste, and mitigate the adverse impact of on-site surprises.

CORPORATE GOVERNANCE

Our scope of corporate governance activities are set out in pages 25 to 39 of our Annual Report 2019. Our Group's operating policies and procedures are designed to ensure that appropriate segregation of duties and controls are in place to minimise risk and potential threats.

The Group advocates ethical business practices and adopts zero tolerance for bribery and corruption in its dealings and operations. All employees must abide by and comply with the law, rules and guidelines.

Our internal audit function is outsourced to Assentsure Advisory Pte Ltd which reports to the Chairman of the Audit Committee on internal control matters and to the CEO on administrative matters. Assentsure Advisory Pte Ltd reviews the adequacy and effectiveness of the Group's material internal controls on an annual basis.

The Group promotes transparency and has a whistleblowing policy in place, in which any employee of the Group may, in confidence, raise concerns and report any suspicion of non-compliance on regulations, policies, fraud, etc. to the appropriate department for resolution without any prejudicial implication to these employees.

As a listed company on SGX-ST, the Group must comply with the laws in all places we do business. Our employees understand this means they are responsible for understanding and complying with all laws and regulations that affect their jobs. In this way, we proactively avoid both the financial and reputational risks associated with sanctions and fines for non-compliance. In FY2019, the Group did not receive fines or non-monetary sanctions for non-compliance with laws and regulations.

EMPLOYEES

Our staff are our key assets. Our Group's framework for managing employees emphasizes performance, achievements, and activities irrespective of employment status. We expect our employees to put the Group's interests into practice and raise their level of professionalism. Our concept of work focuses on performance and achievement through this approach. This approach has firmly taken root across the Group.

Our personnel development is anchored on the employee's aspiration to learn and grow by setting goals on their own initiative. Our basic policy for personnel development is to offer on-the-job training (OJT) complemented and enhanced by off-the-job group training (OFF-JT). At each workplace, we clearly define the roles of staff responsible for different aspects of training under a system in which each employee sets his or her own annual education plan as a means for raising motivation to learn by systematically addressing both the workplace and employees' needs and interests. Moreover, to meet the needs of the ever-changing business environment, we are focused on nurturing human resource through management class policies and learning, as well as systematic identification of those who can demonstrate their talents with the Group.

Our Group acknowledges the importance of social equity and the provision of equal opportunities in an environment that is safe and healthy for employees; this includes hiring without prejudice, regardless of age, gender and ethnicity. The Group has zero tolerance on hiring of child labour and requires its service providers and sub-contractors to having similar policies before engaging their services.

In our nature of business, long working hours can be a problem. Our Group is currently promoting and making efforts aimed at decreasing total working hours in order to achieve a more work-life balance lifestyle for all employees.

Our Group is steered towards attracting and incentivising the right talent in our efforts to develop human capital. We recognize the need to help our employees build a meaningful career and provide a physically and professionally conducive environment.

To achieve this:-

(a) We conduct regular reviews to ensure that our remuneration package is in line with industry standard and commensurate with the jobs of our employees.

(b) We offer a sustainable performance bonus based on the Group's and the employee's performance.

(c) We identify and promote deserving staff with potential to develop their career in the organisation.

(d) We align our HR policies to comply with labour laws and regulations in respect of minimum wage requirements, social security contribution requirements and work hours etc.

ENVIROMENTAL, QUALITY AND SAFETY

While creating value in our business, we aim to minimise the impact that our activities have on the environment, quality and safety, and we proactively seek alternative means for more effective and sustainable use of resources to promote a safer working environment.

Construction industry has been considered dangerous work. In addition, this industry is under constant scrutiny for quality of work. Combining safety and quality management principles and methods capitalize on the similarities between these two management concepts to create a single 'synergistic' management system for improving health, safety and quality. In the interest of improving health, safety and quality performance in the our industry, a literature review was performed on research articles to find out if this integrated management system concept has been investigated.

The primary barrier to successful management system implementation seems to be the nature of the industry process itself. A common response to the cause of decreased quality and safety in construction is the 'nature' of the work environment.

The 'nature' of industry is a cooperative effort of several participants, each with their own perspectives and interests at hand, brought together to complete a project plan that typically changes several times while being constructed, while trying to minimize the effects of weather/environment, occupation hazards, schedule delays, and building defects (to name just a few). The overall construction process, in itself, can potentially lead to errors or inefficiencies.

The goal of quality management is the identification and correction of variance (or unwanted outcomes) in a process. For safety management, variance is in the form of workplace hazards, unsafe behavior, and causes of human error.

The similarities of safety and quality management are evident by the shared characteristics of each system's design (see Figure 1). For example, OSHA (1996) recommends that a successful safety management program be based on: management commitment; employee involvement; hazard identification and control, training, and accident investigation. *Smith et al. (1978)* made similar conclusions in a study that compared safety characteristics of high and low accident companies, whereas *Dean & Bowen (1994) and Hackman & Wageman* (1995) identified customer satisfaction, team work, continuous improvement, training and education, employee empowerment, and organizational culture as keys to a successful quality management system.

SUSTAINABILITY REPORT

Safety Management
- Management commitment
- Employee involvement
- Hazard identification and control
- Training and education
- Accident investigation
- Housekeeping effort

Quality Management
- Customer focus
- Continuous improvement
- Teamwork
- Organization culture
- Employee empowerment
- Training and education

Similar dimensions and outcomes make it feasible to combine safety and quality management into a single high-performance system

Safety Outcomes
- Reduced injury and fatality incident rates
- Reduced costs associated with injuries/fatalities
- Reduced workers' compensation insurance premiums

Quality Management
- Meet customer expectations
- Reduced errors/waste frequency and severity
- Increased productivity and efficiency

Figure 1 Conceptual framework: similarities between safety and quality management and outcomes

Our Group's mission is to adopt and implement the quality and safety mission set out as well as promote environmentally green solutions in our business and we expect our business partners and service providers to commit and adhere to the same standards.

We have no fatal accident report in FY2019 and we have also implemented systematic cuts to paper usage and waste volumes and promoted proactive environmental communication, within and outside the Group.

COMMUNITY

The Group feels strongly about contributing to society and communities that the Group operates in. Hence, aside from creating jobs and contributing economically, the Group aspires to support certain approved charitable organisations/causes through voluntary financial contributions and/or volunteering resources as part of the Group's corporate social responsibility.

Post completion of the Targets set out on page 17, the Group will support Targets to continue with its social and environmental programmes that, to date, have included the hiring of local people, and going forward, participate in community projects and adhering to strict environmental protection regulations.

CORPORATE COMMUNICATION

The Group is committed to creating long-term value for all its stakeholders and will continue to maintain ongoing communication and engagement with its stakeholders. Details of this communication and engagement are set out in the section on "Shareholders Rights and Responsibilities" of the Corporate Governance Statement on pages 37 to 38 of our Annual Report 2019.

SUSTAINABILITY REPORT

GLOBAL INITIATIVE INDEX ("GRI") CONTENT INDEX

GRI Standard	Disclosure	Page Number(s) and/or URL
102-1	Name of the organisation	12
102-2	Activities, brands, products, and services	12
102-3	Location of headquarters	12
102-4	Location of operations	12
102-5	Ownership and legal form	12
102-6	Markets served	12
102-7	Scale of the organisation	12
102-8	Information on employees and other workers	12
102-10	Significant changes to the organisation	12
102-14	Statement from the most senior decision-maker	11
102-16	Values, principles, standards, and norms of behaviour	14
102-18	Governance structure	19
102-40	List of stakeholder groups	15
102-41	Collective bargaining agreements	Not applicable
102-42	Identifying and selecting stakeholders	16
102-43	Approach to stakeholder engagement	16
102-44	Key topics and concerns raised	17
102-45	Entities included in the consolidated financial statements	19
102-46	Defining report content and topic boundaries	Not applicable
102-47	List of material topics	17
102-48	Restatement of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	11
102-51	Date of most recent report	Not applicable
102-52	Reporting cycle	11
102-53	Contact point for questions regarding the report	14
102-54	Claims of reporting in accordance with the GRI Standards	14
102-55	GRI content index	23
102-56	External assurance	Not applicable

SUSTAINABILITY REPORT

Specific Standard Disclosures

GRI Standard	Disclosure	Page Number(s) and/or URL
103-1	Explanation of the material topic and its boundary	17
103-2	The management approach and its components	16
103-3	Evaluation of the management approach	16
302-1	Energy consumption within the organisation	Not applicable
404-1	Average hours training per year per employee	Not applicable
409-1	Operations and suppliers at significant risk for incidents of child labour	20
413-1	Operations with local community engagement, impact assessments and development programs	22
416- 2	Incidents of non-compliance concerning the health and safety impacts of services	22

CORPORATE GOVERNANCE REPORT

Raffles Infrastructure Holdings Limited (the "**Company**") recognises the importance of good corporate governance and the offering of high standards of accountability to shareholders.

This report sets out the Company's corporate governance framework and practices in compliance with the principles and guidelines of the Code of Corporate Governance 2012 (the "Code"). Where there have been deviations from the Code, appropriate explanations are provided. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time, to ensure compliance with the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

(A) BOARD MATTERS

BOARD'S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the Company. The Board works with the Management to achieve this objective and the Management remains accountable to the Board.

The Board assumes responsibility for stewardship of the Company as well as its subsidiaries. Its primary role is to protect and enhance long-term shareholders' value. Apart from its fiduciary duties, the Board provides strategic guidance for the Group and supervises executive management. The Board also establishes policies on matters such as financial control, financial performance and risk management procedures and works with Management to establish goals and monitors the achievement of these goals, thereby taking responsibility for the overall corporate governance of the Group.

To assist in the execution of its responsibilities, the Board has established several board committees namely, an Audit Committee ("**AC**"), a Nominating Committee ("**NC**") and a Remuneration Committee ("**RC**") (collectively, "**Board Committees**"). These Board Committees function within clearly defined terms of reference, which are reviewed on a regular basis.

The Board meets on a regular basis, and as and when necessary, to address any specific significant matters that may arise. The Board and its committees may also decide on matters by way of circular resolutions. The frequency of meetings and attendance of each Director at every Board and Board Committee meeting are disclosed in this Report. The Bye-laws of the Company allow for participation in Board meetings via audio or video conferencing.

CORPORATE GOVERNANCE REPORT

The attendance of the Directors at Board's meetings and Board Committees' meetings during the FY2019 were as follows:

	Board	AC	NC	RC
No. of meetings held	6	4	1	1
No. of meetings attended by respective Directors				
Executive Director:				
Eric Choo Han Kiat	6	4	N.A.	N.A.
Non-Executive Directors:				
Wu Xinhua[1]	0	0	N.A.	N.A.
Li Jia Chen[2]	1	1	N.A.	N.A.
Bobby Tay Chiew Siang[3]	0	0	N.A.	N.A.
Independent Directors:				
Leow Yong Kin	6	4	1	1
Toh Tiong San	6	4	1	1
Toh Hai Joo[4]	6	4	1	1

NA Not a member

1 Retired as Non-Independent Non-Executive Director on 29 March 2019.
2 Appointed as Non-Independent Non-Executive Director on 28 September 2018.
3 Resigned as Non-Independent Non-Executive Director on 13 March 2018.
4 Appointed as Independent Non-Executive Director on 1 March 2018.

The Board has adopted internal guidelines setting forth matters that require Board's approval. Matters which are specifically reserved to the Board for decision are those involving a conflict of interest of a substantial shareholder or a Director, material acquisitions, disposal of assets, operating budgets and capital expenditure, corporate or financial restructuring, shares issuance, declaration of dividends and other returns to shareholders and matters which require Board's approval as specified under the Company's internal control policies, for example, the Interested Person Transaction ("**IPT**") policy.

A formal letter setting out the Directors' duties and responsibilities under various regulations is issued to new Directors upon their appointment. Newly appointed Directors will be briefed by the Management on the business activities of the Group, governance policies, policies on disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction involving the Company, prohibitions in dealing in the Company's securities and restrictions on disclosure of price sensitive information.

To keep pace with regulatory changes, the director's own initiatives are supplemented from time-to-time with information, updates and sponsored seminars conducted by external professionals, including any changes in legislation and financial reporting standards, government policies, and regulations and guidelines from SGX-ST that affect the Company and/or the directors in discharging their duties. The directors are informed of developments relevant to the Group, including changes in laws, regulations and risks that may impact the Group. Directors can apply to the Company for funding for any such courses, conferences and seminars which they may apply to attend.

Directors are at liberty to request further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from management.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particulars, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently comprises 5 Directors, majority of whom are Independent Non-Executive Directors.

The Directors of the Company as at the date of this report are:

Eric Choo Han Kiat	(Executive Director and Chief Executive Officer)
Li Jia Chen	(Non-Independent Non-Executive Director)
Leow Yong Kin	(Lead Independent Non-Executive Director)
Toh Tiong San	(Independent Non-Executive Director)
Toh Hai Joo	(Independent Non-Executive Director)

There is presently a strong independent element on the Board with 3 out of 5 Directors who are Independent and non-executive and independence of each Director is reviewed by the NC. The NC adopts the definition in the Code as to what constitutes an independent director in its review. The Board, taking into account the NC's views, considers each of the abovenamed Independent Directors to be independent. The Company does not have any Independent Director who has served on the Board beyond nine years from the date of his first appointment.

The Board considers that the present board size and number of committees facilitate effective decision-making and are appropriate for the nature and scope of the Company's operations. The NC is of the view that no individual or small group of individuals dominates the Board's decision making process.

The Directors appointed are qualified professionals who, as a group, possess a diverse range of experience to provide core competencies such as legal, accounting, finance, business, management experience, industry knowledge and strategic planning experience.

Profiles of the Directors are set out in "Board of Directors" section of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Eric Choo Han Kiat was appointed the Chief Executive Officer ("CEO") of the Company on 28 September 2018.

The CEO's functions include the overall management, strategic direction and the day-to-day operations of the Group, and for ensuring that the organisational objectives of the Group are achieved.

The role and supervisory oversight of the Board are set out under Principle 1 above, while the executive's to CEO's role is designated to day-to-day management. The Board, therefore, believes that there are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is independent and based on collective decision-making without CEO being able to exercise considerable concentration of power or influence.

CORPORATE GOVERNANCE REPORT

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of new directors to the Board.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills to enable the Board to make effective decisions collectively.

The NC comprises three members, all of whom, including the chairman, are independent. The members of the NC are as follows:

Toh Hai Joo	(Chairman)
Leow Yong Kin	(Member)
Toh Tiong San	(Member)

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of Directors to the Board, to consider how the Board's performance may be evaluated.

The NC's duties and functions are outlined as follows:

1. review and make recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board, taking into account the candidate's track record, age, experience, capabilities and other relevant factors;

2. identify and make recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each annual general meeting of the Company, having regard to the Directors' contribution and performance (such as their attendance, preparedness, participation and candour), including, if applicable, as independent Directors;

3. determine annually whether or not a Director is independent, in accordance with the guidelines contained in the Code and other salient factors;

4. to review whether a Director is able to and has adequately carried out his duties as a Director of the Company in particular where the Director concerned has multiple board representations; and

5. to consider how the Board's performance may be evaluated and to propose for the Board's approval, objective performance criteria (that allows comparison with the Company's industry peers) to evaluate the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The NC conducts an annual review of Directors' independence based on the definition of independence set out in the Code. The NC and the Board considers Mr Leow Yong Kin, Mr Toh Tiong San and Mr Toh Hai Joo to be Independent Directors.

The NC considered the performance and contribution of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and effort devoted to the Group's business and affairs.

The NC will, at least once every year, review and thereafter, make recommendations to the Board regarding the Board structure, size, composition and core competencies.

The NC may identify candidates for appointment as new directors through the business network of Board members or through external independent professional advisors to assist in the search for suitable candidates. The NC will generally identify suitable candidates skilled in core competencies such as strategic planning, accounting or finance, business or management expertise.

CORPORATE GOVERNANCE REPORT

The Company has a policy to require that a Director should not hold more than 5 listed company board representations.

In accordance with the Bye-laws of the Company, each Director shall retire at least once every three (3) years and all Directors appointed by the Board will have to retire at the next Annual General Meeting ("**AGM**") following their appointments (such Director shall then be eligible for re-election at that AGM). In accordance with the requirements of the Listing Rules, if a Director has been disqualified from acting as Director in any jurisdiction, other than on technical grounds, that Director must resign immediately.

Mr Leow Yong Kin and Mr Toh Tiong San are retiring as Directors at the forthcoming AGM of the Company pursuant to the Bye-laws of the Company. The NC and the Board had nominated them for re-election as Directors. Further information on Mr Leow and Mr Toh are found on pages 6 and 7 in compliance with the Listing Rules.

In making the recommendation, the NC had considered the directors' overall contributions and performance. The Board recommends to the shareholders to approve the re-election of the aforesaid directors. The details of the proposed resolutions are stipulated in the Notice of AGM.

Currently, the Board does not have any alternate Directors.

Details of the Directors' academic and professional qualifications and directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments are set out on pages 6 and 7 of this Annual Report.

Information regarding the Directors' shareholdings in the Company and related corporations is set out on pages 6 and 7 of this Annual Report.

BOARD PERFORMANCE

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

While the Code recommends that the NC be responsible for assessing the Board as a whole and its Board Committees as well as each Director's contribution, the NC is of the view that it is more appropriate and effective to conduct assessment of the Board as a whole, bearing in mind that each member of the Board contributes in a different way to the success of the Company and Board decisions are made collectively.

The Board has implemented a process for assessing the effectiveness of the Board as a whole. Each Board member is required to complete a Board performance evaluation form adopted by the NC on a yearly basis. The Chairman of the NC will then prepare a consolidated report and presents the same to the Board for discussion on the changes or actions to be taken in order for the Board to discharge its duties more effectively. The performance criteria for the Board evaluation are in respect of Board size, composition and independence, conduct of meetings, Board procedures, Board accountability, contributions in terms of corporate strategy and planning, risk management and internal control.

The Board has taken the view that direct financial indicators, may not be appropriate as these are more of a measurement of Management's performance and, therefore, less applicable to Directors although in the overall context, financial indictors do play a part.

The NC has also reviewed the contribution by each individual director to the effectiveness of the Board as a whole and to its Board Committees in FY2019 and is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Group.

CORPORATE GOVERNANCE REPORT

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board has separate and independent access to senior Management and the Company Secretary, and is informed of material events and transactions as and when they occur. Directors are entitled to request from management and would under normal circumstances be provided, in a timely manner, with such additional information as needed to make informed decisions. The Company Secretary coordinates, attends and prepares minutes of board meetings and advises on relevant rules and regulations as well as corporate governance practices.

If the Directors, whether individually or as a group, in furtherance of their duties, need independent professional advice, the Company will, upon the direction of the Independent Director, appoint a professional adviser to render such advice at the Company's expense.

(B) REMUNERATION MATTER

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises three members, all of whom, including the chairman, are independent. The members of the RC are as follows:

Toh Tiong San	(Chairman)
Leow Yong Kin	(Member)
Toh Hai Joo	(Member)

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual Directors and senior Management. The RC's review will cover all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind and specific remuneration package for each Director. A separate committee may be formed which includes at least one member of the RC to administer Shares Scheme that may be implemented by the Company. In structuring a compensation framework for executive Directors and key executives, the RC seeks to link a proportion of executive compensation to the Group's performance. The RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. No Director is involved in deciding his own remuneration.

The RC has access to expert advice externally or within the Company with regard to remuneration matters where deemed necessary.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The remuneration policy of the Company is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate Directors and senior Management.

CORPORATE GOVERNANCE REPORT

The Executive Director does not receive Director's fees. The remuneration packages of Executive Director and key senior Management are based on their service contracts and are determined by the performance of the individuals, as well as the Group and industry benchmark. The remuneration packages for the Executive Directors and staff are made up of both fixed and variable components. The variable components are determined based on the performance of the individual employees as well as the Group's performance. The service contract for CEO is a fixed appointment and can be terminated by either party, giving not less than three (3) months' notice in writing.

Non-executive and Independent Directors are paid Directors' fees of an agreed amount, taking into account factors such as effort and time spent, their contributions, and the respective responsibilities of the Directors. Directors' fees are recommended by the Board for shareholders' approval at the Company's AGMs.

DISCLOSURE ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

A breakdown, showing the level and percentage of each individual Director's total remuneration and fees for FY2019 is as follows:

Remuneration Band and Name of Director	Fees	Salary [a]	Bonus	Share-based incentives and awards	Other benefits	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Below S$250,000						
Non-Executive Directors:						
Li Jia Chen[1]	100%	–	–	–	–	100%
Wu Xinhua[2]	100%	–	–	–	–	100%
Bobby Tay Chiew Sheng[3]	100%	–	–	–	–	100%
Independent Directors:						
Leow Yong Kin	100%	–	–	–	–	100%
Toh Tiong San	100%	–	–	–	–	100%
Toh Hai Joo[4]	100%	–	–	–	–	100%
Executive Director:						
Eric Choo Han Kiat	–	100%	–	–	–	100%

Note:

(a) Salary is inclusive of defined contribution plan.
(1) Appointed on 28 September 2018
(2) Retired on 29 March 2019
(3) Resigned on 13 March 2018
(4) Appointed on 1 March 2018

A Breakdown, showing percentage of the only key executive's total remuneration for FY2019, is as follow:-

Remuneration Band and Name of Key Executive	Salary [(a)]	Bonus	Share-based incentives and awards	Other benefits	Total
	%	%	%	%	%
Below S$250,000					
Jiang Jian Peng	100%	–	–	–	100%

In view of the competitive pressures in the talent market, the remuneration paid to the CEO, Executive Director and the only key management personnel are not fully disclosed. The total remuneration paid to the top Key Executive (who are not Directors) for the financial period ended 30 June 2019 was approximately S$21,000.

Immediate Family Members of Directors

No immediate family member of any Director was in employment with the Group.

Raffles Infrastructure Share Award Scheme

Raffles Infrastructure Share Award Scheme (the "**Scheme**") has been in operations since its approval by the shareholders on 29 April 2009.

As the Scheme was first approved on 29 April 2009, its operation was subject to a maximum of 10 years and, therefore, has expired on 28 April 2019. The Company did not extend the duration of the Scheme.

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board is accountable to shareholders for the management of the Group. The Board updates shareholders on the operations and financial position of Company on a quarterly basis when it releases its results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The Management is accountable to the Board by providing the Board with the detailed financial information whenever necessary for the discharge of its duties to the shareholders. At each annual general meeting of the Company, a presentation of the Group's performance and key matter is made to Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.

The Board recognises its responsibilities over the governance of risks and regularly reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls (collectively, "**Internal Controls**"), with the assistance of the management, the external auditors and the internal auditors appointed by the Company.

CORPORATE GOVERNANCE REPORT

The Board has set in place management procedures for ensuring a sound system of risk management and Internal Controls. These procedures include, since FY2013, a structured Enterprise Risk Management ("**ERM**") system, management reviews of key transactions, and the assistance of independent consultants such as the Group's external and internal auditors to review financial statements and Internal Controls covering key risk areas.

The ERM programme established by the Company which covers the following areas:

ERM policies and procedures

An overall framework for risk management has been documented in a manual to be disseminated to personnel responsible for oversight of risks and operations of risk countermeasures. This ERM manual includes the terms of reference of the various personnel and committees responsible for monitoring and managing risks in the Group. The ERM process will also require ongoing identification of key risks to the Company and reporting these risks to the Board to better determine whether appropriate measures have been taken to address relevant risks. Risk workshops, attended by key management personnel, are conducted annually to provide a structured approach to identify and assess of risks of the Group.

A Risk Management Committee ("**RMC**") was previously set up on 21 February 2013 but has since been dissolved. The Board will consider to re-establish the RMC if necessary with the progressive refreshing of the Board in place.

Risk Appetite of the Company

Generally, the Board will rely on management to monitor day to day operations while subjecting key corporate decisions, such as investments or acquisitions of businesses to Board approval. Management frequently reviews the Group's business and operational activities to identify and highlight to the Board and AC any areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Company's performance is monitored closely by the Board periodically and any significant matters that might have an impact on the operating results are required to be brought to the immediate attention of the Board.

The Company has also taken a strict stance towards avoiding any risks that might result in breaching relevant laws and regulations and risks that could adversely affect the reputation of the Group. Active efforts are also in place to manage risks within impact such as transferring them to third party insurers or having internal control procedures to better mitigate the likelihood of their occurrence. Internal audits will be regularly conducted to assess the ongoing compliance with the established controls to address key risk areas where applicable.

Risk assessment and monitoring

Based on the ERM framework, the nature and extent of risks to the Company will be assessed regularly and risk reports covering top risks to the Group will be submitted to the Board at least on a half yearly basis. A set of risk registers to document risks arising from this ERM exercise has been also been established to document all key risks and the corresponding countermeasures to the Company. This registers will be updated whenever new risks emerge.

The Board has received assurance from the Chief Executive Officer that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Company's risk management and Internal Control systems are effective.

The Board is unable to receive assurance from the Chief Financial Officer who has recently been appointed on 1 October 2019; a few days before the Annual Report was signed off by the Company for printing.

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises entirely of non-executive Directors, all of whom, including the Chairman, are independent. The members of the AC are as follows:-

Leow Yong Kin	(Chairman)
Toh Tiong San	(Member)
Toh Hai Joo	(Member)

The AC assists the Board to maintain a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the financial reporting, management of financial and control risks, and monitoring of the internal control systems.

The members of the AC, collectively, are appropriately qualified to discharge the AC's responsibilities. Leow Yong Kin, Toh Tiong San and Toh Hai Joo all possess the requisite accounting and related financial management expertise and experience.

The duties and responsibilities of the AC in accordance with its terms of reference, which include the following:

1. assists the Board in discharging its statutory responsibilities on financial and accounting matters;

2. reviews the financial and operating results and accounting policies of the Group;

3. reviews significant financial reporting issues and judgements relating to financial statements for each financial year, interim and annual results announcement before submission to the Board for approval;

4. reviews the adequacy of the Company's internal controls and risk management policies;

5. reviews the audit plans and reports of the external and internal auditors and consider the effectiveness of the actions taken by Management on the auditors' recommendations;

6. appraises and report to our Board on the audits undertaken by the external and internal auditors, the adequacy of the disclosure of information, and the appropriateness and quality of the system of management and internal controls;

7. reviews the independence of external auditors annually and nominate external auditors for appointment or re-appointment of and consider matters relating to the resignation or removal of the auditors and approve the remuneration and terms of engagement of the external auditors; and

8. reviews IPTs, as defined in the Listing Manual of the SGX-ST.

The AC will convene at least four (4) meetings after the end of each quarter of every financial year. The external auditor will also be present at the relevant junctures. In its review of the audited financial statements for FY2019, the AC discussed with the Management and external auditors the audit work performed and accounting principles applied.

The AC is briefed by the external auditors of changes to accounting standards and issues which have a direct impact on financial statements during the presentation of the audit plan and the audit report to the AC.

The AC has explicit authority to investigate any matter within its terms of reference. It also has the discretion to invite any Director or Management to attend its meetings.

The AC also meets with the external auditors and internal auditors without the presence of the Management at least once a year and on an adhoc basis for any matter of concerns. The Company is in compliance with Rules 712, 715 and 716 of the Listing Manual of SGX-ST whereby the Company appoints a suitable auditing firm to meet its audit obligations in respect of its own accounts and for its subsidiaries.

The AC has reviewed the services performed by RT LLP and noted that no non-audit services were provided in FY2019.

The aggregate amount of fees paid to RT LLP for audit services for FY2019 is S$55,000.

The AC has reviewed and is satisfied with the independence of the external auditors, and has recommended to the Board that RT LLP be nominated for re-appointment as auditors of the Company at the forthcoming AGM.

The Company has put in place a whistle-blowing policy and arrangements where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters, and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. The procedures for reporting such matters and the contact details of the AC have been made available to the employees on the subsidiaries' general notice board. On a public approach, any person who wishes to raise such concerns or matters to the AC's members may do so in confidence by way of email to rafflesinfrastructure@gmail.com.

INTERNAL AUDIT

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Management has put in place the systems of Internal Controls within the Group to identify risks and document countermeasures to address risks in the Group's business, and to safeguard the shareholders' interests and the Group's assets.

Top ten risks and their respective countermeasures are identified by key management and documented in the Group's risk register and discussed with the Board regularly. The abovementioned systems are intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

Management will review and adjusts its business and operational activities, if necessary, where it identifies areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures on a continuous basis and highlights all significant matters to the Board.

Management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the Group can make more informed decisions and benefit from a better balance between risk and reward. This will help protect and also create shareholders' value.

Management is then expected to ensure that appropriate controls are in place to manage those risks, and such risks and controls are monitored by the Board on a regular basis.

CORPORATE GOVERNANCE REPORT

The Company's external auditors also highlight internal control issues that came to their notice during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and these issues and their recommendations are reported to the AC.

The internal audit function is outsourced to Assentsure Advisory Pte Ltd who reports primarily to the AC. Assentsure was founded by a group of experienced chartered accountants and professionals formerly from international accounting firms, medium size audit firms and government authorities.

A risk-based methodology was employed for the review. In line with this methodology, they identified areas of risk and evaluated the efficiency and effectiveness of internal controls.

Their review consists of the following phases:

- Systems documentation, walk-through and gap analysis;
- Detailed testing and validation; and
- Reporting.

The AC reviews and approves the internal audit plan submitted by the internal audit function. Upon completion of internal audit, the internal audit function reports to the AC any significant weaknesses and risks identified in the internal audits. Implementation of internal audit recommendation is further reviewed by the internal audit function based on dates agreed with the Management. The internal auditors have unfettered access to the Company's documents, records, properties and personnel, including access to the AC members.

The AC also review, at least annually, the adequacy and effectiveness of the internal audit function including the qualifications and experience of the internal audit staff assigned to perform the reviews.

The Board is of the view that the present level of internal control is appropriate and will continue to review such internal control systems at least on an annual basis.

Based on the work performed by the internal and external auditors, the Board, with the concurrence of AC, is of the opinion that, the system of Internal Controls maintained by the Group's Management throughout the financial period ended 30 June 2019 is adequate and effective to address the financial, operational, compliance and information technology risks within the Group's business operations.

The Board notes that any system of internal controls can only provide reasonable, but not absolute, assurance that the Group would not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. Therefore, the Board recognizes the limitations that are inherent in any system as this control system is designed to manage rather than eliminate risk of failure to achieve corporate objectives. The Board is also of the view that given the above limitations to internal controls system, there is no absolute assurance against occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

In overall internal control assessment for FY2019, the AC and the Board noted that no material control deficiencies were identified.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should practice, protect and facilitate the exercise of shareholder's rights, and continually review and update such governance arrangements.

The Company is committed to maintaining and improving its level of corporate transparency, providing timely, fair and adequate disclosure of relevant information to shareholders so that they will be apprised of the developments that may have a material impact on the Company's securities. The Company does not practice selective disclosure. Such information is published through the SGXNET. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Company ensures true and fair information is delivered adequately to all shareholders and to ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders.

The Company's Bye-laws presently do not permit a shareholder, including a corporation which provides nominee or custodial services, to appoint more than two proxies to attend and participate in shareholders' general meetings as proxies.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

In line with continuous disclosure obligations of the Company, pursuant to the SGX-ST's Listing Manual, the Board has devised an effective investor relations policy to regularly convey pertinent information to shareholders in a timely manner, of material events and all major developments that impact the Group.

Communication is made through:

- Annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Listing Manual and the relevant accounting standards;

- Quarterly financial statements containing a summary of the financial information and affairs of the Group for the period;

- Notices of and explanatory memoranda for annual general meetings and special general meetings;

- Analyst briefings for the Group's quarterly and annual results as well as other briefings, as appropriate;

- Press releases on major developments of the Group;

- Disclosures to the SGX-ST; and

- The Group's websites at http://www.rafflesinfrastructure.com at which shareholders can access information of the Group. The website provides, inter alia, products information and profile of the Group.

Our external investor relation firm, Gem Comm Pte Ltd, is handling our investor relations to support the Group in promoting communication and investment community. The contact information of the firm is on https://www.gem-comm.com/.

In view of the current performance of the Group, the Company had decided not to declare any dividends for FY2019 to preserve cash for any future investment plans.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Bye-laws of the Company allows shareholders to vote at general meetings in person or by proxy and equal effect is given to such votes. Separate resolutions are tabled at general meetings on each distinct issue. Management, Directors and, where necessary, the external auditors and legal advisors are present and available to address questions at general meetings. Shareholders are encouraged and given adequate time to air their views and ask questions of the Company.

Minutes of general meetings of the Company which include comments or queries from shareholders relating to the agenda of the meeting as well as responses from the Board and management are prepared and made available to shareholders upon request.

All resolutions of the Company will be put to vote by poll and the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced.

(E) DEALING IN SECURITIES

The Company has adopted its own internal compliance code pursuant to the SGX-ST's best practices on dealings in securities and these are applicable to all its officers in relation to their dealings in the Company's securities. The Company and its officers are prohibited from dealing in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's quarterly financial results and one (1) month before the announcement of the Company's full-year financial results, or if they are in possession of unpublished price-sensitive information of the Company. In compliance with Rule 1207(19)(b), the Company also prohibits its officers from dealing in the Company's securities on short-term considerations. In addition, Directors and officers are expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period.

(F) MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries involving the interests of the CEO, any Director or controlling shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

(G) INTERESTED PERSON TRANSACTION ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC, if any, and that the transactions are carried out on a normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no IPT with an aggregate value of more than S$100,000 in FY2019. Notwithstanding, the Company maintains and IPT register which records all IPT whether they are disclosable under the Listing Rules or not.

(H) USE OF PROCEEDS

As at the date of this report, that status of the utilisation of the proceeds raised from the Company's initial public offerings ("IPO") and placement are as follows:

	Amount allocated S$'000	Amount utilised S$'000	Balance S$'000
Use of IPO proceeds			
To construct new facilities and acquire new machinery	14,000	13,231	769
To expand our research and development capabilities	1,000	1,000	–
For working capital purpose	2,182	2,182	–
	17,182	**16,413**	**769**
Use of Placement Proceeds			
Project Investment	22,900	6,980	15,920
Working Capital Purpose	7,000	1,955	5,045
	29,900	**8,935**	**20,965**
Total	**47,082**	**25,348**	**21,734**

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Raffles Infrastructure Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial period from 1 January 2018 to 30 June 2019.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereto are drawn up so as to give a true and fair view 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 then ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

Executive director

Eric Choo Han Kiat

Independent non-executive director

Leow Yong Kin
Toh Tiong San
Toh Hai Joo

Non-independent non-executive director

Li Jia Chen

3. Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose objects was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraph 4 below.

4. Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial period had an interest in the shares or debentures of the Company and its related corporations.

The directors' interests in the ordinary shares of the Company as at 21 July 2019 were the same as those as at 30 June 2019.

DIRECTORS' STATEMENT

5. Share options

The Share Award Scheme (the "Scheme") has been in operations since its approval by the Shareholders on 29 April 2009.

As the Scheme was first approved on 29 April 2009, its operation was subject to a maximum of 10 years and, therefore, has expired on 28 April 2019. The Company did not extend the duration of the Scheme.

There were no share options granted during the financial period to subscribe for unissued shares of the Company.

There were no shares issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option as at the end of the financial period.

6. Audit committee

The Audit Committee of the Company comprises three non-executive directors and at the date of this report, they are:

Leow Yong Kin
Toh Tiong San
Toh Hai Joo

The Audit Committee has convened four meetings with key management and 2 meetings with the external auditors of the Company during the period.

The Audit Committee carried out its duties which included the following:

(i) the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

(ii) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

(iii) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

(iv) interested person transactions in accordance with SGX listing rules;

(v) nomination of external auditors and approval of their compensation; and

(vi) submission of report of actions and minutes of the Audit Committee to the board of directors with any recommendations as the Audit Committee deems appropriate.

DIRECTORS' STATEMENT

6. Audit committee (Continued)

In 6Q 2019, the independent director(s) in Audit Committee has received co-operation from the management and has been given resources required for it to discharge its function.

(i) the audit plan and results of the external audit and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;

(ii) the adequacy of the Group's risk management processes;

(iii) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(iv) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

(v) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company; and

(vi) interested person transactions in accordance with SGX listing rules.

The Audit Committee has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of RT LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

On behalf of the Board of Directors

Eric Choo Han Kiat
Director

Leow Yong Kin
Director

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. <u>Opening balances</u>

   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
Revenue recognition **i) Adoption of SFRS(I) 15** **(refer to Note 4 to the financial statements)** **ii) Discounting of non-current trade receivables** **(refer to Note 3.2(iv) to the financial statements)** 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 period ended 30 June 2019, the susbidiary recognised undiscounted revenue of RMB 208,864,000 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 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. 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 of 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 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
Accounting for business combination (refer to Note 31 to the financial statements)	
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. 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.	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. 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. 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.

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
Special Audit 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. 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. 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.	Our audit procedures included but were not limited to the following: 1) Inquired with the Board on the status of consultation with the SGX Regulation Pte Ltd ("**SGX ReGCo**") 2) Discussed with the Audit Committee and the Board on their views with respect to any material financial impact on the financial statements.

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.

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. Ravinthran Arumugam.

RT LLP
Public Accountants and
Chartered Accountants

Singapore
11 October 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group	
		1 Jan 2018 to 30 June 2019	2017
		RMB'000	RMB'000
Revenue	4	189,071	26,956
Cost of sales		(139,066)	(23,983)
Gross profit		50,005	2,973
Other income	5	19,034	240
Distribution costs		(3)	(1,196)
Administrative expenses		(13,454)	(3,605)
Other operating expenses		(19,059)	(619)
Finance costs	6	–	(928)
Profit/(loss) before income tax	7	36,523	(3,135)
Income tax expense	9	(11,658)	(2)
Profit/(loss) for the period, representing total comprehensive income/(loss) for the period		24,865	(3,137)
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent Company		20,319	(3,137)
Non-controlling interests		4,546	–
		24,865	(3,137)
Earning/(loss) per share attributable to owners of the Company (RMB)			
		1 Jan 2018 to 30 June 2019	**2017**
- Basic and diluted	10	0.47	(0.35)

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		Group			Company		
	Note	30 June 2019 RMB'000	31 Dec 2017 RMB'000	1 Jan 2017 RMB'000	30 June 2019 RMB'000	31 Dec 2017 RMB'000	1 Jan 2017 RMB'000
ASSETS							
Non-current assets							
Contract assets	11	–	–	–	–	–	–
Trade and other receivables	17	152,482	–	–	–	–	–
Property, plant and equipment	12	252	24,518	27,694	–	–	–
Land use rights	13	–	2,244	2,305	–	–	–
Investments in subsidiaries	14	–	–	–	510	–	–
Total non-current assets		152,734	26,762	29,999	510	–	–
Current assets							
Contract assets	11	88,329	–	–	–	–	–
Amount due from a subsidiary	15	–	–	–	144,540	4,796	4,796
Inventories	16	–	566	564	–	–	–
Trade and other receivables	17	25,755	6,507	4,119	–	–	–
Prepayments	18	87	4,560	4,560	24	–	–
Cash and cash equivalents	19	104,606	112	660	30	5	5
Total current assets		218,777	11,745	9,903	144,594	4,801	4,801
Total assets		371,511	38,507	39,902	145,104	4,801	4,801

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		Group			Company		
	Note	30 June 2019	31 Dec 2017	1 Jan 2017	30 June 2019	31 Dec 2017	1 Jan 2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES AND EQUITY							
Equity							
Share capital	20	192,187	135,773	135,773	192,187	135,773	135,773
Treasury shares	21	(24)	(35)	(35)	(24)	(35)	(35)
Reserves	22	(9,997)	(2,976)	(2,976)	94,696	79,908	79,908
Accumulated losses		(14,468)	(116,240)	(113,103)	(145,801)	(220,233)	(218,840)
Non-controlling interests		16,429	–	–	–	–	–
Equity attributable to owners of the Company		184,127	16,522	19,659	141,058	(4,587)	(3,194)
Current liabilities							
Amount due to a subsidiary	15	–	–	–	–	4,896	4,896
Trade and other payables	23	175,726	9,085	7,343	4,046	4,492	3,099
Bank borrowings	24	–	12,900	12,900	–	–	–
Deferred tax liabilties	25	11,658	–	–	–	–	–
Total current liabilities		187,384	21,985	20,243	4,046	9,388	7,995
Total liabilities		187,384	21,985	20,243	4,046	9,388	7,995
Total liabilities and equity		371,511	38,507	39,902	145,104	4,801	4,801

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

	Attributable to owners of the Company										
			Reserves								
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Controlling interest RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<u>Group</u>											
Balance at 1 January 2017	135,773	(35)	79,908	4,403	15,000	(102,287)	–	(113,103)	19,659	–	19,659
Total comprehensive loss for the year	–	–	–	–	–	–	–	(3,137)	(3,137)	–	(3,137)
Balance at 31 December 2017	135,773	(35)	79,908	4,403	15,000	(102,287)	–	(116,240)	16,522	–	16,522
Balance at 1 January 2018	135,773	(35)	79,908	4,403	15,000	(102,287)	–	(116,240)	16,522	–	16,522
Share Capital Reduction [(1)]	(81,464)	11	–	–	–	–	–	81,453	–	–	–
Share placement [(2)]	137,878	–	13,179	–	–	–	–	–	151,057	–	151,057
Total comprehensive income for the period	–	–	–	–	–	–	–	20,319	20,319	4,546	24,865
Exchange differences arising on translation of foreign operation	–	–	–	–	–	–	(798)	–	(798)	–	(798)
Deconsolidation of subsidiary entity	–	–	–	(4,403)	(15,000)	102,287	–	(102,287)	(19,403)	–	(19,403)
Arising for deconsolidation of subsidiary	–	–	–	–	–	(102,287)	–	102,287	–	–	–
Acquisition of a subsiadiary	–	–	–	–	–	–	1	–	1	11,883	11,884
Balance at 30 June 2019	192,187	(24)	93,087	–	–	(102,287)	(797)	(14,468)	167,698	16,429	184,127

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
<u>Company</u>						
Balance at 1 January 2017	135,773	(35)	79,908	–	(218,840)	(3,194)
Total comprehensive loss for the year	–	–	–	–	(1,393)	(1,393)
Balance at 31 December 2017	135,773	(35)	79,908	–	(220,233)	(4,587)
Balance at 1 January 2018	135,773	(35)	79,908	–	(220,233)	(4,587)
Share Capital Reduction [(1)]	(81,464)	11	–	–	81,453	–
Share Placement [(2)]	137,878	–	13,179	–	–	151,057
Total comprehensive loss for the period	–	–	–	–	(7,021)	(7,021)
Exchange differences arising on translation of foreign operation	–	–	–	1,609	–	1,609
Balance at 30 June 2019	192,187	(24)	93,087	1,609	(145,801)	141,058

Note:

(1) On 28 September 2018, in accordance with the Bermuda laws the par value of the Share was reduced (the "Share Capital Reduction") from US$1.00 to US$0.40. The amount of credit arising from the Share Capital Reduction of US$10,775,749 (RMB81,463,800) was transferred to the contributed surplus account of the Company and utilised to set off against the accumulated losses in full.

(2) On 28 September 2018, Company completed its share placement (the "Share Placement") of 50,000,001 new ordinary shares in the capital of the Company at the issue price of S$0.60 per placement share.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Group	
	Note	1 Jan 2018 to 30 June 2019	2017
		RMB'000	RMB'000
Operating activities			
Proft/(loss) before income tax		36,523	(3,135)
Adjustments for:			
Amortisation of land use rights	13	–	61
Depreciation of property, plant and equipment	12	55	3,176
Gain from bargain purchase	31	(18,684)	–
Loss on disposal of subsidiaries	32	19,171	–
Interest income	5	(328)	(240)
Interest expenses	6	–	928
Operating cash flows before changes in working capital		36,737	790
Changes in working capital:			
Inventories		–	(2)
Contract receivables		(88,329)	–
Trade and other receivables		(169,902)	(2,388)
Trade and other payables		22,816	1,742
Cash (used in)/generated from operations		(198,678)	142
Interest paid		–	(928)
Interest received		328	240
Income taxes paid		–	(2)
Net cash used in operating activities		(198,350)	(548)
Investing activities			
Acquisition of property, plant and equipment	12	(307)	–
Acquisition of a subsidiary, net of cash acquired	31	92	–
Disposal of a subsidiaries, net of cash disposed	32	(112)	–
Net cash used in investing activities		(327)	–

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 1 Jan 2018 to 30 June 2019 RMB'000	Group 2017 RMB'000
Financing activities			
Amount due to directors		858	–
Amount due to shareholder		152,052	–
Proceeds from issue of share capital		151,058	–
Proceeds from borrowings		–	12,900
Repayment of borrowings		–	(12,900)
Net cash generated from financing activities		303,968	–
Net increase/(decrease) in cash and cash equivalents		105,291	(548)
Cash and cash equivalents at beginning of financial period/year		112	660
Effect of currency translation		(797)	–
Cash and cash equivalents at end of financial period/year	19	104,606	112

Reconciliation of liabilities arising from financing activities

	1 January 2018 RMB'000	Cash inflows/ (outflows) RMB'000	Non-cash movements: Disposal RMB'000	30 June 2019 RMB'000
Amount due to directors	–	858	–	858
Amount due to shareholders by a subsidiary	–	152,052	–	152,052
Bank borrowings	12,900	–	(12,900)	–

	1 January 2017 RMB'000	Cash inflows RMB'000	Cash outflows RMB'000	31 December 2017 RMB'000
Bank borrowings	12,900	12,900	(12,900)	12,900

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

1. General information

1.1 Corporate information

Raffles Infrastructure Holdings Limited (the "Company") (Registration Number 40381) is incorporated in Bermuda with its registered office located at 5th Floor Andrew's Place, 51 Church Street, Hamilton, HM 12, Bermuda. The principal place of business of the Group is located at Xingwen County, Yibin, Sichuan, The People's Republic of China ("the PRC").

The principal activity of the Company is investment holding.

The principal activities of the respective subsidiaries are disclosed in Note 14 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the period ended 30 June 2019 were authorised for issue by the Board of Directors on 11 October, 2019.

For all periods up to and including the year ended 31 December 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the period from 1 January 2018 to 30 June 2019 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s"). Details of first-time adoption of SFRS(I)s are included in Note 34.

The Company's has no immediate and ultimate holding company as no shareholder holds more than 50% of the shareholding.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") including related Interpretations of FRSs ("INT FRSs") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

<u>Change in functional currency</u>

With effect from 1 January 2018, as a result of change in underlying transactions, events and conditions relevant to the Company, the functional currency of the Company was changed from Renminbi ("RMB") to Singapore dollar ("SGD").

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Renminbi ("RMB"), and all values presented are rounded to the nearest thousand ("RMB'000"), unless otherwise indicated.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2. Summary of significant accounting policies (Continued)

2.2 Standards issued but not yet effective

At the date of authorisation of these statements, the following SFRS(I) and SFRS(I) INT that are relevant to the Group were issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) INT 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Defintion of Material	1 January 2020

The Board of Directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

2. Summary of significant accounting policies (Continued)

2.3 Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

2.3.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture. During the third quarter of financial year 2019, the Company deconsolidated one of it major owned subsidiary due to the loss of control (Note 32).

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

2.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

2. Summary of significant accounting policies (Continued)

2.4 Business combinations (Continued)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 Income Taxes and SFRS(I) 1-19 Employee Benefits respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 Share-based Payment at the acquisition date ; and

- Assets (or disposal Groups) that are classified as held for sale in accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.5.1 Financial assets

These accounting policies are applied on and after the initial application date of FRS 109, 1 January 2018:

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

<u>Classification of financial assets</u>

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

2.5.1 Financial assets (Continued)

Classification of financial assets (Continued)

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a creditadjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

2.5.1 Financial assets (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other gains and losses” line item;

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations, namely the leisure goods and electronic equipment market, the residential properties construction industry and the IT software business.

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

2.5.1 Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

2.5.1 Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with SFRS(I) 1-17 Leases.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are Grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate Group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The Grouping is regularly reviewed by management to ensure the constituents of each Group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

2.5.1 Financial assets (Continued)

Impairment of financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

These accounting policies are applied before the initial application date of FRS 109, 1 January 2018:

All financial assets are recognised on a trade date – the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets pertains to loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, amounts due from a subsidiary and cash and cash equivalents.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

2.5.1 Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

2.5.1 Financial assets (Continued)

Classification as debt or equity (Continued)

Equity instruments (Continued)

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

2.5.2 Financial liabilities

These accounting policies are applied on and after the initial application date of FRS 109, 1 January 2018:

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

2.5.2 Financial liabilities (Continued)

<u>Financial liabilities</u>

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

2.5.2 Financial liabilities (Continued)

Financial liabilities (Continued)

Financial liabilities at FVTPL (Continued)

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other gains and losses" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.5 Financial instruments (Continued)

2.5.2 Financial liabilities (Continued)

These accounting policies are applied before the initial application date of FRS 109, 1 January 2018:

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.5.3 Offsetting arrangement

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.6 Non-current assets held for sale and discontinued operations

Non-current assets and disposal Groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal Group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal Groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2. Summary of significant accounting policies (Continued)

2.6 Non-current assets held for sale and discontinued operations (Continued)

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

(a) represents a separate major line of business or geographical area of operations,

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or

(c) is a subsidiary acquired exclusively with a view to resale.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings on leasehold land	30 years
Plant and machinery	5 - 10 years
Furniture, fixtures and office equipment	5 years
Renovation	5 years
Office equipment	5 years
Computers	3 - 5 years
Motor Vehicles	9 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

2. Summary of significant accounting policies (Continued)

2.8 Property, plant and equipment (Continued)

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

2.9 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.10 Impairment of non-financial assets

As at each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2. Summary of significant accounting policies (Continued)

2.10 Impairment of tangible and intangible assets excluding goodwill (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase

2.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.12 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation represents a promise in a contract with customers to transfer a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.12 Revenue recognition (Continued)

Rural Road Infrastructure projects

The Group entered into a Public-Private-Partnership ("PPP") arrangement with Chinese authority. Under the terms of the contracts, the Group is contracted to ensure sufficient funds are available for the operation of the projects. Revenue from construction of rural roads is recognised over time based on a cost–to–cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Management considers that the recognition of revenue based on performance obligation is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

The Group becomes entitled to invoice customers for construction of rural roads based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work, i.e. interim progress claim statement, signed by the independent parties. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost–to–cost method then the Group recognises a contract liability for the difference.

2.13 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. Summary of significant accounting policies (Continued)

2.13 Income tax (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities except for the investment properties where investment properties measured at fair value are presented to be recovered entirely through sale. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2.14 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

2. Summary of significant accounting policies (Continued)

2.14 Foreign currency transactions and translation (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and cash on hand that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

2.17 Contract assets

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. A contract asset is recognised when the Group has the right to consideration in exchange for goods and services that the Group has transferred to a customer when that right is conditional on something other than passage of time (for example, the Group's future performance). A contract asset becomes a trade receivable when receipt of the consideration is unconditional and only the passage of time is required before the consideration is due.

Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress.

The contract assets which are recognised as revenue (i.e. construction contracts – recognised as revenue) primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on construction of rural roads. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

The contract assets which are not recognised as revenue (i.e. construction contracts – not recognised as revenue) refer to costs that i) relate directly to a contract or an anticipated contract which the Group can specifically identify, ii) that these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future and, iii) that these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately

2. Summary of significant accounting policies (Continued)

2.18 Employee benefits

a) Defined contribution plans

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

b) Employee leave entitlements

No provision has been made for employee leave entitlements as any unconsumed annual leave will be forfeited.

c) Retirement benefit costs

The Group participates in the national pension schemes as defined by the laws of PRC. Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme

2.19 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.20 Borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.20).

2.21 Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

2. Summary of significant accounting policies (Continued)

2.22 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the lease term of 50 years.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2 above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the Group's accounting policies

The following are the critical judgements, apart from those those involving estimations (see below), the management has made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Revenue recognition-determining the timing of satisfaction of performance obligation

The Company provides construction services for the provincial government authority of Sichuan, China. As disclosed in Note 2.12, the Group becomes entitled to invoice customers for construction of rural roads based on achieving a series of performance-related milestones.

In making its judgement, management considered the detailed criteria for the recognition of revenue from the construction services, set out in SFRS(I) 15 Revenue from Contracts with Customers and, in particular, whether the Group had transferred to the buyer the control of the goods. Following the detailed assessment, management is satisfied that when a particular milestone is reached, the customer is sent a relevant statement of work, the control has been transferred and that recognition of the revenue in the current year is appropriate.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the Group's accounting policies (Continued)

(ii) Valuation of bargain purchase through business combination

Business combination is accounted for by applying the acquisition method. Purchase price allocation exercise requires a significant amount of management estimation, particularly in relation to the identification and valuation of intangible assets and assignment of their useful lives. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The fair value of such assets and liabilities are estimated by management and independent professional valuer where significant or using the market value basis (i.e. market approach, income approach and cost approach) which requires significant judgement and estimation to be made. Income approach is adopted due to revenues being derived from the Contract Agreement for PPP Project entered into by the Company with the provincial government authority of Sichuan, China ("PPP Agreement").

In arriving at the bargain purchase computation, management had applied a discount of 6.05% to the fair values of the identifiable assets and liabilities taken over as at 30 November 2018. This discount rate of 6.05% is after considering the following as adopted by the professional valuer Truscel Capital LLP Singapore in their valuation report dated 30 September 2019 for determining the identifiable net assets as at 30 November 2018:

<u>Discount rate assumption</u>

- Risk free rate by using China's Government Bond 10 maturity years at 3.24%
- Levered Beta from 5 companies engaged in construction industry at 0.79
- Equity Risk Premium for Singapore at 6.91%

(iii) Determination of functional currency

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments are impaired. Where necessary, the Company's assessments are based on the estimation of the value-in-use of the assets defined in FRS 36 Impairment of Assets by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows.

During the current financial year, an impairment loss of RMB506,000 (2017: RMBNil) was recognised for the investment in subsidiaries of the Company as the recoverable amount for this investments are less than the net assets of these subsidiaries .The Company's carrying amount of investments in subsidiaries as at 30 June 2019 was RMB510,000 (2017: RMBNil) (Note 14).

(ii) Provision for income taxes

The Group has exposure to income taxes in the PRC of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax in the period in which such determination is made. The carrying amounts of the Group's current tax payable and deferred tax liabilities as at 30 June 2019 were RMBNil (2017: RMBNil) and RMB11,658,000 (2017: RMBNil) respectively.

(iii) Provision for expected credit losses of trade receivables

The management considers the credit risk on trade receivables to be limited because the counterparty is a provincial government authority of China. According to the latest rating assessment by Moody's, S&P and Fitch, the credit rating of China stood at A1(Stable), A+(Stable) and A+(Stable) respectively. As such the Group does not expect credit loss from trade receivables.

The carrying amount of the Group's trade receivables as at 30 June 2019 was RMB171,096,000 (2017: RMB6,507,000).

(iv) Application of discount factor for non-current trade receivables

The group has non-current receivables due from the provincial government authority of China. The receivables were initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial. 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.

In applying discount factor to the non-current trade receivables, management considered that the most appropriate discount rate is the China Government Bond Yield with 1, 2, 3, 5, 7 and 10 maturiy years. Management determined that the application of China Government Bond Yield is the most appropriate discount rate as this is the cost of fund the provincial government authority would have been able to borrow at. As a result of the discounting, the Group adjusted the revenue and non-current receivables by RMB19,793,000 to reflect the effects of the time value of money.

4. Revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines.

	Group	
	1 Jan 2018 to 30 June 2019	2017
	RMB'000	RMB'000
Infrastructure projects	189,071	–
Provision of dyeing and post-processing treatment services for fabrics	–	26,956
Timing of revenue recognition		
At a point in time:		
Infrastructure projects	189,071	–
Over time:		
Provision of dyeing and post-processing treatment services for fabrics	–	26,956

During the year, the Company recognised revenue of RMB208,864,000 upon satisfaction of the performance obligations. However, the consideration for this completion of performance obligation is to be paid over 10 years.

Accordingly, management has performed a discounting for this non-current receivables due to effect of time value of money and had reduced the revenue by RMB19,793,000 against the trade receivables.

The revenue recognised during the year of RMB189,071,000 wholly comes from the infrastructure projects. The Company did not recognise any revenue from the fabric segment as these activities were carried out by those subsidiaries where the Company has lost its control over them during the year (Note 32).

5. Other income

	Group	
	1 Jan 2018 to 30 June 2019	2017
	RMB'000	RMB'000
Gain on bargain purchase (Note 31)	18,684	–
Interest income	328	240
Other income	22	–
	19,034	240

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

6. Finance costs

	Group	
	1 Jan 2018 to 30 June 2019	2017
	RMB'000	RMB'000
Interest expense on bank loans	–	928

7. Profit/(loss) before income tax

Profit/(loss) before income tax has been arrived at after charging:

	Group	
	1 Jan 2018 to 30 June 2019	2017
	RMB'000	RMB'000
Audit fee		
current year	271	190
under provision in prior year	193	–
Other audit fee	1,925	–
Amortisation of land use rights (Note 13)	–	61
Cost of inventories included in cost of sales	–	566
Depreciation of property, plant and equipment (Note 12)	55	3,176
Directors' fee – directors of the Company	1,581	608
Staff costs (Note 8)	3,808	2,498

8. Staff costs

	Group	
	1 Jan 2018 to 30 June 2019	2017
	RMB'000	RMB'000
Key management personnel		
- salaries and related cost	1,462	148
- directors' fee	1,581	–
- employer's contribution to defined contribution plan	81	36
	3,124	184
Other than key management personnel		
- salaries and related cost	605	1,851
- employer's contribution to defined contribution plan	79	463
	684	2,314
	3,808	2,498

9. Income tax expense

	Group	
	1 Jan 2018 to 30 June 2019	2017
	RMB'000	RMB'000
Current income tax		
- Current year	–	2
Deferred income tax		
- Movement in temporary differences	11,658	–
	11,658	2

The tax expense on the results of the financial year differs from the amount of income tax determined by applying the statutory income tax rates of the respective countries to profit/(loss) before income tax as a result of the following:

	Group	
	1 Jan 2018 to 30 June 2019	2017
	RMB'000	RMB'000
Profit/(loss) before income tax	36,523	(3,135)
Tax at the domestic tax rates applicable to profits in the country where the Group operates	10,108	(784)
Add/(less):		
- Effect of non-deductible expenses	6,221	–
- Effect of non-taxable income	(4,671)	–
- Under provision in prior years	–	2
- Deferred tax assets not recognised	–	784
Total tax expense	11,658	2

9. Income tax expense (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Company has unrecognised tax losses of Nil (2017: RMB10,974,000) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements.

The Group's subsidiaries, Raffles (Chengdu) Investment & Development Co., Ltd ("Raffles Chengdu") and Bo Dao Road Construction Co., Ltd ("Bo Dao") in the PRC are subject to the PRC corporate income tax on their taxable profits.

The tax rates are applicable to the following companies in the PRC as follows:

	Rate
Raffles Chengdu	25.0%
Bo Dao	25.0%

10. Earning/(loss) per share

The calculation of the basic and diluted earning/(loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	1 Jan 2018 to 30 June 2019	2017
	RMB'000	RMB'000
Earnings/(losses)		
Earnings/(losses) for the purposes of basic and diluted attributable to equity holders of the Company	20,319	(3,137)

	Group	
	1 Jan 2018 to 30 June 2019	2017
	No. of shares '000	No. of shares '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	43,226	8,980

	1 Jan 2018 to 30 June 2019	2017
Earning/(loss) per share (RMB)	0.47	(0.35)

11. Contract assets

	Group		
	30 June 2019	**31 Dec 2017**	**1 Jan 2017**
	RMB'000	**RMB'000**	**RMB'000**
Construction contracts	–	–	–
- Recognised as revenue	–	–	–
- Not recognised as revenue	88,329	–	–
Subtotal	88,329	–	–
Analysed as:			
Current	88,329	–	–
Non-current	–	–	–
	88,329	–	–

The contract assets which are recognised as revenue (i.e. construction contracts – recognised as revenue) primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on construction of rural roads. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer. As at 30 June 2019, there were no such contract assets.

The contract assets which are not recognised as revenue (i.e. construction contracts – not recognised as revenue) refer to costs that i) relate directly to a contract or an anticipated contract which the Group can specifically identify, ii) that these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future and, iii) that these costs are expected to be recovered (Note 2.17). Otherwise, such costs are recognised as an expense immediately.

12. Property, plant and equipment

Group	Buildings on leasehold land RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Renovation RMB'000	Construction-in-progress RMB'000	Office equipment RMB'000	Computers RMB'000	Motor Vehicles RMB'000	Total RMB'000
Cost									
Balance at 1 January 2017 and 1 January 2018	12,608	111,741	537	8,246	8,869	–	–	–	142,001
Additions	–	–	–	–	–	10	30	267	307
Written off	(12,608)	(111,741)	(537)	(8,246)	(8,869)	–	–	–	(142,001)
Balance at 30 June 2019	–	–	–	–	–	10	30	267	307
Accumulated depreciation									
Balance at 1 January 2017	6,340	74,539	499	8,246	–	–	–	–	89,624
Depreciation	435	2,705	36	–	–	–	–	–	3,176
Balance at 31 December 2017	6,775	77,244	535	8,246	–	–	–	–	92,800
Depreciation	–	–	–	–	–	3	7	45	55
Written off	(6,775)	(77,244)	(535)	(8,246)	–	–	–	–	(92,800)
Balance at 30 June 2019	–	–	–	–	–	3	7	45	55
Accumulated impairment									
Balance at 1 January 2017	–	15,814	–	–	8,869	–	–	–	24,683
Written off	–	(15,814)	–	–	(8,869)	–	–	–	(24,683)
Balance at 30 June 2019	–	–	–	–	–	–	–	–	–
Carrying amount									
Balance at 30 June 2019	–	–	–	–	–	7	23	222	252
Balance at 31 December 2017	5,833	18,683	2	–	–	–	–	–	24,518

All property, plant and equipment held by the Group are located in the PRC.

During the year, the Company write off property, plant and equipment at the cost of RMB142,001,000 due to the deconsolidation of previously owned subsidiaries where these written-off property, plant and equipment were belonged to the subsidiaries.

13. Land use rights

	Group		
	30 June 2019	**31 Dec 2017**	**1 Jan 2017**
	RMB'000	**RMB'000**	**RMB'000**
Cost			
At beginning of financial year	3,055	3,055	3,055
Written off	(3,055)	–	–
At end of financial year	–	3,055	3,055
Accumulated amortisation			
At beginning of financial year	811	750	689
Amortisation for the year	–	61	61
Written off	(811)	–	–
At end of financial year	–	811	750
Carrying amount			
At end of financial year	–	2,244	2,305

During the year, the Company write off land use right at the cost of RMB3,055,000 due to the deconsolidation of previously owned subsidiaries where these written-off land was belonged to the subsidiaries.

14. Investment in subsidiaries

	Company		
	30 June 2019	**31 Dec 2017**	**1 Jan 2017**
	RMB'000	**RMB'000**	**RMB'000**
Unquoted equity shares, at cost	1,016	102,370	102,370
Allowance for impairment loss	(506)	(102,370)	(102,370)
	510	–	–

Movements in allowance for impairment loss are as follows:

	RMB'000
At beginning of financial year	102,370
Charge for the financial year	506
Written off	(102,370)
At end of financial year	506

14. Investment in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/ operation	Cost of investment		Effective equity interest held by the Company		Principal activities
		2019	2017	2019	2017	
		RMB'000	RMB'000	%	%	
Held by the Company						
Simwa Holdings Ltd	The British Virgin Islands	Nil	102,370	0%	100%	Investment holding
Raffles (Chengdu) Investment & Development Co., Ltd(1)	The People's Republic of China	510	Nil	100%	–	Infrastructure, cultural tourism, energy-saving and environmental protection project investment, operation management, technology development and services; investment consultation; investment management
Raffles Infrastructure Investments (Singapore) Pte Ltd(1)	Singapore	506	Nil	100%	–	Activities of head and regional head offices, centralised administrative offices and subsidiary management offices
Held by Simwa Holdings Ltd						
Shishi Simwa Knitting & Dyeing Co., Ltd 石狮市新华针织漂染有限公司	The People's Republic of China	Nil	20,000	0%	100%	Processing, dyeing and finishing of fabrics
Xiamen Sunny Dyeing and Printing Co., Ltd 厦门新立印染有限公司	The People's Republic of China	Nil	10,000	0%	100%	Dormant
Held by Raffles (Chengdu) Investment & Development Co., Ltd						
Bo Dao Road Construction Co., Ltd(1) 兴文县僰道公路建设有限责任公司	The People's Republic of China	100,000	Nil	90.91%	0%	Road project construction, management, operation and maintenance

(1) All subsidiaries are audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

14. Investment in subsidiaries (Continued)

The recoverable amount of the investment in subsidiaries was based on fair value less costs of disposal. The Group had used the market approach where the expected selling price of the subsidiary was based on its estimated net assets at the end of the financial year.

The allowance for impairment loss of investment in subsidiaries of RMB506,000 (2017: RMBNil) were recognised during the financial year.

During the year, the Company write off investment in subsidiaries totalling RMB102,370,000 due to the deconsolidation of previously owned subsidiaries.

	30 June 2019
	RMB'000
Carrying value of non-controlling interests	
Bo Dao Road Construction Co., Ltd	16,429

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non controlling interests that are material to the Group. These are presented before inter company eliminations.

Summarised balance sheet

	Bo Dao Road Construction Co., Ltd
	30 June 2019
	RMB'000
Current	
Assets	215,920
Liabilities	(325,764)
Total current net assets	(109,844)
Non-current	
Assets	290,579
Total non-current net assets	290,579
Net assets	180,735

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14. Investment in subsidiaries (Continued)

Summarised income statements

	Bo Dao Road Construction Co., Ltd 30 June 2019 RMB'000
Revenue	189,072
Profit after income tax	50,005
Total comprehensive income	50,005
Total comprehensive income allocated to non-controlling interests	4,546

Summarised cash flows

	Bo Dao Road Construction Co., Ltd 30 June 2019 RMB'000
Net cash used in operating activities	(37,208)
Net cash generated from investing activities	3
Net cash generated from financing activities	35,000

15. Amount due from/(to) a subsidiary

	Company		
	30 June 2019 RMB'000	31 Dec 2017 RMB'000	1 Jan 2017 RMB'000
Long-term loan account			
- Amount due from a subsidiary	–	79,898	79,898
- Allowances for impairment loss	–	(79,898)	(79,898)
	–	–	–
Current loan account			
- Amount due from a subsidiary	144,540	15,339	15,339
- Allowance for impairment loss	–	(10,543)	(10,543)
	144,540	4,796	4,796
- Amount due to a subsidiary	–	(4,896)	(4,896)

The amounts due from/(to) a subsidiary are non-trade, unsecured, interest free and repayable on demand. These amounts approximate their fair values. The amounts due from/(to) a subsidiary are denominated in Renminbi.

During the year, the Company non-trade write off amount due from subsidiary and the amount due to subsidiary for RMB4,796,000 and RMB4,896,000 respectively due to the deconsolidation of previously owned subsidiaries.

16. Inventories

	Company		
	30 June 2019 RMB'000	31 Dec 2017 RMB'000	1 Jan 2017 RMB'000
Raw materials, at cost	–	566	564

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17. Trade and other receivables

	Group			Company		
	30 June 2019	31 Dec 2017	1 Jan 2017	30 June 2019	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:						
Trade receivables						
Third parties	146,040	–	–	–	–	–
Other receivables	6,442	–	–	–	–	–
	152,482	–	–	–	–	–
Current:						
Trade receivables						
Third parties	25,056	6,507	4,119	–	–	–
Deposits	44	–	–	–	–	–
Staff loan	26	–	–	–	–	–
Value-added tax receivables	115	–	–	–	–	–
Others	514	–	–	–	–	–
	25,755	6,507	4,119	–	–	–
	178,237	6,507	4,119	–	–	–

The currency profiles of the Group's and Company's trade and other receivables are as follows:

	Group			Company		
	30 June 2019	31 Dec 2017	1 Jan 2017	30 June 2019	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	178,187	6,507	4,119	–	–	–
Singapore dollar	50	–	–	–	–	–
	178,237	6,507	4,119	–	–	–

Trade receivables pertain to receivables from government authority which will be paid over a 10-years term on straight-line method based on the contract terms.

18. Prepayments

	Group			Company		
	30 June 2019	31 Dec 2017	1 Jan 2017	30 June 2019	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	87	4,560	4,560	24	–	–

In 2017, prepayments comprised of a payment of land use right over a plot of land measuring 16,235 sq. metres for industrial use located in Wubao Industrial Zone, Shishi City (2003-1-4) 石狮市鸿山镇伍堡污染工业区 (2003-1-4). In the current financial year, the Group restructured its operation and loss control over the subsidiaries, as such, such prepayments were not being recognised.

19. Cash and cash equivalents

	Group			Company		
	30 June 2019	31 Dec 2017	1 Jan 2017	30 June 2019	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash balances	2	–	3	–	–	–
Bank balances	104,604	112	657	30	5	5
	104,606	112	660	30	5	5

The effective interest rate of the cash and bank balances of the Group and the Company is 0.6% (2017: 0.6%) per annum. Interest rates reprice at intervals of one to three months.

The currency profiles of the Group's and Company's cash and cash equivalents as at end of financial year are as follows:

	Group			Company		
	30 June 2019	31 Dec 2017	1 Jan 2017	30 June 2019	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	104,572	107	633	–	–	–
Hong Kong dollar	–	–	22	–	–	–
Singapore dollar	34	5	5	30	5	5
	104,606	112	660	30	5	5

Cash and cash equivalents of RMB104,572,000 (2017: RMB107,000) held in People's Republic of China are subject to local exchange control regulation. These regulations places restriction on the amount of currency being exported other than through dividends.

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FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

20. Share capital

	Par value	30 June 2019	31 Dec 2017	1 Jan 2017	30 June 2019	31 Dec 2017	1 Jan 2017
		Number of ordinary shares			RMB'000	RMB'000	RMB'000
	US$	'000	'000	'000			
Authorised:							
At 1 January, 31 December and 30 June (US$100,000,000)	0.40	250,000[1][2]	50,000	50,000	615,347	615,347	615,347

	Par value	Number of ordinary shares '000			30 June 2019 USD'000	31 Dec 2017 USD'000	1 Jan 2017 USD'000
Issued and paid up:							
At 1 January	2.00	8,980	8,980	8,980	17,959	17,959	17,959
Share Split[1]	1.00	17,960	–	–	–	–	–
Share Capital Reduction[2]	0.40	17,960	–	–	7,181	–	–
Share Placement[3]	0.40	50,000	–	–	20,000	–	–
At 30 June/ 31 December	0.40	67,960	8,980	8,980	27,181	17,959	17,959
Equivalent to RMB'000					192,187	135,773	135,773

Fully paid ordinary shares carry one vote per share and carry a right to receive dividends as and when declared by the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Note

(1) On 28 September 2018, Company completed its share split (the "Share Split") of every one existing ordinary shares in the capital of the Company into two shares. To effect the Share Split, the ordinary share par value of US$2.00 was subdivided to US$1.00 per ordinary share. The authorised and issue share capital of the Company remain the same after the Share Split.

(2) On 28 September 2018, in accordance with the Bermuda laws the par value of the Share was reduced (the "Share Capital Reduction") from US$1.00 to US$0.40. The amount of credit arising from the Share Capital Reduction of US$10,775,749 (RMB81,463,800) was transferred to the contributed surplus account of the Company and utilised to set off against the accumulated losses in full.

(3) On 28 September 2018, Company completed its share placement (the "Share Placement") of 50,000,001 new ordinary shares in the capital of the Company at the issue price of S$0.60 per placement share.

21. Treasury shares

	30 June 2019	31 Dec 2017	1 Jan 2017	30 June 2019	31 Dec 2017	1 Jan 2017
	Number of ordinary shares '000			USD'000	USD'000	USD'000
Paid up:						
At 1 January, 31 December and 30 June	8	4	4	3	6	6
Equivalent to RMB'000				24	35	35

The Company had acquired an accumulated total of 200,000 of its own shares through purchases on SGX in 2012 and in 2014. The total amount paid to acquire the shares was RMB35,000 and has been deducted from shareholders' equity.

On 29 May 2015, the Company completed its share consolidation exercise to consolidate every fifty ordinary shares in the capital of the Company held by the shareholders into one ordinary share in the capital of the Company, to comply with the Minimum Trading Price ("MTP") requirement as implemented by the SGX-ST as an additional continuing listing requirement. The issued share capital of the Company as at 31 December 2015 comprises 8,979,791 consolidated shares, after disregarding any fraction of consolidated shares arising from the share consolidation exercise.

After the share consolidation exercise, the 200,000 treasury shares have been consolidated into 4,000 shares.

On 28 September 2018, Company completed its share split (the "Share Split") of every one existing ordinary shares in the capital of the Company into two shares. To effect the Share Split, the ordinary share par value of US$2.00 was subdivided to US$1.00 per ordinary share.

On 28 September 2018, in accordance with the Bermuda laws the par value of the Share was reduced (the "Share Capital Reduction") from US$1.00 to US$0.40.

After the Share Split and Share Capital Reduction, those 4,000 treasury shares have since been split into 8,000 shares.

22. Reserves

	Group			Company		
	30 June 2019	31 Dec 2017	1 Jan 2017	30 June 2019	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Share premium	79,908	79,908	79,908	79,908	79,908	79,908
Share placement	13,179	–	–	13,179	–	–
Capital reserve	–	4,403	4,403	–	–	–
Currency translation reserves	(797)	–	–	1,609	–	–
Statutory reserve	–	15,000	15,000	–	–	–
Merger reserve	(102,287)	(102,287)	(102,287)	–	–	–
	(9,997)	(2,976)	(2,976)	94,696	79,908	79,908

(i) Share premium

The share premium represents the excess of issue price over the par value of the shares issued, net of share issue expenses.

On 28 September 2018, Company completed its share placement (the "Share Placement") of 50,000,001 new ordinary shares in the capital of the Company at the issue price of S$0.60 per placement share.

(ii) Capital reserve

The capital reserve represents the premium arising from the issue of shares prior to 31 December 2003.

(iii) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profits after income taxes prepared in accordance with the accounting regulation of the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of these subsidiaries, subject to the approval from the PRC relevant authority, and are not available for dividend distribution to the shareholders.

(iv) Merger reserve

The merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares and capital reserve of subsidiaries acquired which is accounted for using the pooling-of-interest method.

23. Trade and other payables

	Group			Company		
	30 June 2019	**31 Dec 2017**	**1 Jan 2017**	**30 June 2019**	**31 Dec 2017**	**1 Jan 2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Trade payables						
- Third parties	18,497	855	506	–	–	–
Value added tax payable	–	–	103	–	–	–
Accrued operating expenses	1,084	4,852	5,012	279	2,781	1,388
Amount due to directors	858	–	–	–	–	–
Amount due to employees	109	–	–	802	–	–
Amount due to shareholder by a subsidiary	152,052	–	–	–	–	–
Other payables	3,126	3,378	1,722	2,965	1,711	1,711
Total trade and other payables	175,726	9,085	7,343	4,046	4,492	3,099

The amounts due to a directors, employees and shareholder are non-trade, unsecured, interest-free and repayable on demand.

No interest is charged on the trade and other payables. The payment term agreed was payment to the supplier upon collection from the trade receivables.

Amount due to shareholder by a subdiary pertains to amount due to corporate shareholder by the subsidiary, Bo Dao Road Construction Co. Ltd. Amount due to shareholder is non-trade, unsecured, non-interest bearing and repayable on demand.

The currency profiles of the Group's and Company's trade and other payables as at 31 December are as follows:

	Group			Company		
	30 June 2019	**31 Dec 2017**	**1 Jan 2017**	**30 June 2019**	**31 Dec 2017**	**1 Jan 2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Renminbi	171,063	4,593	4,319	–	–	75
Singapore dollar	4,663	4,492	3,024	4,046	4,492	3,024
	175,726	9,085	7,343	4,046	4,492	3,099

The carrying amounts of accruals and other payables approximate their fair values.

24. Bank borrowings

	Group		
	30 June 2019	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000
Secured bank loans			
- #1 Rural Commercial Bank of Shishi 石狮市石狮农村商业银行	–	7,900	7,900
- #2 Agricultural Bank of China 中国农业银行石狮市支行鸿山分理处	–	5,000	5,000
	–	12,900	12,900
Amount due for settlement within 12 months	–	12,900	12,900

In 2017, the Group's bank loans are secured by the Group's buildings on leasehold land, land use rights (Note 12 and 13). In the recent financial year, the Company write off property, plant and equipment and land use right due to the deconsolidation of previously owned subsidiaries where these written-off property, plant and equipment and land use right were belonged to these subsidiaries.

25. Deferred tax liabilities

Movements in deferred tax assets/(liabilities) during the financial year were as follows:

	Group			
	30 June 2019	Recognised in profit or loss	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax liabilities				
Accelerated tax depreciation	11,658	11,658	–	–
	11,658	11,658	–	–

26. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Compensation of directors and key management personnel remuneration

The remuneration of directors and other members of key management during the financial year are as follows:

	Group			Company		
	30 June 2019	31 Dec 2017	1 Jan 2017	30 June 2019	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term employee benefits	3,124	184	1,275	504	184	430

Included in the key management personnel's remuneration are costs of defined contribution plans for the Group amounting to RMB81,000 (2017: RMB36,000).

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27. Operating segments

Business segment

As the Group operates principally in a single business segment which is the provider of infrastructure projects, no reporting by business operations is presented.

Geographical segment

As the business of the Group is engaged entirely in the PRC, no reporting by geographical location of operations is presented.

28. Financial instruments by category

At the reporting date, the aggregate carrying amounts of financial assets at amortised cost and financial liabilities at amortised cost were as follows:

	Group			Company		
	30 June 2019	31 Dec 2017	1 Jan 2017	30 June 2019	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
At amortised cost	282,729	6,619	4,779	144,570	4,801	4,801
Financial liabilities						
At amortised cost	175,725	21,985	20,243	4,046	9.388	7,995

29. Financial risk management

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

29 Financial risk management (Continued)

Credit risks

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group has adopted a policy of only dealing with creditworthy counterparties. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

To minimise credit risk, the Group has developed and maintained the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic
- conditions that are expected to cause a significant change to the debtor's ability to
- meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

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29 Financial risk management (Continued)

Credit risks (Continued)

The Group categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

The Group's current credit risk grading framework comprises the following categories:

Category	Definition of category	Basis for recognising expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written on

The table below details the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

	Note	Category	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Group						
30 June 2019						
Trade receivables	17	Note 1	Lifetime ECL (simplified)	171,096	–	171,096
Other receivables	17	I	12–month ECL	7,141	–	7,141
					–	
1 January 2018						
Trade receivables	17	Note 1	Lifetime ECL (simplified)	6,507	–	6,507
Other receivables	17	I	12–month ECL	–	–	–

29 Financial risk management (Continued)

Credit risks (Continued)

	Note	Category	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Company						
30 June 2019						
Amount due from a subsidiary	15	I	12–month ECL	144,540	–	144,540
					–	
1 January 2018						
Amount due from a subsidiary	15	I	12–month ECL	15,339	(10,543)	4,796
					(10,543)	

Trade receivables (Note 1)

The management considers the credit risk on trade receivables to be limited because the counterparty is a provincial government authority of China. As mentioned in Note3.2(iv), according to the latest rating assessment by Moody's, S&P and Fitch, the credit rating of China stood at A1(Stable), A+(Stable) and A+(Stable) respectively. As such the Group does not expect credit loss from trade receivables.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Exposure to credit risk

Credit exposure to an individual customer is restricted by the credit limit approved by the credit controller. Customers' payment profile and credit exposure are continuously monitored by the credit controller and reported to the management and Board of Directors. The Group's trade receivables include 1 debtor (2017: 11 debtors) that collectively represented 100% (2017: 60%) of trade receivables at reporting date.

The Group's concentration of credit risk by geographical locations is mainly at the PRC, which account for 100% (2017: 100%) of the total trade receivables as at year end.

29 Financial risk management (Continued)

Previous accounting policy for impairment of financial assets

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are past due and/or impaired

Information regarding financial assets that are past due and/or impaired is as follows:

	Group
	2017
	RMB'000
Not past due	1,099
Past due over 30 days	2,781
Past due over 60 days	2,627
	6,507

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risks

The Group transacts business in Singapore dollar, other than the respective functional currency of the Group entities, and hence is exposed to foreign currency risks.

At present, the Group does not have any formal policy for hedging against exchange exposure.

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency of PRC is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through authorised financial institutions.

29 Financial risk management (Continued)

Market risks (Continued)

Foreign currency risks (Continued)

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:

	Group	Company	
	Singapore dollar	Singapore dollar	Renminbi
	RMB'000	RMB'000	SGD'000
2019			
Cash and cash equivalents	34	–	–
Trade and other receivables	51	–	–
Trade and other payables	(4,663)	–	–
Amount due from subsidiary	–	–	28,460
	(4,578)	–	28,460
2017			
Cash and cash equivalents	5	5	–
Trade and other payables	(4,492)	(4,492)	–
	(4,487)	(4,487)	–

Foreign currency sensitivity analysis

The Group is mainly exposed to Singapore dollar (SGD).

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29 Financial risk management (Continued)

Market risks (Continued)

The following table details the Group's sensitivity to a 10% change in SGD against the respective functional currencies of the Group entities. The sensitivity analysis assumes an instantaneous 10% change in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

	(Increase)/Decrease			
	Group		Company	
	Loss before tax			
	2019	2017	2019	2017
	RMB'000	RMB'000	SGD'000	RMB'000
<u>SGD</u>				
Strengthens against RMB	(458)	(449)	–	(449)
Weakens against RMB	458	449	–	449
<u>SGD</u>				
Strengthens against RMB	–	–	2,846	–
Weakens against RMB	–	–	(2,846)	–

<u>Interest rate risks</u>

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their cash and cash equivalents.

The Group does not expect any significant effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

29 Financial risk management (Continued)

Liquidity risks

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both interest and principal cash flows.

	Less than 1 year
	RMB'000
Group	
Undiscounted Financial Assets	
Cash and bank balances	104,606
Trade and other receivables	25,056
As at 30 June 2019	129,662
Cash and bank balances	112
Trade and other receivables	6,507
As at 31 December 2017	6,619
Undiscounted Financial Liabilities	
Trade and other payables	175,725
As at 30 June 2019	175,725
Trade and other payables	9,085
Bank borrowings	12,900
As at 31 December 2017	21,985

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29 Financial risk management (Continued)

Liquidity risks (Continued)

	Less than 1 year RMB'000
Company	
Undiscounted Financial Assets	
Cash and bank balances	30
Amount due from a subsidiary	144,540
As at 30 June 2019	144,570
Cash and bank balances	5
Amount due from a subsidiary	4,796
As at 31 December 2017	4,801
Undiscounted Financial Liabilities	
Trade and other payables	4,046
As at 30 June 2019	4,046
Trade and other payables	4,492
Amount due to a subsidiary	4,896
As at 31 December 2017	9,388

30. Fair value of assets and liabilities

Cash and cash equivalents, other receivables and other payables

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

Trade receivables and trade payables

The carrying amounts of these receivables and payables (including trade balances due from/to holding and related companies) approximate their fair values as they are subject to normal trade credit terms.

31. Acquisiton of a subsidiary

On 1 August 2018, the Group acquired 90.91% of the issued share capital of Bo Dao Road Construction Co. Ltd ("Bo Dao") for consideration of RMB100 million. The consideration is being financed by proceeds from the placement (Note 20). This transaction has been accounted for by the acquisition method of accounting.

Bo Dao is an entity incorporated in the People's Republic of China with its principal activity being the road project construction, management, operation and maintenance. The Group acquired Bo Dao for various reasons, the primary reason being to gain access to Bo Dao's already established manufacturing facilities and assembled workforce (instead of setting up new facilities which may take time to reach optimum production efficiency levels).

31.1 Consideration transferred (at acquisition date fair values)

Bo Dao Road Construction Co. Ltd	**Total** **RMB'000**
Consideration	100,000,000

31.2 Assets acquired and liabilities assumed at the date of acquisition

Bo Dao Road Construction Co. Ltd	**Total** **RMB'000**
Non-current assets	
Contract assets – revenue not recognised (Note 11 and Note 2.17)	216,437
Plant and equipment	247
Current assets	
Cash and cash equivalents	100
Other assets	130
Current liabilities	
Trade and other payables	(88,230)
Net assets assumed	128,684

31.3 Non-controlling interest

The non-controlling interest (9.09%) in Bo Dao recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to RMB10,000,000. This fair value was estimated by applying an income approach.

31. Acquisiton of a subsidiary (Continued)

31.4 Bargain purchase arising on acquisition

Bo Dao Road Construction Co. Ltd	**Total** **RMB'000**
Consideration transferred	100,000
Add: Non-controlling interest	10,000
Less: Fair value of identifiable net assets assumed	(128,684)
Bargain purchase arising on acquisition	(18,684)

Bargain purchase arose in the acquisition of Bo Dao.

Bargain purchase amounting to approximately RMB18,684,000 is recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income as “Other Income” (Note 5). The acquisition has resulted in bargain purchase as this is the initiative by the provincial government of Sichuan, China, by encouraging the co-operation between foreign incorporated entities with the state-owned enterprise.

The Group measured the fair value of the identifiable assets and liabilities of Bo Dao as at 30 November 2018 based on an independent valuation report from a professional PRC valuer, Truscel Capital LLP Singapore, dated 30 September 2019.

31.5 Net cash inflow on acquisition of subsidiary

Bo Dao Road Construction Co. Ltd	**Total** **RMB'000**
Consideration transferred	–
Add: Cash and cash equivalent balances acquired	92
Bargain purchase arising on acquisition	92

31.6 Impact of acquisition on the results of the Group

Included in the profit before tax for the year is RMB36 million attributable to the additional business incurred by Bo Dao. Revenue for the period from Bo Dao amounted to RMB189 million.

Had the business combination during the year been effected at 1 January 2018, the revenue of the group from continuing operations would have been RMB189 million, and the profit for the year would have been RMB36 million.

32. Lost of control of susbidiaries

As at 30 June 2019, the Company determined that it had lost control of the following subsidiaries (the PRC subsidiaries):

(i) Simwa Holdings Ltd

(ii) Shishi Simwa Knitting & Dyeing Co., Ltd

(iii) Xiamen Sunny Dyeing and Printing Co., Ltd

Rationale

The board has concluded that the Company has no option but to de-consolidate the PRC subsidiaries from its financial reporting as at 30 June 2019.

The effect of de-consolidation is that in future, the financial results of the subsidiaries are no longer reported in the Company's Annual Report (i.e. the report will be at a Company, not Group level) and the investment in the subsidiaries is written down in the Company's accounts as a disposal without consideration. In the event that the Company is able to re-establish control over the PRC subsidiaries and/or their assets, the Company will then re-consolidate and/or recognize this value.

De-consolidation will allow the Company to prepare and issue financial reports that, to the extent possible given the circumstances, most closely and accurately reflect the true financial position of the Company.

As shareholders will be aware, the Company has been unable to complete its financial reporting on a Group basis (including the PRC subsidiaries information). The board did not, until now, believe that de-consolidation was warranted as they were waiting for further information and confirmations on the PRC subsidiaries. The board now believes that the decision to de-consolidate as at 30 June 2019 is justified.

The de-consolidation is based on a combination of factors:

1. The Board has incomplete records for the Company itself and no access to the books and records of the PRC subsidiaries or reliable information on which to reconstruct the financial performance of the PRC subsidiaries.

2. The Board has restructured the operation of the Group and these subsidiaries were deemed as non-contributing to the financial performance of the Group.

3. The discovery and confirmation of the existence of significant litigation involving the PRC subsidiaries in China which was not disclosed by PRC Management, points to the subsidiaries having gone out of control even before 31 December 2017.

4. The Board has concluded that they have lost power over the subsidiaries especially over the operational right and the power to influence the variable returns of these entities.

Given the circumstances and based on the available information, the Board believes that the Company and its shareholders have been the victim of financial misreporting and non-disclosure by the PRC subsidiaries under the control and management of previous management, in relation to financing debt, material litigation and cash balances.

The Board believes that de-consolidating the accounts as at 30 June 2019 will be the fairest and most accurate way of reporting the Company's financial position going forward and will allow the Company to pursue a restructuring and reorganization of its listing to safeguard its remaining value.

32. Lost of control of susbidiaries (Continued)

Details of the disposal are as follows:

Carrying amounts of net assets of which control was lost:

	30 June 2019 RMB'000
Non-current assets	
Property, plant and equipment	24,599
Land use rights	2,244
Current assets	
Inventories	566
Trade and other receivables	11,067
Cash and bank balances	112
Current Liabilities	
Trade and other payables	(4,593)
Bank borrowings	(12,900)
Net assets de-recognised	21,095
Adjustments	(2,036)
	19,059

No consideration was received on disposal of the above subsidiaries.

Loss on disposal:		
Consideration received	–	–
Net assets de-recognised	(19,059)	–
Attributable reserves:		
Statutory reserve	–	–
Merger deficit	–	–
	(19,059)	–

No cash was received for the disposal of the above subsidiaries.

Net cash out on disposal of subsidiaries		
Cash and cash equivalents disposed	112	–

33. Capital management policies and objectives

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business and maximise shareholder value.

The Group's management reviews the capital structure on an annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2017.

As disclosed in Note 22, a subsidiary of the Group is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The review of the Group's capital risk management policies and objectives is conducted by the Audit Committee and the Board of Directors.

The Group and the Company are in compliance with externally imposed capital requirements for the financial years ended 30 June 2019 and 31 December 2017.

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents and amount due from a subsidiary.

	Group		**Company**	
	2019	**2017**	**2019**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Net debt	71,119	21,873	(140,523)	9,383
Total equity	184,127	16,522	141,058	(4,587)
Gearing ratio	39%	132%	N.M*	(205%)

* N.M – Not meaningful

34. Adoption of a new financial reporting framework

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)s") for the first time for financial period from 1 January 2018 to 30 June 2019 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I)s are identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I)s, the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (30 June 2019), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 30 June 2019, an additional opening statement of financial position as at date of transition (January 1, 2017) is presented, together with related notes.

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework.

Management has elected the following transition exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to acquisitions of subsidiaries that are considered businesses under SFRS(I) that occurred before January 1, 2017. The FRS carrying amounts of assets and liabilities determined in that business combination, that are required to be recognised under SFRS(I), are the deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SFRS(I). Assets and liabilities that do not qualify for recognition under SFRS(I) are excluded from the opening SFRS(I) statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of SFRS(I) recognition requirements.

- The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 *Financial Instruments* on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9. As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

35. Significant events during the current financial year

(a) Resumption of trading proposal

On 18 January 2018, the Company had submitted an application to the Singapore Exchange Regulation Pte. Ltd. ("SGX Regulation") to lift the voluntary trading suspension of its shares. In support of the application, the Board had proposed the Resumption of Trading Proposal comprising the course of actions including (i) engage a special audit to conduct investigation on transactions with and the net compensations claims paid to the three Claimants, (ii) implement share split to enlarge the issued share capital of the Company, (iii) allot and issue an aggregate of 50,000,001 new shares (the "Placement Shares") and (iv) diversify from its existing business of manufacturing to include infrastructure investment.

On 23 February 2018, the Company has received a letter from the SGX Regulation in connection with the Resumption of Trading Proposal. The SGX Regulation had no objection to the Resumption of Trading Proposal subject to the Company able to completed a list of requirement and commitment made by the Company.

In support of the application SGX Regulation to lift the voluntary trading suspension of its shares, the Company had proposed the Resumption of Trading Proposal comprising the following steps:

(i) Special Audit

The Company has appointed KPMG Services Pte. Ltd. on 12 December 2017 to conduct special audit works. The Company undertakes to take corrective and enforcement actions on findings in the Special Audit report as one of the SGX Regulation's conditions to lift the voluntary trading suspension of its shares. The scope of the special audit will focus on transactions with and the net compensation claims from three customers.

On 23 November 2018, the Company further announced that the Company wishes to update the status of Special Audit. The KPMG team had commenced the fieldwork and sent a list requesting certain information pertaining to Simwa Knitting & Dyeing Co., Ltd (one of the China subsidiary). However, they were not afforded effective cooperation by the China subsidiary. Consequently, the KPMG team is not able to complete the tasks it had set.

(ii) Proposed Share Spilt, Share Capital Reduction and Placement

The Company has implemented a share split of every one (1) existing ordinary share in the capital of the Company to two (2) shares, thereby enlarging the issued share capital of the Company to 17,959,582 Shares and remains the issued and paid-up share capital of approximately S$27,154,600.

The Company has also completed a Share Capital Reduction, to reduce the par value of the Shares of the Company in issue and authorised from US$1.00 per share to US$0.40 per share. Upon completion of the Share Capital Reduction, the authroised share capital is US$100,000,000 of 250,000,000 shares and issued and paid-up share capital of approximately US$7,183,833 of 17,959,582 shares.

Upon the completion of the proposed share split and share capital reduction, the Company has also proposed to allot and issue an aggregate of 50,000,001 new Shares to China Capital Investment Group, Asia Hausse Investments Pte Ltd, Newsome Holdings Limited, Wayman Holdings Limited, Dr Carol Choong and Mdm Su Wan Ru at an issue price of $0.60 for each New Shares.

35. Significant events during the current financial year (Continued)

(a) Resumption of trading proposal (Continued)

(ii) Proposed Share Spilt, Share Capital Reduction and Placement (Continued)

Eventually, the issued and paid-up share capital will be increased to approximately $38,335,841 comprising 67,959,583 Shares.

The proposed share split and placement was approved as a result of Special General Meeting on 19 September 2018.

(iii) Placement of 50,000,001 new ordinary shares

On 7 May 2018, the Company has made an announcement that the Company had entered into subscription agreements with (i) China Capital Investment Group, (ii) Asia Hausse Investments Pte. Ltd., Newsome Holdings Limited and Dr. Carol Choong, and (iii) Wayman Holdings Limited and Mdm. Su Wan Ru on 28 March 2018, 24 April 2018 and 25 April 2018 respectively.

The Company has agreed to allot and issue and each subscriber has agreed to subscribe and pay for an aggregate of 50,000,001 new ordinary shares in the capital of the Company (the “New Share”) representing 73.58% of the Company’s existing enlarged share capital, at an issue price of S$0.60 for each New Share, subjected to and upon the terms and conditions of the Subscription Agreements. The placement will increase the issued and paid-up share capital of the Company to 67,959,583 ordinary shares in the capital of the Company.

The placement has been completed on 28 September 2018.

(iv) Business Diversification

The Company has proposed to diversify from its existing business of manufacturing to include infrastructure investment. This is because the Company believes that there will be huge opportunities in the field of Infrastructure investment in the region and greater growth potential for the Company in this new diversification of business.

The proposed business diversification was approved as a result of Special General Meeting on 19 September 2018.

No further update as at date of these financial statements.

(b) Investment in Bo Dao Road Construction Co., Ltd.

On 7 May 2018, the Company has announced that the Company has on 28 March 2018 entered into a framework investment and cooperation agreement (the “Agreement”) with Yibin Highway & Bridge Construction Co., Ltd (“Yibin H&B”), being a majority owned subsidiary of the Ding Neng Group and the representative of the existing equity holders (the “Existing Equity Holders”) of Bo Dao Road Construction Co., Ltd (the “Target Company”), pursuant to which the Company or its subsidiary, has agreed to invest RMB 100 million and such subsidiary will obtain an aggregate of 90.91% equity stake in the Target Company (the “Proposed Investment”). Yibin H&B is 96.50% owned by Ding Neng Group and 3.50% owned by the Yibin City government. The investment is in line with the Group’s strategic direction to expand its business to include investment in infrastructure projects.

35. Significant events during the current financial year (Continued)

(c) Incorporation of a wholly-owned subsidiary

On 2 November 2018, the Company announced that a wholly-owned subsidiary, Raffles Infrastructure Investments (Singapore) Pte. Ltd., incorporated in Singapore. The principal activities of the subsidiary are related to activities of head and regional offices, centralised administrative offices and subsidiary management offices. The subsidiary's issued and paid up capital is SGD 1 comprising 1 ordinary share. As at 30 June 2019, the issued and paid up capital is SGD 100,000 comprising 100,000 ordinary share.

(d) Tourist Railway Project

On 22 October 2018, the Company has entered into a Framework Agreement with Tourist Board of the People's Government of Dengfeng City, People's Republic of China (登封市人民政府旅游局) and Chengdu Tianfu Railtech Valley Technology Co., Ltd. (成都天府轨谷科技有限公司) for the purpose of building tourist railways with an estimated contract value of RMB 6 billion. The Government of Dengfeng City will provide assistance and support to facilitate the project. The project has not commenced up to the date of this report.

(e) Change of financial year end from 31 December to 30 June

On 1 February 2019, the Company announced the change of the Company's financial year end from 31 December to 30 June. Following the change, the current financial year of the Company will end on 30 June 2019 ("FY2019") and the current set of audited financial statements of the Company will cover a period of 18 months from 1 January 2018 to 30 June 2019.

As at 31 December 2018, the Group recorded operations for only three (3) months, as operations were largely suspended until September 2018 when the Company resumed trading of its shares. The management of the Company is, therefore, of the view that it would be more meaningful and representative of the Group's performance if the financial year end of the Group was changed to 30 June. This would then capture a full year of business activities.

36. Events after the reporting period

Release of special audit report by KPMG

As previously announced, the Company has appointed KPMG Services Pte. Ltd. on 12 December 2017 to conduct special audit works. The scope of the special audit will focus on transactions with and the net compensation claims from three customers.

On 23 November 2018, the Company further announced that the Company wishes to update the status of Special Audit. The KPMG team had commenced the fieldwork and sent a list requesting certain information pertaining to Simwa Knitting & Dyeing Co., Ltd (one of the China subsidiary). However, they were not afforded effective cooperation by the China subsidiary. Consequently, the KPMG team is not able to complete the tasks it had set.

Subsequent to the financial year ended 30 June 2019, KPMG (the "Special Auditor") has completed the Special Audit and has submitted the full report on its findings to the SGX-ST and AC. While the Special Auditor was able to review and investigate into certain matters and obtain certain documents, a considerable number of documents have not been available to them. The Special Auditor has not been able to determinie conclusively the findings set out in their report. There are no specific recommendations in the Special Audit Report for any particular remedial action to be taken.

37. Comparative figures

The current financial period comprises 18 months from 1 January 2018 to 30 June 2019 as the Company changed its financial year end from 31 December to 30 June.

The audited comparative figures presented in the financial statements are not entirely comparable as they cover a period from 1 January 2017 to 31 December 2017.

The independent auditor's report dated 9 January 2019 contains a disclaimer of opinion on the financial statements for the financial year ended 31 December 2017. Below is the extract of the basis for disclaimer of opinion.

Extracted from auditor's report for the financial year ended 31 December 2017

" Basis for Disclaimer of Opinion

(a) Opening balances

Our independent auditor's report dated 8 June 2018 contains a disclaimer of opinion on the financial statements for the financial year ended 31 December 2016. The basis for disclaimer of opinion on the financial statements for the financial year ended 31 December 2016 is disclosed in Note 33 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 2016, we were unable to determine whether the opening balances as at 1 January 2017 are fairly stated.

Since the opening balances as at 1 January 2017 are entered into the determination of the financial position of the Group and of the Company as at 31 December 2017 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 31 December 2017, we are 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 31 December 2017.

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

(b) Compensation claims by three customers

As disclosed in Note 30 and 33(b), on 30 November 2015, the Company's wholly-owned subsidiary, Shishi Simwa Knitting & Dyeing Co., Ltd (石狮市新华针织漂染有限公司) first received notices from its three existing customers ("Claimants") on 25 November 2015 and 26 November 2015 alleging that they had suffered substantial damages and financial losses due to the products processed by that subsidiary for not meeting their specified requirements, resulting in de-colouration of their end-products (the "Claims"). It was noted that the said notices did not contain quantification of the alleged losses incurred. These Claims were for products delivered in 2014 and early 2015.

The matters relating to the compensations were disclosed by the Company in their announcements on the Singapore Exchange dated 8 April 2016, 19 July 2016, 27 September 2016, and 29 September 2016.

37. Comparative figures (Continued)

Extracted from auditor's report for the financial year ended 31 December 2017 (Continued)

Basis for Disclaimer of Opinion (Continued)

(b) Compensation claims by three customers (Continued)

We were informed by the audit committee on December 2017, the board of directors of the Company have engaged special audit to conduct investigation on cash in bank and compensation claims by three customers. Consequently, we have not been provided with or able to obtain any independent evidence that would be sufficient and appropriate for our audit purposes to conclude on the Claims, their validity and their accounting treatment and disclosures.

(c) Bank confirmation

We were informed by the audit committee on December 2017 that the board of directors of the Company has engaged a special audit to conduct investigation on cash in bank and compensation claims by three customers (see point (2) above). Consequently, we were unable to carry out our audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence and the quantum of the bank balances amounting to RMB112,000 (see Note 19) as at 31 December 2017. In addition, we were also unable to determine the existence, quantum and completeness of the bank borrowings, which amounted to RMB12,900,000 (see Note 24) as at 31 December 2017.

Further, as disclosed in Note 24(a) & (b) to the financial statements, the bank borrowings of RMB4,400,000, RMB3,500,000 and RMB5,000,000 granted to the Group had matured on 5 September 2018, 8 August 2018 and 22 March 2018 respectively. We have not been provided with any supporting documents with respect to the settlement of these borrowings. Consequently, we were unable to establish whether these loans have been fully settled on their maturity date.

(d) Going concern

As disclosed in Note 1.2 to the financial statements, as at 31 December 2017, the Group's current liabilities exceeded its current assets by RMB10,240,000. In addition, the Group incurred a net loss of RMB3,137,000 and recorded net operating cash outflows of RMB548,000 during the financial year ended 31 December 2017.

As disclosed in Note 30 to the financial statements, and as noted in our report above (Point 2), the Group paid a total compensation amount of RMB465,998,000 after netting off against the trade receivables amounting to RMB4,477,000 to the Claimants namely, 晋江市滨浪制衣织造有限公司, 石狮市爱利奴服饰有限公司 and 石狮市金太屋纺织服饰有限公司.

Accordingly, the Group's cash and cash equivalents of approximately RMB112,000 (Note 19) as at 31 December 2017 have been substantially depleted due to the above compensation paid on 28 September 2016. This has created a material uncertainty with respect to availability and sustainability of cash flow and/or operating funds. Accordingly, this may cast significant doubt over the Group's and the Company's ability to continue as going concerns.

As disclosed in Note 1.2 to the financial statements, the directors have prepared these financial statements on a going concern basis. Based on the limited information about the Group and of the Company made available to us, and the sever limitation of scope faced in the conduct of our audit, we were unable to perform alternative procedures to determine the appropriateness of the use of the going concern assumption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

37. Comparative figures (Continued)

Extracted from auditor's report for the financial year ended 31 December 2017 (Continued)

Basis for Disclaimer of Opinion (Continued)

(e) Prepayment of land use rights

As disclosed in Note 18 to the financial statements, included in prepayments is a payment of land use right over a plot of land measuring 16,235 square metres located at Wubao Industrial Zone, Shishi City (2003-1-4) 石狮市鸿山镇伍堡污染工业区 (2003-1-4).

As we had not been furnished by the Company with any of the supporting documents with respect to the refund from the Land Bureau, nor had we been able to obtain information or perform any alternative procedures with respect to the land use rights, accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity and existence of this prepayment.

(f) Property, plant and equipment and land use rights

As at 31 December 2017, the Group's carrying values of property, plant and equipment and land use rights amounted to RMB24,518,000 and RMB2,244,000 respectively. As disclosed in Note 24 to the financial statements, the bank borrowings are secured by the Group's buildings on leasehold land (Note 12) and land use rights (Note 13) with carrying amounts of RMB5,615,000 and RMB2,244,000 respectively.

With reference to Point 3 above, we were not able to perform audit procedures relating to bank balances and borrowings. Consequently, we were unable to verify the ownership or collateralisation of the buildings on leasehold land and land use rights. The Company has informed us that the title deed is being held by the bank as collateral.

In addition, management has also not determined the recoverable amount of, nor assessed for any allowance for impairment of the property, plant and equipment and land use rights. We were also unable to perform alternative audit procedures to assess the appropriateness of the carrying amount of the property, plant and equipment and land use rights.

(g) Inventories

As at 31 December 2017, the Group's inventories had a carrying value of RMB566,000 (Note 16). As the Company did not make arrangements for us to observe the counting of physical inventories as at the end of the financial year, we were unable to satisfy ourselves concerning the inventory quantities held as at 31 December 2017. Neither were we able to perform alternative audit procedures. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of recorded and unrecorded inventories, and the elements making up the statements of financial position, consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of cash flows.

(h) Tax provision

In view of the above matters mentioned in the Basis for Disclaimer of Opinion section of our report, we were unable to determine the consequential tax impact arising from any necessary and consequential adjustments and the appropriateness and completeness of disclosures made in the financial statements for the financial year ended 31 December 2017.

37. Comparative figures (Continued)

Extracted from auditor's report for the financial year ended 31 December 2017 (Continued)

Basis for Disclaimer of Opinion (Continued)

(i) Investment in subsidiaries

(a) Effective shareholdings of the investment in subsidiaries

We were unable to obtain the supporting documents to verify the effective shareholdings of the investment in subsidiaries (Note 14). In the absence of evidence of shareholdings held by the Group in the subsidiaries, we were unable to verify whether the Group had ownership over those subsidiaries, and if it had, whether that ownership constitutes control over those subsidiaries or otherwise. Accordingly, we were unable to determine if the consolidated financial statements of the Group for the year ended 31 December 2017 were fairly stated. We were also unable to obtain sufficient and appropriate audit evidence on the existence and classification of the investment in its subsidiaries, as recorded in the separate financial statements of the Company.

(b) Access to the accounting records of the subsidiaries

In carrying out our audit of the subsidiaries of the Company, we are also unable to obtain sufficient appropriate audit evidence to determine the:

(i) Carrying values of the assets and liabilities associated with the subsidiaries of the Company; and

(ii) Veracity of the respective components in the financial results of the subsidiaries of the Company for the current financial year ended 31 December 2017 because the accounting and other records supporting the transactions during the financial year and the resultant balances were not available.

We were unable to perform other alternative audit procedures to satisfy ourselves with respect to these said transactions and balances. As a result of the above, we were unable to determine the adjustments, if any, to be made to these financial statements.

(j) Trade and other receivables and trade and other payables

As at 31 December 2017, trade and other receivables and trade and other payables amounted to RMB6,507,000 (Note 17) and RMB9,085,000 (Note 23), respectively. We were not able to carry out auditing procedures on these amounts as at 31 December 2017 because documentation supporting the transactions were not available. We were unable to satisfy ourselves by alternative means concerning the validity, existence and accuracy of these trade and other receivables and trade and other payables of RMB6,507,000 and RMB9,085,000 as at 31 December 2017.

37. Comparative figures (Continued)

Extracted from auditor's report for the financial year ended 31 December 2017 (Continued)

Basis for Disclaimer of Opinion (Continued)

(k) Amount due from a subsidiary and amount due to a subsidiary

As at 31 December 2017, amount due from a subsidiary amounted to RMB4,796,000 (Note 15) and amount due to a subsidiary amounted to RMB4,896,000 (Note 15). We were not able to carry out auditing procedures on these amounts as at 31 December 2017 because documentation supporting the transactions were not available. We were unable to satisfy ourselves by alternative means concerning the validity, existence and accuracy of the amount due from a subsidiary amounted to RMB4,796,000 and amount due to a subsidiary amounted to RMB4,896,000 as at 31 December 2017.

(l) Significant events during the financial year

We were unable to complete all our audit procedures for the significant events occurring during the financial year, which we considered necessary to satisfy ourselves on the significant matters occurring during the financial year with respect to items recorded or unrecorded as at 31 December 2017.

Accordingly, in view that the Company has engaged a special audit to conduct investigation on the significant events noted in our report above (Points 2 and 3), we were unable to determine whether all significant events during the year have been adequately dealt with in these financial statements (see Note 31) with respect to disclosures, presentation and adjusting significant events during the financial year.

(m) Post balance sheet events

We were unable to complete all our audit procedures for the post balance sheet events, which may have material effects on the current year financial statements. Accordingly, we were unable to determine whether all post balance sheet events have been adequately dealt with in these financial statements with respect to disclosures, presentation and adjusting significant events.

(n) Legal action against the Group and the Company

We were unable to complete all our audit procedures for the legal action against the Group and the Company, if any, which may have material effects on the current year financial statements. Accordingly, we were unable to determine whether all the legal action have been dealt with in these financial statements with respect to disclosures, presentation and adjusting significant events."

STATISTICS OF SHAREHOLDINGS

AS AT 24 SEPTEMBER 2019

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	90	13.53	5,396	0.01
100 - 1,000	136	20.45	64,292	0.10
1,001 - 10,000	334	50.23	1,273,336	1.87
10,001 - 1,000,000	97	14.59	5,975,242	8.79
1,000,001 and above	8	1.20	60,633,317	89.23
Total	**665**	**100.00**	**67,951,583**	**100.00**

* Excluding Treasury Shares as at 24 September 2019 - 8,000 shares

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

No.	Name	No. of Shares	%
1	CHINA CAPITAL INVESTMENT (GROUP) CO., LTD.	16,666,667	24.53
2	MAGIC MICRO CO., LTD	13,799,833	20.31
3	UOB KAY HIAN PTE LTD	9,725,433	14.31
4	PHILLIP SECURITIES PTE LTD	9,103,708	13.40
5	SU WANRU	5,250,002	7.73
6	WAYMAN HOLDINGS LIMITED	3,083,333	4.54
7	KWEK SWEE HENG	1,603,933	2.36
8	SOLIGNY BRUNO LUDOVIC	1,400,408	2.06
9	RHB SECURITIES SINGAPORE PTE LTD	653,350	0.96
10	CITIBANK NOMINEES SINGAPORE PTE LTD	511,782	0.75
11	LEE GUAN HUAT	403,600	0.59
12	OCBC SECURITIES PRIVATE LTD	340,562	0.50
13	PU WEIDONG	218,400	0.32
14	NA CHING CHING, LINDA (LAN QINGQING,LINDA)	202,404	0.30
15	WONG POH HWA @ KWAI SENG	180,000	0.26
16	GOODMARKS PTE LTD	166,800	0.25
17	WONG CHI KWAN BETTY MRS WONG CHI KWAN BETTY	162,860	0.24
18	RSM (LING KIM CHYE - B828/2017)	157,800	0.23
19	ZHANG BAOHUI	135,000	0.20
20	ADDISON GOH SIONG HOON (ADDISON WU XIANGYUN)	126,000	0.19
	Total:	**63,891,875**	**94.03**

Note:

%: Based on 67,951,583 shares (excluding shares held as treasury shares) as at 24 September 2019
*: Treasury Shares as at 24 September 2019 - 8,000 shares

STATISTICS OF SHAREHOLDINGS

AS AT 24 SEPTEMBER 2019

SUBSTANTIAL SHAREHOLDERS

	No. of Shares		
Name	**Direct Interests**	**Deemed Interests**	**%**
China Capital Investment (Group) Co., Ltd.	16,666,667	–	24.53
Magic Micro Co., Ltd	13,799,833	–	20.31
Wellgain International Holdings Limited	9,044,186	–	13.31
Wu Xinhua[1]	–	9,044,186	13.31
Asia Hausse Investments Pte. Ltd.	8,333,333	–	12.26
Lin Sin Hoe[2]	–	8,333,333	12.26
Su Wan Ru	5,250,002	–	7.73

Notes:

1 Wu Xinhua is the legal and beneficial owner of all the issued and paid-up share capital of Wellgain International Holdings Limited ("Wellgain"). Accordingly, he is deemed interested in the 9,044,186 shares held by Wellgain. Wellgain's interests in the 9,044,186 shares are held by Philip Securities Pte Ltd as nominee.

2 Lin Sin Hoe is the sole shareholder of Asia Hausse Investments Pte. Ltd ("Asia Hausse"). Accordingly, he is deemed interested in the 8,333,333 shares held by Asia Hausse. Asia Hausse's interests in the 8,333,333 shares are held by UOB Kay Hian Pte Ltd as nominee.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 24 September 2019, 21.86% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting of Raffles Infrastructure Holdings Limited (the "Company") will be held on Thursday, 31 October 2019 at Chinese Swimming Club, 21/34 Amber Road, Singapore 439870 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial period from 1 January 2018 to 30 June 2019 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To approve the Directors' fees of S$200,000 for the financial year ending 30 June 2020 to be paid quarterly in arrears. (18MFY2019: S$320,000.00) **(Resolution 2)**

3. To re-elect Mr Leow Yong Kin who is retiring by rotation pursuant to Bye-law 86 of the Company. **(Resolution 3)**

   [See Explanatory Note (1)]

4. To re-elect Mr Toh Tiong San who is retiring pursuant to Bye-law 86 of the Company. **(Resolution 4)**

   [See Explanatory Note (2)]

5. To re-appoint Messrs RT LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business that may properly be transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

7. **Authority to issue shares and convertible securities** **(Resolution 6)**

   "That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent. of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent. of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue or consolidation or subdivision of shares,

(3) and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the Monetary Authority of Singapore) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

[(See Explanatory Note (3)]

BY ORDER OF THE BOARD

Lee Wei Hsiung
Company Secretary
Singapore, 16 October 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(1) Mr Leow Yong Kin will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and a member of the Remuneration Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(2) Mr Toh Tiong San will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

The Directors who have offered themselves for re-election have each confirmed that they do not have any relationship (including immediate family relationships) with the other Directors, the Company or its 10% shareholders. The current directorships in other listed company (if any) and details of other principal commitments held by each of these Directors are set out on pages 6 to 8 of this Annual Report.

(3) Ordinary Resolution 6, if passed, will authorise the directors to issue shares and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50 per cent. of the total number of issued shares (excluding treasury shares and subsidiary holdings) (the "50% Limit"), with a sub-limit of 20 per cent for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time that Ordinary Resolution 6 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 6 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares. As at 24 September 2019, the Company had 8,000 treasury shares and no subsidiary holdings.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/ or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Note:

1. A registered Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. If a registered Shareholder is unable to attend the Annual General Meeting and wishes to appoint a proxy to attend and vote at the Annual General Meeting in his stead, then he should complete and sign the relevant Member Proxy Form and deposit the duly completed Member Proxy Form at the office of the Company's Share Transfer Agent in Singapore, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00 Singapore 068898 not later than 48 hours before the time appointed for the Annual General Meeting.

3. A depositor registered and holding Shares through The Central Depository (Pte) Limited ("**CDP**") who/which is (i) an individual but is unable to attend the Annual General Meeting personally and wishes to appoint a nominee to attend and vote; or (ii) a corporation, must complete, sign and return the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the Company's Share Transfer Agent in Singapore, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00 Singapore 068898 not later than 48 hours before the time appointed for the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

4. If a Shareholder who has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members is unable to attend the Annual General Meeting and wishes to appoint a proxy, he should use the Depositor Proxy Form and the Member Proxy Form for, respectively, the Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members.

5. A Depositor who is an individual and who wishes to attend the 2019 Annual General Meeting in person need not take any further action and can attend and vote at the 2019 Annual General Meeting as CDP's proxy without the lodgement of any proxy form.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Leow Yong Kin and Mr Toh Tiong San are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 31 October 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR LEOW YONG KIN	**MR TOH TIONG SAN**
Date of Appointment	5 October 2017	23 October 2017
Date of last re-appointment	28 November 2017	28 November 2017
Age	48	53
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Leow Yong Kin for re-appointment as Non-Executive Independent Director of the Company. The Board have reviewed and concluded that Mr Leow Yong Kin possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Toh Tiong San for re-appointment as Non-Executive Independent Director of the Company. The Board have reviewed and concluded that Mr Toh Tiong San possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of Audit Committee, member of Nominating Committee and member of Remuneration Committee	Independent Director, Chairman of Remuneration Committee, member of Audit Committee and member of Nominating Committee
Professional qualifications	• Honours Degree in BA Accounting, University of Lincolnshire & Humberside • Chartered Accountant, Institute of Singapore Chartered Accountants • Chartered Accountant, Association of Chartered Certified Accountants	Honours Degree in Electrical Engineering, National University of Singapore

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LEOW YONG KIN	MR TOH TIONG SAN
Working experience and occupation(s) during the past 10 years	Year 2009 to present: Director of AccountsPro Consulting Services Pte Ltd Year 2014 to Year 2017: Chief Financial Officer of China Great Land Holdings Ltd. Year 2012 to Year 2013: Financial Controller of China Great Land Holdings Ltd. Year 2009 to Year 2011: Senior Accounts Manager of Five Stars Tours Pte Ltd	2015 to present: Independent Director of Jackspeed Corporation Limited 2012 to 2014: Director of Atrium Asia Investment Management Pte Ltd 2009 to 2012: Managing Director of Emirates Tarian Asset Management Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships Past (for the last 5 years) Present	• China Taisan Technology Group Holdings Limited • China Star Food Group Limited • Forland Fabritech Holdings Ltd • C&G Environmental Protection Holdings Ltd - Independent Director (Chairman – Audit, Nominating and Remuneration) • China Sports International Ltd – Independent Director (Chairman – Nominating and Remuneration. member of Audit Committee) • AccountsPro Consulting Services Pte Ltd - Director • CJW Mining (Singapore) Pte Ltd - Director	• Jackspeed Corporation Limited

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LEOW YONG KIN	MR TOH TIONG SAN
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c) Whether there is any unsatisfied judgment against him?	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LEOW YONG KIN	MR TOH TIONG SAN
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LEOW YONG KIN	MR TOH TIONG SAN
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LEOW YONG KIN	MR TOH TIONG SAN
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

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RAFFLES

RAFFLES INFRASTRUCTURE HOLDINGS LIMITED