

**RAFFLES FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

(Expressed in Singapore Dollars)

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
RAFFLES FINANCIAL GROUP LIMITED**

HML PLT
LLP0004524-LCA & 201504000748
CHARTERED ACCOUNTANTS AF 002152
1-23B Jalan Desa 1/3
Desa Aman Puri
52100 Kuala Lumpur, Malaysia
Tel 603 – 6273 4543
Fax 603 – 6273 4542
Email audit@hml.com.my

Opinion

We have audited the consolidated financial statements of Raffles Financial Group Limited and its subsidiaries (collectively referred to as the "Company"), which comprise the consolidated statements of financial position as at June 30, 2021, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to Note 3.5 – Accounting policies: Revenue recognition and Note 7.

The key audit matter

The Company recorded a revenue of S\$4,999,880 for the year ended June 30, 2021.

We have identified the revenue recognition as a key audit matter due to the quantum of revenue, the potential complexity of the underlying arrangements, and the judgment involved in determining the timing and measurement of revenue in accordance with IFRS 15 Revenue from Contracts with Customers. This includes assessing whether performance obligations were satisfied and whether revenue was recognised in the appropriate accounting period.



How the matter was addressed in our audit

We performed the following audit procedures, among others:

- Understanding and evaluating the Company's revenue recognition policy and ensuring its compliance with IFRS 15;
- Read the terms and conditions of agreements with customers;
- Testing sample of revenue transactions to supporting documentation such as invoices and contracts to confirm occurrence and timing of revenue recognition;
- Assessing the nature of revenue streams such as advisory fee, licensing fee or retainer fee; and
- Evaluating the adequacy of disclosures in the consolidated financial statements relating to revenue recognition.

Recoverability of Deposits

Refer to Note 12 – Trade, other receivables, prepaid expenses and deposits

The key audit matter

The Company recorded deposits of S\$21,236,667 for the year ended June 30, 2021. A significant portion of the deposits, S\$21,231,667 which is material and may not be directly tied to routine operational transactions.


We have identified the deposits as key audit matter due to the materiality of the balances and the subjective nature of assessing the recoverability of this area involves significant management judgment, particularly in evaluating the credit risk of counterparties, commercial substance of arrangements, and the timing and probability of recovery.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- Obtaining and reviewing agreements for the arrangement on the refundable deposit;
- Obtaining deposit refund agreement, examining terms of the agreement and assess if the deposit was refunded to the Company;
- Obtaining nominee shareholding agreement, examine terms of the agreement and considered substantive rights of the Company over the Hong Kong-listed equity shares and determined that the shares are held in trust by the CEO;
- Agreeing the number of Hong Kong-listed equity shares held in trust by the CEO to his personal overseas stock brokerage account and obtained third-party broker confirmation; and
- Assessing adequacy and reasonableness of disclosures in the consolidated financial statements.

Other Matter

The consolidated financial statements for the year ended June 30, 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on October 28, 2020. 

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. 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 in this auditor's report. We have nothing to report in this regard.

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 IFRSs, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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.
- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- 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 Company'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 consolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Mee Ling.

Kuala Lumpur, Malaysia
18 June 2025



HML PLT
Chartered Accountants

RAFFLES FINANCIAL GROUP LIMITED
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021 AND 2020**
(Expressed in Singapore Dollars)

	Note	2021 S\$	2020 S\$
Revenue	7	4,999,880	8,866,672
Expenses			
Administrative	8	<u>(2,312,096)</u>	<u>(1,565,443)</u>
Income before other items and income tax		2,687,784	7,301,229
Other items			
Other income	9	208,656	5,849
Gain on redemption of a convertible loan	13	390,000	-
Gain on disposal of subsidiaries	6	250,002	-
Impairment loss on other receivables	12	(7,053,792)	-
Foreign exchange gain/(loss)		111,471	(331,115)
Loss on settlement of receivable		-	(22,498)
Listing expenses	5	<u>-</u>	<u>(6,052,280)</u>
Net (loss)/income before income tax		(3,405,879)	901,185
Income tax expense	10	<u>(849,980)</u>	<u>(1,326,414)</u>
Net loss for the year		(4,255,859)	(425,229)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		1,060,949	171,205
Unrealised (loss)/gain on investments		<u>(6,813,075)</u>	<u>4,748,139</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(5,752,126)</u>	<u>4,919,344</u>
Total comprehensive (loss)/income for the year		<u>(10,007,985)</u>	<u>4,494,115</u>
Net loss attributable to:			
Owners of the Company		(4,255,083)	(425,229)
Non-controlling interest		<u>(776)</u>	<u>-</u>
Net loss for the year		<u>(4,255,859)</u>	<u>(425,229)</u>

The accompanying notes form an integral part of these consolidated financial statements

RAFFLES FINANCIAL GROUP LIMITED

**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021 AND 2020**
(Expressed in Singapore Dollars)

	Note	2021 S\$	2020 S\$
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(10,007,209)	4,494,115
Non-controlling interest		<u>(776)</u>	<u>-</u>
Total comprehensive (loss)/income for the year		<u>(10,007,985)</u>	<u>4,494,115</u>
Basic and diluted loss per share		<u>(0.08)</u>	<u>(0.05)</u>
Weighted average number of common shares outstanding – basic		<u>50,085,205</u>	<u>8,483,497</u>
Weighted average number of common shares outstanding – diluted		<u>50,360,205</u>	<u>8,483,497</u>

The accompanying notes form an integral part of these consolidated financial statements

RAFFLES FINANCIAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2021 AND 2020
 (Expressed in Singapore Dollars)

	Note	2021 S\$	2020 S\$
ASSETS			
Current assets			
Financial assets, at FVOCI	11	7,741,054	12,954,783
Trade, other receivables, prepaid expenses and deposits	12	22,523,259	735,303
Cash and cash equivalents	14	629,855	21,040,893
		<u>30,894,168</u>	<u>34,730,979</u>
TOTAL ASSETS		<u>30,894,168</u>	<u>34,730,979</u>
LIABILITIES			
Current liabilities			
Other payable and accrued liabilities	15	1,073,376	215,952
Current income tax liabilities		1,983,370	2,029,080
		<u>3,056,746</u>	<u>2,245,032</u>
Non-current liabilities			
Deferred income tax liabilities	10	2,107,981	1,258,001
Total liabilities		<u>5,164,727</u>	<u>3,503,033</u>
NET ASSETS		<u>25,729,441</u>	<u>31,227,946</u>
EQUITY			
Share capital	17	26,099,591	25,875,920
Contributed surplus		945,194	297,610
Accumulated other comprehensive income		(832,782)	4,919,344
Retained earnings		(481,806)	135,072
Total equity attributable to Raffles		<u>25,730,197</u>	<u>31,227,946</u>
Non-controlling interest		(756)	-
TOTAL EQUITY		<u>25,729,441</u>	<u>31,227,946</u>
TOTAL LIABILITIES AND EQUITY		<u>30,894,168</u>	<u>34,730,979</u>

Approved and authorised by the Board on 18 June 2025

Approved on behalf of the Board:

"Abigail Zhang Liying"
 Director

"Charlie In Nany Sing"
 Director

The accompanying notes form an integral part of these consolidated financial statements

RAFFLES FINANCIAL GROUP LIMITED
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021 AND 2020**

(Expressed in Singapore Dollars)

	Note	Number of shares	Share capital S\$	Contributed surplus S\$	Accumulated other comprehensive income/(loss) S\$	Retained earnings S\$	Non- controlling interests S\$	Total equity S\$
Balance as at June 30, 2019		100,000	100,000	-	-	560,301	-	660,301
Recapitalisation on reverse take-over	17	45,950,000	5,327,700	-	-	-	-	5,327,700
Shares issued for finders' fees on reverse take-over	17	30,000	152,220	-	-	-	-	152,220
Shares issued for cash	17	4,000,000	20,296,000	-	-	-	-	20,296,000
Share-based compensation	17	-	-	297,610	-	-	-	297,610
Foreign currency translation		-	-	-	171,205	-	-	171,205
Change in fair value of FVOCI investments		-	-	-	4,748,139	-	-	4,748,139
Net loss for the year		-	-	-	-	(425,229)	-	(425,229)
Balance as at June 30, 2020		50,080,000	25,875,920	297,610	4,919,344	135,072	-	31,227,946
Stock options exercised	17	25,000	223,671	(117,915)	-	-	-	105,756
Share-based compensation	17	-	-	765,499	-	-	-	765,499
Foreign currency translation		-	-	-	1,060,949	-	-	1,060,949
Acquisition of RIC	6	-	-	-	-	-	9	9
Derecognition of RIC	6	-	-	-	-	-	11	11
Change in fair value of FVOCI investments		-	-	-	1,794,763	-	-	1,794,763
Reclassification of gain on disposal of FVOCI investments		-	-	-	(8,607,838)	8,607,838	-	-
Dividends	17	-	-	-	-	(4,969,633)	-	(4,969,633)
Net loss for the year		-	-	-	-	(4,255,083)	(776)	(4,255,859)
Balance as at June 30, 2021		<u>50,105,000</u>	<u>26,099,591</u>	<u>945,194</u>	<u>(832,782)</u>	<u>(481,806)</u>	<u>(756)</u>	<u>25,729,441</u>

The accompanying notes form an integral part of these consolidated financial statements

RAFFLES FINANCIAL GROUP LIMITED
**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021 AND 2020**

(Expressed in Singapore Dollars)

	Note	2021 S\$	2020 S\$
Cash flows provided by operating activities			
Net loss for the year		(4,255,859)	(425,229)
Adjustment for:			
- Impairment loss on other receivables		7,053,792	-
- Income tax expense		849,980	1,326,414
- Foreign exchange (gain)/loss		(111,471)	331,115
- Listing expenses		-	6,052,280
- Referral fees for disposal of financial assets, at FVOCI		102,500	-
- Dividend income from equity investment measured at FVOCI		(186,555)	-
- Loss on settlement of receivable		-	22,498
- Gain on redemption of a convertible loan		(390,000)	-
- Interest income		(4)	-
- Gain on disposal of subsidiary	6	(250,002)	-
- Share-based compensation		765,499	297,610
Operating cash flow before changes in working capital		3,577,880	7,604,688
Changes in working capital:			
- Trade, other receivables, prepaid expenses and deposits		(18,124,625)	6,737,803
- Other payable and accrued liabilities		(1,752,133)	(7,297,837)
- Tax paid		(45,710)	-
Net cash (used in)/provided by operating activities		(16,344,588)	7,044,654
Cash flows provided by investing activities			
Investment in subsidiary	6	(75)	(8,206,644)
Net cash payment for reverse takeover	5	-	(698,171)
Dividend received		186,555	-
Convertible loan receivable		(450,000)	-
Net cash used in investing activities		(263,520)	(8,904,815)
Cash flows provided by financing activities			
Proceeds from issuance of shares		-	20,296,000
Proceeds from stock options exercised		133,150	-
Dividends paid		(4,969,633)	-
Net cash (used in)/provided by financing activities		(4,836,483)	20,296,000

The accompanying notes form an integral part of these consolidated financial statements

RAFFLES FINANCIAL GROUP LIMITED**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021 AND 2020**

(Expressed in Singapore Dollars)

	Note	2021 S\$	2020 S\$
Effect of foreign exchange on cash		1,033,553	502,320
Net (decrease)/increase in cash		(20,411,038)	18,938,159
Cash			
Cash, beginning of year		<u>21,040,893</u>	<u>2,102,734</u>
Cash, end of year		<u>629,855</u>	<u>21,040,893</u>

The accompanying notes form an integral part of these consolidated financial statements

RAFFLES FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

1. General information

Raffles Financial Group Limited (formerly Explorex Resources Inc.) (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on January 6, 2011. The head office of the Company is located at 3 Fraser Street, #08-21, Singapore, 189352. The principal activity of the Company is the provision of corporate finance advisory services.

On April 29, 2020, Explorex Resources Inc. (“Explorex”) changed its name to Raffles Financial Group Limited and changed its corporate jurisdiction from British Columbia to the Cayman Islands. The Company’s common shares are listed on Canadian Securities Exchange under symbol “RICH”. The trading in the Company’s common shares was suspended effective from January 6, 2022 by a cease trade order issued by the Ontario and British Columbia Securities Commission.

Raffles Financial Private Limited (“RFPL”) was incorporated on July 5, 2018 and domiciled in Singapore. On April 29, 2020, the Company completed the share exchange agreement related to acquiring all the issued and outstanding shares of RFPL (Note 5). Pursuant to the share exchange agreement, the Company consolidated its outstanding share capital on the basis of 25.94 old shares to one new share, such that 1,050,000 shares were outstanding immediately before closing, issued 45,000,000 post-consolidation shares to the shareholders of RFPL, paid cash consideration of C\$150,000 and issued 30,000 post-consolidation shares as finder’s fee, and completed a private placement of 4,000,000 post-consolidation shares. In addition, the Company issued a total of 72,096 warrants to the existing warrant holders of Explorex Resources Inc. with an exercise price of C\$12.97 per share and same existing expiry dates. The transaction was accounted for as an acquisition of the Company by RFPL, resulting in a reverse take-over (“RTO”).

The Company’s subsidiaries currently operate in Singapore, Hong Kong, and Switzerland.

The principal activities of the subsidiaries are disclosed in Note 3.1 to the consolidated financial statements.

For the purposes of these consolidated financial statements, the “Company” is defined as the consolidated entity.

These consolidated financial statements for the year ended June 30, 2021 were authorised for issue by the Board of Directors on 18 June 2025.

RAFFLES FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the significant accounting policies below. In addition, the consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow disclosure.

The consolidated financial statements are measured and presented in the currency of the primary economic environment in which the Company operates (its functional currency). The consolidated financial statements of the Company are presented in Singapore Dollar ("S\$"). The functional currency of the parent company is the Canadian Dollar ("C\$"), the functional currency of Raffles Financial Private Limited and Raffles Financial Asset Management Private Limited is the S\$, the functional currency of Marvel Earn Limited is the Hong Kong Dollar ("HKD") and the functional currency of Raffles Financial AG is the Swiss Franc ("CHF").

New and amended standards

In the current financial year, the Company has adopted all the amendments that are relevant to its operations and effective for the current financial year. Adoption of these amendments in the current financial year had no impact on the Company's consolidated financial statements.

Standards issued but not yet effective

The Company has not early applied the following new and amended standards that have been issued but are not yet effective:

Title	Effective date (annual periods beginning on or after)
<i>Interest Rate Benchmark Reform—Phase 2</i> (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021
<i>Covid-19-Related Rent Concessions beyond June 30, 2021</i> (Amendment to IFRS 16)	April 1, 2021
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
<i>Reference to the Conceptual Framework</i> (Amendments to IFRS 3)	January 1, 2022
<i>Property, Plant and Equipment—Proceeds before Intended Use</i> (Amendments to IAS 16)	January 1, 2022
<i>Onerous Contracts—Cost of Fulfilling a Contract</i> (Amendments to IAS 37)	January 1, 2022
<i>Disclosure of Accounting Policies</i> (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023
<i>Definition of Accounting Estimates</i> (Amendments to IAS 8)	January 1, 2023
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> (Amendments to IAS 12)	January 1, 2023
<i>Initial Application of IFRS 17 and IFRS 9—Comparative Information</i> (Amendment to IFRS 17)	January 1, 2023
<i>International Tax Reform—Pillar Two Model Rules</i> (Amendments to IAS 12)	January 1, 2023
<i>Classification of Liabilities as Current or Non-current</i> (Amendments to IAS 1)	January 1, 2024
<i>Non-current Liabilities with Covenants</i> (Amendments to IAS 1)	January 1, 2024
<i>Lease Liability in a Sale and Leaseback</i> (Amendments to IFRS 16)	January 1, 2024
<i>Supplier Finance Arrangements</i> (Amendments to IAS 7 and IFRS 7)	January 1, 2024
<i>Lack of Exchangeability</i> (Amendments to IAS 21)	January 1, 2025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Expressed in Singapore Dollars)

2. Basis of preparation (Continued)

Title	Effective date (annual periods beginning on or after)
<i>Amendments to the Classification and Measurement of Financial Instruments</i> (Amendments to IFRS 9 and IFRS 7)	January 1, 2026
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026
<i>Contracts Referencing Nature-dependent Electricity</i> (Amendments to IFRS 9 and IFRS 7)	January 1, 2026
IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	January 1, 2027
IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	January 1, 2027
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> (Amendments to IFRS 10 and IAS 28)	Deferred

The Company intends to adopt these new and amended standards, if applicable, when they become effective. Except as described below, the new and amended standards are not expected to have a material impact on the Company's consolidated financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

IFRS 18 *Presentation and Disclosure in Financial Statements*

IFRS 18 will replace IAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new standard.

RAFFLES FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

3. Significant accounting policies

3.1 Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, RFPL acquired on April 29, 2020, Marvel Earn Limited acquired on June 29, 2020 and Raffles Financial AG incorporated on September 14, 2020. In addition, the Company has a 75% interest in Raffles Financial Asset Management Private Limited incorporated on March 19, 2021. All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

Particulars of subsidiaries are set out below:

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective equity interest held by the Company (%)		Principal activities
		2021	2020	
<u>Held directly by the Company</u>				
Raffles Financial Private Limited (“RFPL”)	Singapore	100	100	Provision of corporate finance advisory services
<u>Held by RFPL</u>				
Changsheng Investment Development Limited (“CID”)	Hong Kong	-	100	Investment holding
Marvel Earn Limited (“MEL”)	Hong Kong	100	100	Investment holding
Raffles Financial AG (“RFAG”)	Switzerland	100	-	Provision of corporate advisory services
Raffles Financial Asset Management Private Limited (“RFAM”)	Singapore	75	-	Asset management and advisory services

Subsidiaries are entities (including structured entities) (i) over which the Company has power and the Company is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Company reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

When the Company has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

3. Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

Subsidiaries are consolidated from the date on which control is transferred to the Company up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the amended consolidated financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Company.

Non-controlling interests are identified separately from the Company's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Company's investment in its associate is accounted for using the equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

3. Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of income reflects the Company's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the statements of income.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

3. Significant accounting policies (Continued)

3.2 Leases

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Company has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

3.3 Cash

Cash consists of unrestricted bank deposits, some of which are interest-bearing.

3.4 Financial instruments

The classification of a financial asset or liability is determined at the time of initial recognition. The Company does not enter into derivative contracts.

(i) Financial assets

A financial asset is recognised when the Company has the contractual right to collect future cash flows. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial assets are recorded at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortised cost.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Cash is initially recorded at their fair value and carried at amortised cost.

Trade and other receivables are initially recorded at their fair value, less transaction costs and subsequently carried at amortised cost using the effective interest method less impairment losses, if any.

Investments in equity instruments, where the Company cannot exert significant influence and the investments are not held for trading purpose, are classified as FVOCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Singapore Dollars)

3. Significant accounting policies (Continued)

3.4 Financial instruments (Continued)

Impairment of financial assets

The Company recognises a loss allowance by applying the expected credit losses ("ECL") model on the Company's 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 the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial assets, other than those at FVTPL and amortised cost, are assessed for indicators of impairment at each reporting period. Financial assets are impaired when 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 financial assets have been impacted.

De-recognition of financial assets

A financial asset is derecognised when the contractual right to the asset's cash flows expire or the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

(ii) Financial liabilities

The Company classifies its financial liabilities in the following category:

Amortised cost

A financial liability is recognised when the Company has the contractual obligation to pay future cash flows. Financial liabilities such as accounts payable and accrued liabilities are recognised at amortised cost using the effective interest rate method.

Accounts payable and accrued liabilities are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

De-recognition of financial liabilities

Financial liabilities are derecognised when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

3. Significant accounting policies (Continued)

3.5 Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised services to a customer.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised service to the customer, which is when the customer obtains control of the service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation when each of the Company's activities are met:

(a) Advisory fee

The provision of financial advisory services are recognised at a point in time upon satisfaction of a performance obligation, which is when services are rendered and accepted by the customer.

(b) Licensing fee

The licensing fee is earned from the right to use the Company's proprietary brands for a fixed fee under a non-cancellable contract, where a contract is granted to the licensee which permits the licensee to exploit the brands over the licensing period in any designated territory. Revenue is recognised over time by reference to the contract period.

(c) Retainer fee

Retainer fees of ongoing predetermined are recognised over time by reference to the contract period.

3.6 Income taxes

Current income tax for current period is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised for all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent the deferred tax liability arises from the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit or tax loss.

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.

3. Significant accounting policies (Continued)

3.6 Income taxes (Continued)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and
- (ii) based on the tax consequence that will follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income tax shall be recognised as income or an expense and included in profit or loss, except to the extent that the tax arises from a transaction or event which is recognised in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity; or a business combination.

3.7 Currency translation

(i) Functional and presentation currency

The consolidated financial statements are measured and presented in the currency of the primary economic environment in which the Company operates (its functional currency). The consolidated financial statements of the Company are presented in Singapore Dollar ("S\$"). The functional currency of the parent company is the Canadian Dollar ("C\$"), the functional currency of Raffles Financial Private Limited and Raffles Financial Asset Management Private Limited is the S\$, the functional currency of Marvel Earn Limited is the Hong Kong Dollar ("HKD") and the functional currency of Raffles Financial AG is the Swiss Franc ("CHF").

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss.

(iii) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Singapore dollars at the exchange rate prevailing at the reporting period end and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in earnings and recognised as part of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

3. Significant accounting policies (Continued)

3.8 Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new common shares are deducted against the share capital amount.

3.9 Earnings per share

Basic earnings or loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted earnings or loss per share is calculated by adjusting the earnings or loss attributable to equity shareholders and the weighted average of common shares outstanding for the effects of all potentially dilutive instruments. The calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In years where a loss is reported, diluted loss per share is the same as basic loss per share because the effects of potentially dilutive common shares would be anti-dilutive.

3.10 Share-based payments

The Company uses the fair value based method for measuring compensation costs. The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of equity settled share-based compensation issued to employees is measured on the date of grant, using the Black-Scholes option pricing model and is recognised over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity settled share-based compensation are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based compensation is measured at the fair value of the goods or services received.

3.11 Dividends to Company's shareholders

Equity dividends are recognised as a liability when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders. A corresponding amount is recognised in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

4. Critical accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Significant areas requiring the use of management's judgment and estimates relate to the determination of income taxes and inputs used in accounting for share-based compensation. Actual results may differ from these estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Judgments

Business combinations and reverse take-over - Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. The Company must determine whether it is the acquirer or acquiree in each acquisition. Under IFRS 3 –Business Combinations, the acquirer is the entity that obtains control of the acquiree in the acquisition. If it is not clear which company is the acquirer, additional information must be considered, such as the combined entity's relative voting rights, existence of a large minority voting interest, composition of the governing body and senior management, and the terms behind the exchange of equity interest.

Revenue recognition – Judgment is used in determining the timing of the point in time or period of time for when the Company satisfies the performance obligation related to the provision of financial advisory services and licensing fees.

Estimates

Income taxes - Tax interpretations, regulations and legislation are subject to change and as such, income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realised from future taxable earnings.

Expected credit losses - Trade and other receivables are assessed for impairment at each reporting date by applying the expected credit loss impairment model. Expected credit loss represents management's best estimate and assumptions based on actual credit loss experience and also takes into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

5. Reverse take-over

Explorex entered into a definitive share exchange agreement dated December 20, 2019 (the “Share Exchange Agreement”) to acquire all of the outstanding shares of RFPL, a company incorporated under the laws of Singapore and operating in Singapore, with regional branch offices in Sydney, Australia, Beijing and Hong Kong (“Transaction”). RFPL is arm’s-length to Explorex and is a diversified financial services company that provides corporate finance advisory services related to initial public offering investments and arrangements, advice related to investment management, wealth and family office strategy counsel, and investment governance and oversight of funds. The Transaction constituted a “fundamental change” of business for Explorex.

Explorex consolidated its outstanding common shares such that the consolidation resulted in 1,050,000 common shares outstanding immediately before closing of the Transaction. The shareholders of RFPL (“RFPL Shareholders”) were issued an aggregate of 45,000,000 common shares of Explorex. In addition, the Company issued a total of 72,096 warrants to the existing warrant holders of Explorex with an exercise price of C\$12.97 per share and same existing expiry dates. The completion of a concurrent financing resulted in the issuance of 4,000,000 common shares (Note 17), such that giving effect to the financing, a total of 50,050,000 common shares of the Company were outstanding, with the RFPL Shareholders holding approximately 97.7% of the outstanding common shares. The Transaction resulted in the RFPL Shareholders acquiring control of Explorex.

The substance of the transaction was a reverse takeover of the non-operating company and the transaction does not constitute a business combination as Explorex does not meet the definition of a business under IFRS 3. As a result, the transaction was recorded by the Company as a reverse takeover that was not a business combination with a recognition of a listing expense which represented the difference between the fair value of consideration RFPL paid and the fair value of Explorex’s net assets.

RFPL, the legal subsidiary, has been identified as the accounting acquirer and Explorex, the legal parent, has been identified as the accounting acquiree. As RFPL was deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in these consolidated financial statements at their historical carrying value. Explorex’s results of operations have been included from April 29, 2020, the date of the completion of the Transaction.

The fair value of the consideration was calculated as follows:

- The fair value of 1,050,000 common shares was determined to be S\$5,327,700 based on the fair value of Explorex’s shares on April 29, 2020;
- The fair value of 30,000 common shares paid for finder’s fees was determined to be S\$152,220 based on the fair value of Explorex’s shares on April 29, 2020;
- Cash and cash advances in the total amount of S\$456,659; and
- Legal fees of S\$375,894 related to the Transaction during the year ended June 30, 2020.

RAFFLES FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

5. Reverse take-over (Continued)

	Amount S\$
Consideration	
Common shares	5,479,920
Cash and cash advances	456,659
Legal fees	375,894
	<u>6,312,473</u>
Total consideration	
Identifiable net assets acquired	
Cash	134,382
Amounts receivable	174,564
Prepaid expenses	49,936
Accounts payable and accrued liabilities	(98,689)
	<u>260,193</u>
Total identifiable net assets acquired	
Listing expense	<u>6,052,280</u>

6. Acquisitions and disposals of subsidiaries

(a) Acquisition and disposal of Changsheng Investment Development Limited ("CID")

On June 29, 2020, the Company entered into a Sales and Purchase agreement with a director of the Company to acquire all the issued and outstanding common shares of CID for cash payment of S\$1,798 (HKD\$10,000) which are equivalent to the net asset values of CID.

	S\$
Consideration	
Cash	1,798
Effective settlement of amount due from the directors	4,846,846
Total consideration given	<u>4,848,644</u>

The whole purchase consideration was allocated to investment since CID has no other asset and liability on the date of acquisition.

On June 15, 2021, the Company entered into a share purchase agreement to sell all the issued and outstanding common shares of CID in consideration of S\$4,350,000. On the disposal date, the investment cost in CID was S\$1,798 while the Company granted CID a waiver of loan receivables from CID amounting S\$3,417,175. As a result, the Company recognised a gain of S\$250,000.

Summary of the effect of disposal on the financial position and cash flows of the Company:

	S\$
Financial assets, at fair value through other comprehensive income	4,100,000
Net assets in CID as at June 15, 2021	<u>4,100,000</u>
Consideration received	4,350,000
Gain recognised on disposal of CID	<u>250,000</u>

RAFFLES FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

6. Acquisitions and disposals of subsidiaries (Continued)

(b) Acquisition of Marvel Earn Limited ("MEL")

On June 29, 2020, the Company entered into a Sales and Purchase agreement with a director of the Company to acquire all the issued and outstanding common shares of MEL for cash payment of S\$18 (HKD\$100) which are equivalent to the net asset values of MEL.

S\$

Consideration	
Cash	18
Effective settlement of amount due from the directors	3,357,982
Total consideration given	<u>3,358,000</u>

The whole purchase consideration was allocated to investment since MEL has no other asset and liability on the date of acquisition. On March 31, 2021, the Company has granted MEL a waiver of loan receivables from MEL amounting S\$3,358,000.

(c) Acquisition and deconsolidation of Raffles Infrastructure Capital Limited (formerly Mfund Limited) ("RIC")

	Number of shares	Amount S\$
Acquired 50% shares of RIC on August 31, 2020	50	9
Entered into Joint Venture Agreement acquiring additional 50 shares for \$9 on November 2, 2020	50	9
Fair value of RIC on November 2, 2020 treated as investment in joint venture	-	(20)
Gain on deconsolidation of subsidiary	-	<u>(2)</u>

On August 31, 2020, the Company acquired 50% of the outstanding shares of Raffles Infrastructure Capital Limited (formerly Mfund Limited) ("RIC") for S\$9 (HKD\$50), a private company incorporated in Hong Kong with a principal activity of providing infrastructure project funding and advisory services. RIC was an inactive company with small cash balance on the acquisition date.

On November 2, 2020, the Company entered into a Joint Venture Agreement with Raffles Infrastructure Holding Limited in which both parties agreed to jointly own RIC on a 50:50 basis. In connection with this agreement, the Company acquired an additional 50 shares for a consideration of S\$9 (HKD\$50). As a result of the Joint Venture Agreement, the Company lost control over RIC and the entity was deconsolidated. Accordingly, the operations of RIC from August 31, 2020 to November 1, 2020 were deconsolidated and subsequently accounted for as an investment in a joint venture using the equity method. As a result of deconsolidation, the Company recognise a gain of S\$2.

On April 1, 2021, RIC issued 500 new ordinary shares to In Investments Limited at a consideration of S\$87 (HKD\$500). As a result, the Company's interest in RIC was diluted to 14% and was accounted for as a financial asset, at fair value through other comprehensive income. As at April 1, 2021, the net liabilities of RIC amounted to S\$124. Accordingly, under the cost method, no value was initially recognised in the Company's consolidated financial statement.

During the year, the Company recorded an impairment provision of S\$20 related to this investment. As of June 30, 2021, the carrying value of the investment was nil.

RAFFLES FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

6. Acquisitions and disposals of subsidiaries (Continued)

(d) Acquisition of Raffles Financial AG ("RFAG")

On September 14, 2020, the Company incorporated a new wholly-owned subsidiary in Switzerland, RFAG with S\$151,660 (CHF100,000) paid-up share capital. Its principal activity is provision of advisory and brokerage services for cash listings, corporate financing and restructuring and fund investment advice. RFAG was an inactive company with cash balance equivalent to the paid-up share capital on the acquisition date.

(e) Acquisition of Raffles Financial Asset Management Private Limited ("RFAM")

On March 19, 2021, the Company incorporated RFAM and contributed S\$75 as the paid-up capital representing 75% of the total share capital of S\$100. The balance S\$25 representing 25% was invested by the NCI Resilience Capital Private Limited.

7. Revenue

The Company derives revenue from the rendering of services at a point in time and over time in the following type of services:

	At a point in time S\$	Over time S\$	Total S\$
For the year ended June 30, 2021			
Advisory fee	3,000,000	-	3,000,000
Licensing fee	-	999,880	999,880
Retainer fee	-	1,000,000	1,000,000
	<u>3,000,000</u>	<u>1,999,880</u>	<u>4,999,880</u>
For the year ended June 30, 2020			
Advisory fee	6,200,000	-	6,200,000
Licensing fee	-	2,666,672	2,666,672
	<u>6,200,000</u>	<u>2,666,672</u>	<u>8,866,672</u>

RAFFLES FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

8. Administrative expenses by nature

	2021 S\$	2020 S\$
Business development and marketing	35,773	205,727
Contract for services	617,269	725,656
Director fees	304,371	55,944
Office expenses	71,189	20,534
Pension contribution fund	8,340	-
Professional fees	143,138	87,062
Rental on operating lease	83,766	100,571
Staff cost	90,024	51,596
Share-based compensation	765,499	297,610
Transfer agent and regulator fees	19,633	1,609
Travelling and accommodation	559	19,134
Other expenses	172,535	-
Total administrative expenses	2,312,096	1,565,443

9. Other income

	2021 S\$	2020 S\$
Dividend income received	186,555	-
Government grants	5,870	5,000
Interest income	4	-
Others	16,227	849
	208,656	5,849

RAFFLES FINANCIAL GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Singapore Dollars)

10. Income tax

The Cayman Islands and Singapore components of (loss)/income before income taxes and provision for income taxes were as follows:

	2021	2020
	S\$	S\$
(Loss)/Income before income taxes		
Cayman Islands	(1,205,081)	(6,641,435)
Singapore	<u>(2,200,798)</u>	<u>7,542,620</u>
	<u>(3,405,879)</u>	<u>901,185</u>
Current income tax expense		
Cayman Islands	-	-
Singapore	<u>-</u>	<u>1,417,080</u>
	<u>-</u>	<u>1,417,080</u>
Deferred income tax		
Cayman Islands	-	-
Singapore	<u>849,980</u>	<u>(90,666)</u>
	<u>849,980</u>	<u>(90,666)</u>
	<u>849,980</u>	<u>1,326,414</u>

RAFFLES FINANCIAL GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Singapore Dollars)

10. Income tax (Continued)

The following table reconciles the expected income taxes expense at the statutory income tax rates to the amounts recognised in the consolidated statements of loss and comprehensive loss for the years ended June 30, 2021 and June 30, 2020:

	2021	2020
	S\$	S\$
Net income before tax	(3,405,879)	901,185
Statutory tax rate	0.00%	0.00%
Expected income tax	<u>0.00</u>	<u>0.00</u>
Difference in foreign jurisdiction tax rates	(253,770)	1,282,245
Non-deductible items	1,366,985	62,104
Income not subject to tax	(259,805)	(850)
Tax exemption	-	(17,425)
Others	<u>(3,430)</u>	<u>340</u>
Total tax expense	<u>849,980</u>	<u>1,326,414</u>

Due to the Company's change of corporate jurisdiction into the Cayman Islands on April 29, 2020, the statutory tax rate declined from 17% to 0%.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax liabilities at June 30, 2021 and 2020 are comprised of the following:

	2021	2020
	S\$	S\$
Unremitted foreign income	<u>(2,107,981)</u>	<u>(1,258,001)</u>
Total deferred tax liabilities	<u>(2,107,981)</u>	<u>(1,258,001)</u>

RAFFLES FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

11. Financial assets, at fair value through other comprehensive income ("FVOCI")

Details of financial assets, at FVOCI as at June 30, 2021 and 2020 are as follows:

	2021 S\$	2020 S\$
<i>Investment in equity designated at FVOCI</i>		
Listed securities:		
Metech International Limited ("Metech")	-	2,573,667
KTL Global Limited ("KTL")	58,498	1,053,338
Raffles Infrastructure Holdings Limited ("RIHL")	780,000	-
GS Holding Limited ("GSHL")	6,902,556	9,327,778
	<u>7,741,054</u>	<u>12,954,783</u>
Non-listed securities		
Raffles Infrastructure Capital Limited ("RIC")	-	-
	<u>7,741,054</u>	<u>12,954,783</u>

(a) Metech International Limited ("Metech")

	Number of shares	Amount S\$
Metech shares held by CID as at beginning of the year	19,797,439	2,573,667
Fair value loss	-	(970,074)
Metech shares disposed by CID on June 15, 2021	(19,797,439)	(1,603,593)
Metech shares acquired by RFPL on June 15, 2021	19,797,439	1,603,593
Metech shares disposed by RFPL on June 15, 2021	<u>(19,797,439)</u>	<u>(1,603,593)</u>
As at end of the year	<u>-</u>	<u>-</u>

On June 15, 2021, the Company acquired 19,797,439 shares from CID at a consideration of S\$1,603,593 then disposed of to a non-related party on the same date with the same consideration which was still outstanding as a receivable as at June 30, 2021.

RAFFLES FINANCIAL GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Singapore Dollars)

11. Financial assets, at fair value through other comprehensive income ("FVOCI") (Continued)*(b) KTL Global Limited ("KTL")*

	Number of shares	Amount S\$
KTL shares held by CID as at beginning of the year	47,879,000	1,053,338
KTL shares acquired by RFPL on July 7, 2020	35,200,000	633,600
KTL shares disposed by RFPL for share exchange of NTF on March 5, 2021	(20,000,000)	(1,000,000)
KTL shares disposed by RFPL on June 4, 2021	(200,000)	(16,000)
KTL shares disposed by RFPL to pay referral fee on June 4, 2021	(1,250,000)	(102,500)
KTL shares held by CID deconsolidated due to disposal of CID on June 15, 2021	(47,879,000)	(1,053,338)
KTL shares disposed by RFPL on June 18, 2021	(11,000,000)	(660,000)
KTL shares disposed by RFPL to CID on June 18, 2021	(2,121,000)	(173,922)
Gain on disposal of KTL shares	-	1,330,144
Fair value gain	-	47,176
As at end of the year	<u>629,000</u>	<u>58,498</u>

On July 7, 2020, one of the directors of the Company collected trade receivables amounted to S\$650,000 and purchased 35,200,000 shares of KTL at a consideration of S\$633,600 on behalf of the Company.

On March 5, 2021, the Company accepted a customer proposal for share exchange of 2,000,000 of shares in Nutryfarm International Limited ("NTF") with 20,000,000 shares of KTL at a fair value of S\$1,000,000.

On June 4, 2021, 200,000 shares of KTL are disposed to a non-related party at a fair value of S\$16,000 which was still outstanding as a receivable as at June 30, 2021.

On June 4, 2021, the Company paid a referral fee of S\$102,500 by way of 1,250,000 shares of KTL.

On June 18, 2021, 11,000,000 shares of KTL were sold to a non-related party at S\$660,000 which are still outstanding as a receivable as at June 30, 2021.

On June 18, 2021, 2,121,000 shares of KTL were sold to CID for S\$173,922. Although the share sale occurred after the disposal of CID on June 15, 2021, the receivable was subsequently waived by the Company through a waiver of loan receivables previously granted to CID.

RAFFLES FINANCIAL GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Singapore Dollars)

11. Financial assets, at fair value through other comprehensive income ("FVOCI") (Continued)*(c) Nutryfarm International Limited ("NTF")*

	Number of shares	Amount S\$
NTF shares acquired by RFPL by way of settlement from customer on February 8, 2021	8,000,000	4,000,000
NTF shares acquired by RFPL by share exchange of KTL on March 5, 2021	2,000,000	1,000,000
NTF shares disposed by RFPL on June 30, 2021	(10,000,000)	(6,000,000)
Gain on disposal of NTF shares	-	1,000,000
As at end of the year	-	-

On February 8, 2021, the Company accepted a settlement from a customer for advisory service fees by way of 8,000,000 shares of NTF at a fair value of S\$4,000,000.

On March 5, 2021, the Company accepted a customer proposal for share exchange of 2,000,000 shares of NTF with 20,000,000 shares of KTL at a fair value of S\$1,000,000.

On June 30, 2021, the Company disposed of all NTF shares at S\$6,000,000 to non-related party which were still outstanding receivable at the reporting date.

(d) Raffles Infrastructure Holdings Limited ("RIHL")

	Number of shares	Amount S\$
RIHL shares acquired by RFPL by way of settlement of convertible loan on June 21, 2021	3,000,000	840,000
Fair value loss	-	(60,000)
As at end of the year	3,000,000	780,000

On November 1, 2020, the Company agreed to provide a convertible loan of S\$450,000 to Infini Capital Limited ("the Borrower"), which was to be repaid by June 30, 2021, or converted on July 1, 2021.

On June 15, 2021, the Borrower informed the Company that it would be unable to repay the loan in cash and proposed to settle the loan through the transfer of 3,000,000 shares of RIHL, valued at S\$450,000. The Company accepted the Borrower's proposal on June 19, 2021.

At the date of the share transfer on June 21, 2021, the market price of RIHL shares was S\$0.28 per share. Accordingly, the Company recognised the addition of financial assets at fair value through other comprehensive income (FVOCI) amounting to S\$840,000, and a resulting gain of S\$390,000 on redemption of the convertible loan (see Note 13).

RAFFLES FINANCIAL GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

11. Financial assets, at fair value through other comprehensive income ("FVOCI") (Continued)

 (e) *GS Holdings Limited ("GSHL")*

	Number of shares	Amount S\$
GSHL shares held by MEL as at beginning of the year	18,655,555	9,327,778
Fair value loss	-	(373,111)
GSHL shares disposed by MEL by way of interim dividend in specie to RFPL on April 1, 2021	(18,655,555)	(8,954,667)
GSHL shares acquired by RFPL by way of interim dividend in specie from MEL on April 1, 2021	18,655,555	8,954,667
Fair value loss	-	(2,052,111)
As at end of the year	<u>18,655,555</u>	<u>6,902,556</u>

On April 1, 2021, a subsidiary corporation proposed to pay an interim dividend in specie of 18,655,555 shares of GSHL at a fair value of S\$8,954,667.

 (f) *Raffles Infrastructure Capital Limited ("RIC")*

	Number of shares	Amount S\$
Acquired 50% shares of RIC on August 31, 2020	50	9
Entered into Joint Venture Agreement acquiring additional 50 shares for \$9 on November 2, 2020	50	9
Fair value of RIC on November 2, 2020 treated as investment in joint venture	-	(20)
Gain on deconsolidation of subsidiary	-	(2)
Investment in joint venture accounted as financial asset, at fair value through other comprehensive income	100	20
Provision for impairment on investment	-	(20)
As at end of the year	<u>100</u>	<u>-</u>

On August 31, 2020, the Company acquired 50% of the outstanding shares of Raffles Infrastructure Capital Limited (formerly Mfund Limited) ("RIC") for S\$9 (HKD\$50), a private company incorporated in Hong Kong with a principal activity of providing infrastructure project funding and advisory services. RIC was an inactive company with small cash balance on the acquisition date.

On November 2, 2020, the Company entered into a Joint Venture Agreement with Raffles Infrastructure Holding Limited in which both parties agreed to jointly own RIC on a 50:50 basis. In connection with this agreement, the Company acquired an additional 50 shares for a consideration of S\$9 (HKD\$50). As a result of the Joint Venture Agreement, the Company lost control over RIC and the entity was deconsolidated. Accordingly, the operations of RIC from August 31, 2020 to November 1, 2020 were deconsolidated and subsequently accounted for as an investment in a joint venture using the equity method. As a result of deconsolidation, the Company recognise a gain of S\$2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

11. Financial assets, at fair value through other comprehensive income ("FVOCI") (Continued)

On April 1, 2021, RIC issued 500 new ordinary shares to In Investments Limited at a consideration of S\$87 (HKD\$500). As a result, the Company's interest in RIC was diluted to 14% and was accounted for as a financial asset, at fair value through other comprehensive income. As at April 1, 2021, the net liabilities of RIC amounted to S\$124. Accordingly, under the cost method, no value was initially recognised in the Company's consolidated financial statement.

During the year, the Company recorded an impairment provision of S\$20 related to this investment. As of June 30, 2021, the carrying value of the investment was nil.

12. Trade, other receivables, prepaid expenses and deposits

	2021 S\$	2020 S\$
Trade receivables		
- Non related parties	-	650,000
Other receivables		
- Non related parties	8,279,592	-
Less: Loss allowance	(7,053,792)	-
	1,225,800	-
- Related party	1,081	-
	1,226,881	-
Prepaid expenses	59,711	85,303
Deposits*	21,236,667	-
	22,523,259	735,303

**Included in deposits is deposit for Right-to-Use agreement with HuDuoBao Network Technology Co., Ltd.*

As at June 30, 2021, the Company had a deposit in the amount of S\$21,231,667 (RMB 102,000,000).

On May 20, 2021, the Company entered into a Memorandum of Understanding (the "MOU") to acquire 100% HuDuoBao Network Technology Co., Ltd. ("HDB"). For consideration, the Company made a refundable deposit of RMB 102,000,000 (the "Deposit") for the first right of refusal subject to due diligence satisfaction and both parties' board and shareholder approvals. After deliberation by the Company's board of directors, it was decided to not acquire HDB and instead appoint HDB as the master solution and service provider for the Company's existing Finlaas business segment.

In December 2021, the Company entered into a cloud-based system right-to-use agreement ("SaaS Agreement") with HDB to license the Company and its agent(s) a right to use HDB's cloud-based emails, cash-less payment Apps, POS system, payment gateways, point-of-sale systems, customer-merchant relationship management, order fulfilment linkage, supply chain and logistic link way, procurement & distribution, accounting & reporting generation in 30 defined provinces and cities in China ("Right-to-Use") to provide e-commerce integrated solution to merchants. Pursuant to the agreement, the Right-to-Use is on a period of 3 years for a monthly fee of RMB 2,500,000 which can be offset from the Deposit through the utilisation of the Right-to-Use service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

12. Trade, other receivables, prepaid expenses and deposit (Continued)

However, the Right-to-Use service had not subsequently commenced due to a force majeure situation, where China's authorities accelerated efforts in mass locking down several major cities in China in light of the surging COVID-19 Omicron variant case that hindered HDB and the Company's management to perform the agreement in China. In June 2022, HDB and the Company mutually agreed to an assignment of the SaaS Agreement to a third party in China whereby HDB shall return the deposit in the amount of S\$21,231,667 (RMB 102,000,000) to the Company pursuant to the MOU. In light of the foreign exchange control in China which restricts refund of the Deposit being held by HDB in China to the Company's overseas account, HDB had been exploring ways to assign the SaaS Agreement to an entity or financial institution which could facilitate refund of the deposit in China to RFG in the form of overseas assets including offshore cash, assets, financial instrument or their combination. HDB had identified an assignee and secured an assignment agreement with a party based in Hong Kong (the "FI") whereby FI shall take over all the rights and liabilities of the SaaS Agreement.

On March 12, 2024, the Company entered into a deposit refund agreement ("Refund Agreement") whereby the equivalent amount of the Deposit was refunded in the form of 575,000 ordinary shares of Tencent Holdings Limited, a company listed on the Hong Kong Stock Exchange. On the same date, the Company entered into a nominee shareholding agreement with Chief Executive Officer ("CEO") of the Company, Mr. Huang Chuan, whereby the CEO is granted power of attorney to hold the share of Tencent Holdings Limited in trust in his overseas stock brokerage account on behalf of the Company. As a result of the Refund Agreement, the deposit was refunded during the year in the form of 575,000 ordinary shares of Tencent Holdings Limited, a company listed on the Hong Kong Stock Exchange.

13. Convertible loan receivable

On November 1, 2020, the Company entered into a convertible loan agreement with Infini Capital Limited ("Infini") for a principal amount of S\$450,000. The loan was unsecured, non-interest bearing, and repayable on June 30, 2021 ("Repayment Date").

Under the terms of the agreement, if the loan remained unpaid after the Repayment Date, interest would accrue at 20% per annum on the outstanding balance until full settlement. Additionally, the Company has the right to convert all or part of the outstanding loan into shares of Raffles Infrastructure Holdings Limited in lieu of cash repayment. The conversion price is set as follows:

- If no capital raise by Infini has occurred by July 1, 2021, the conversion price will be S\$0.25 per share
- If a capital raise by Infini has occurred by July 1, 2021, the conversion price will be a base price of S\$0.25 per share subject to an adjustment if there are any changes to the share capital of Raffles Infrastructure Holdings Limited

On June 19, 2021, the Company received 3,000,000 common shares of Raffles Infrastructure Holdings Limited valued at S\$840,000, as full settlement of the convertible loan. As a result, the Company recognised a gain of S\$390,000.

RAFFLES FINANCIAL GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Singapore Dollars)

14. Cash and cash equivalents

	2021	2020
	S\$	S\$
Bank balances	629,855	21,040,893
Cash and cash equivalents in the consolidated statements of financial position and cash flows	<u>629,855</u>	<u>21,040,893</u>

The currency profile of the Company's cash and cash equivalents is as follows:

	2021	2020
	S\$	S\$
Singapore Dollar	392,199	830,260
United States Dollar	573	-
Hong Kong Dollar	36,260	-
Chinese Renminbi	-	20,127,742
Canadian Dollar	62,828	82,891
Switzerland Franc	131,607	-
European Euro	6,388	-
	<u>629,855</u>	<u>21,040,893</u>

15. Other payable and accrued liabilities

	2021	2020
	S\$	S\$
Accrued liabilities	278,959	123,357
Amount due to Directors	594,417	92,595
Amount due to a Joint Venture	200,000	-
	<u>1,073,376</u>	<u>215,952</u>

Amounts due to Directors are unsecured, interest-free and repayable on demand.

16. Commitments

The future minimum lease payable under lease contracted for at the reporting date but not recognised as liabilities, is as follows:

	2021	2020
	S\$	S\$
Not later than one year	<u>16,667</u>	<u>52,512</u>

RAFFLES FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

17. Share capital

	Number of common shares	S\$
Balance at June 30, 2019	100,000	100,000
Recapitalisation on reverse take-over (Note 5):		
Elimination of RFPL shares	(100,000)	-
Shares of Raffles Financial Group Limited	1,050,000	-
Shares issued pursuant to reverse take-over	45,000,000	5,327,700
Shares issued for finder's fees on reverse take-over	30,000	152,220
Shares issued for cash	<u>4,000,000</u>	<u>20,296,000</u>
Balance at June 30, 2020	50,080,000	25,875,920
Shares issued for stock options exercised	<u>25,000</u>	<u>223,671</u>
Balance at June 30, 2021	<u>50,105,000</u>	<u>26,099,591</u>

The authorised share capital of the Company is 5,000,000,000 common shares without par value.

Effective on April 29, 2020, the Company completed a share consolidation on the basis of 25.94 pre-consolidation shares for 1 post-consolidation common share. These consolidated financial statements have been retroactively adjusted to reflect this consolidation.

On April 29, 2020, the Company issued 45,000,000 common shares pursuant to the terms of the Transaction (Note 5).

On April 29, 2020, the Company issued 30,000 common shares for finder's fees valued at S\$152,220 (C\$150,000) related to the Transaction (Note 5).

On April 29, 2020, the Company completed a private placement, whereby the Company issued an aggregate of 4,000,000 common shares at a price of C\$5 per common share for gross proceeds of S\$20,296,000 (C\$20,000,000).

On April 15, 2021, the Company issued 25,000 common shares for 25,000 stock options exercised at C\$ 5 per common share for a gross proceeds of S\$133,150 (C\$125,000). The market price at spot were C\$9.42 per common share, resulted in increase in share capital of S\$223,671 (C\$235,500).

RAFFLES FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

17. Share capital (Continued)

Stock options

The Company has a stock option plan under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a term of ten years and vest as determined by the board of directors.

On May 11, 2020, the Company issued 300,000 stock options with an exercise price of C\$5.00 per share, at a fair value of C\$1,019,754. These stock options are subject to vesting provisions such that 25% of the options vest three months from the date of grant, 25% of the stock options vest six months from the date of grant, 25% of the stock options vest nine months from the date of grant and 25% of the stock options vest twelve months from the date of grant. The fair value per option was C\$3.40. The fair value of the options is estimated using the Black-Scholes option pricing model assuming a life expectancy of 5 years, a risk-free rate of 0.38%, a forfeiture rate of 0%, and volatility of 100%. During the year ended June 30, 2021, the Company recorded share-based compensation of S\$765,499 (C\$728,492) (2020: S\$297,610 (C\$291,260)) in relation to these stock options.

	Number of options	Exercise price C\$	Expiry date
Balance outstanding at June 30, 2019	-	-	
Granted	300,000	5.00	May 11, 2025
Balance outstanding at June 30, 2020	300,000	5.00	
Exercised	(25,000)	5.00	
Balance outstanding at June 30, 2021	275,000	5.00	
Balance exercisable at June 30, 2021	275,000	5.00	

Share purchase warrants

	Number of warrants	Exercise price C\$
Balance outstanding at June 30, 2019	-	-
Issued upon RTO (Note 5)	72,096	12.97
Balance outstanding at June 30, 2020	72,096	12.97
Expired	(72,096)	12.97
Balance outstanding at June 30, 2021	-	-

Dividends

On June 23, 2021, the Company paid an interim dividends of C\$0.0908093 per common share, totalling S\$4,969,633 (C\$4,550,000).

RAFFLES FINANCIAL GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Singapore Dollars)

18. Related party transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the following transactions took place between the Company and related party at the terms agreed between the parties.

Transaction entered into between the related parties and Raffles Financial Private Limited, the wholly owned subsidiary of the Company

	2021 S\$	2020 S\$
Rental expenses paid to related parties	<u>16,810</u>	<u>81,130</u>

Related party refers to the Company which is controlled by the Company's directors and their close family members.

Key management personnel compensation

Transaction entered into between the related parties and the Company

	2021 S\$	2020 S\$
Director fees	304,371	55,944
Contract for services	34,519	-
Share-based compensation	<u>765,499</u>	<u>297,610</u>
	<u>1,104,389</u>	<u>353,554</u>

Transaction entered into between the related parties and Raffles Financial Private Limited, the wholly owned subsidiary of the Company

	2021 S\$	2020 S\$
Contract for services	<u>530,250</u>	<u>460,000</u>

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the fair value, which is the amount of consideration established and agreed to by the related parties.

During the year ended June 30, 2020, the Company entered into a Sales and Purchase agreement related to the acquisition of CID and MEL from two directors of the Company (Note 6).

RAFFLES FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Expressed in Singapore Dollars)

19. Segmental information

	Singapore	United States	Malaysia	Hong Kong	China	Canada	Switzerland	Tanzania	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Year ended June 30, 2021									
Revenue	-	-	4,000,000	-	999,880	-	-	-	4,999,880
Year ended June 30, 2020									
Revenue	-	-	-	3,900,000	2,666,672	-	-	2,300,000	8,866,672
As at June 30, 2021									
Cash	392,199	573	-	36,260	-	62,828	137,995	-	629,855
Current and total assets	9,408,527	573	-	36,260	21,231,667	79,146	137,995	-	30,894,168
As at June 30, 2020									
Cash	830,260	-	-	-	20,127,742	82,891	-	-	21,040,893
Current and total assets	14,501,710	-	-	-	19,665,600	563,669	-	-	34,730,979

Segment revenue

Segment revenue has been based on the geographic location of customers.

Due to the nature of the Company's operations, 2 (2020: 4) major customers each contributed more than 10% of the Company's total revenue during the financial year.

	2021 S\$	2020 S\$
Customer 1	4,000,000	-
Customer 2	999,880	-
Customer 3	-	2,800,000
Customer 4	-	2,300,000
Customer 5	-	1,000,000
Customer 6	-	1,000,000
	<u>4,999,880</u>	<u>7,100,000</u>

Segment assets

Segment assets has been based on the geographic location of the assets.

Segment liabilities

Segment liabilities information is not included in the internal management reports. Hence, no disclosures are made on segment liabilities.

RAFFLES FINANCIAL GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

20. Financial instruments and financial risk management

Classification of financial instruments:

	2021 S\$	2020 S\$
<u>Financial assets</u>		
Financial assets, at FVOCI	7,741,054	12,954,783
Trade, other receivables and deposits	22,463,548	650,000
Cash and cash equivalents	629,855	21,040,893
	<u>30,834,457</u>	<u>34,645,676</u>
<u>Financial liabilities</u>		
Other payable and accrued liabilities	<u>1,073,376</u>	<u>215,952</u>

Financial risks factors

The Company's activities expose it to credit risk, liquidity risk, currency risk, equity price risk and capital risk. The Company's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Company's financial performance.

The Board of Directors are responsible for setting the objectives and underlying principles of financial risk management for the Company. This includes establishing detailed policies such as risk identification, measurement and exposure limits.

(a) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The major classes of financial assets of the Company are bank deposits and trade and other receivables. For trade receivables, the Company adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Company adopts the policy of dealing only with high credit quality counterparties.

Cash are placed with banks and financial institutions with high credit-ratings assigned by international credit rating agencies. Trade receivables are substantially companies with a good collection track record.

As the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments present on the statement of financial position.

The Company has applied the simplified approach to measure the lifetime expected credit losses for trade receivables.

In measuring the expected credit losses, receivables are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Company has considered the customers' available credit history and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

20. Financial instruments and financial risk management (Continued)

Financial risks factors (Continued)

(a) *Credit risk (Continued)*

The Company performs ongoing reviews on the collectability of its trade receivables in order to mitigate any potential credit losses. The definition of trade receivables that are past due is determined by reference to terms agreed upon with individual customers. No trade receivables have been challenged by the respective customers and the Company continues to conduct business with them on an ongoing basis.

Trade receivables are written off when there is no reasonable expectation of recovery, such as counterparty failing to engage in a repayment plan with the Company. Where receivables have been written off, the Company continues to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Based on management assessment, cash and receivables as at June 30, 2021 are not subject to any material credit losses after recognising a bad debt provision of S\$7,053,792 during the year ended June 30, 2021.

(b) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company manages liquidity risk by maintaining sufficient cash to enable it to meet its operating commitments. As at June 30, 2021, all the financial liabilities of the Company are due within 12 months. Balance due within 12 months equal their carrying amounts as the impact of discounting is not significant.

(c) *Currency risk*

The functional currency is C\$ for the Company and S\$ for RFPL, Changsheng Investment Development Limited, Marvel Earn Limited and Raffles Financial Asset Management Private Limited. The Company is exposed to currency risk primarily through its cash and deposit balances that are denominated in foreign currencies. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates. The Company's exposure to currency risk related to these cash and deposit balances is currently considered significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

20. Financial instruments and financial risk management (Continued)
Financial risks factors (Continued)

(c) *Currency risk (Continued)*
Foreign currency risk sensitivity analysis

	Base Value	Strengthening	Weakening	Impact	Impact
	S\$	(+5%)	(-5%)	(+5%)	(-5%)
	S\$	S\$	S\$	S\$	S\$
Canadian Dollar	62,828	65,969	59,687	3,141	(3,141)
United States Dollar	573	602	544	29	(29)
Hong Kong Dollar	36,260	38,073	34,447	1,813	(1,813)
Switzerland Franc	131,607	138,187	125,027	6,580	(6,580)
Euro	6,388	6,707	6,069	319	(319)
Chinese Renminbi	21,231,667	22,293,250	20,170,084	1,061,583	(1,061,583)
	<u>21,469,323</u>	<u>22,542,788</u>	<u>20,395,858</u>	<u>1,073,465</u>	<u>(1,073,465)</u>

As at June 30, 2021, the Company held foreign currency cash and cash equivalents and deposit totaling S\$21,469,323. A 5% strengthening or weakening of the Singapore Dollar against the respective foreign currencies would have resulted in a decrease or increase in the value of these balances by approximately S\$1,073,465. This analysis assumes that all other variables remain constant.

(d) *Equity price risk*

The Company is exposed to equity price risk arising from its investments in quoted equity instruments which are classified as financial assets at FVOCI. The Company has a concentration of equity price risk due to one of its investments being worth a significant amount of its portfolio.

Equity price risk arises from fluctuations in the market prices of these shares due to market volatility, changes in investor sentiment, and specific performance of the investee companies. The risk is managed through regular monitoring of the investment portfolio, diversification where applicable, and adherence to established investment policies.

At the reporting date, if the market prices of the quoted equity investments had increased or decreased by 10% (2020: 5%), with all other variables held constant, the Company's other comprehensive income would have increased or decreased by approximately S\$774,100 (2021: S\$647,700), mainly as a result of changes in the fair value of quoted equity investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

20. Financial instruments and financial risk management (Continued)

Financial risks factors (Continued)

(e) *Capital risk*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares.

The Company is not subject to any externally imposed capital requirements.

(f) *Fair value measurements*

Fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair values of current financial assets and liabilities other than the investment approximate their carrying amounts due to the short term nature.

The equity investments at FVOCI include shares in publicly traded companies listed on a stock exchange. The fair value of equity investments at FVOCI is determined based on a market approach reflecting the closing price of each particular security at the consolidated financial position date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security, and therefore equity investments at FVOCI are classified within Level 1 of the fair value hierarchy.

21. Subsequent events

- a) On September 15, 2021, the Company entered into a definitive share purchase agreement to acquire all of the outstanding share capital of Alto Vencap Private Limited ("AV") for a purchase price of S\$2.00 (C\$1.88). Subsequent to the closing of the purchase of AV, the seller shall be entitled to a performance based payment equal to ten times AV's audited net profit after tax for the year ended June 30, 2022 payable in the Company's shares valued at C\$10.00 per share with a maximum 10,000,000 share payout.

On March 31, 2022, the Company entered into a termination and mutual release agreement with the independent third party where the Company and the independent third party agreed to unwind the share and purchase agreement by reversing all the transactions that both parties had entered into pursuant to the share and purchase agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

21. Subsequent events (Continued)

- b) On December 21, 2021, the Company entered into a share purchase agreement to acquire all of the outstanding share capital of Bruce Ventures Private Limited ("BV"), a Singapore-based company providing commercial-used hardware and software sales and solutions, and Dayou Investment Limited ("DI"), a Hong Kong-based company supplying various B2B computing hardware and software to clients in Hong Kong, Vietnam, Thailand, Malaysia and Indonesia. Subject to prior approval of the Canadian Securities Exchange, the Company shall complete the acquisition of BV and DI for the purchase price of S\$100 (C\$93.71) each. Subsequent to the closing of the purchase of BV and DI, the Vendors of BV and DI shall be respectively entitled to a performance-based payment equal to ten times BV and DI's audited net profit after tax for the financial periods ended December 31, 2022, payable in the Company's shares valued at C\$10 per share.

However, such share transaction was not completed nor been taken into effect due to the fact that the condition precedent of the transaction was not fulfilled in light of a cease trading order in place and failure to commence the proposed business in China due to the prolong COVID-19 pandemic. Subsequently on October 31, 2022, both parties entered into a termination and mutual release agreement from the share purchase agreements with the two independent parties.

Before reaching the decision of termination and mutual release from the share purchase agreements, the Company had been in negotiation with two potential Chinese corporate finance experts, Mr. Huang Chuan and Mr. Xu Zhiyang who had expressed their interest in collaboration with the Company in the form of contributing profit to the Company in exchange for a performance-based reward in a stake form based on future earnings.

In order to achieve such collaboration, Mr. Huang Chuan and Mr. Xu Zhiyang had taken over 100% interests in BV and DI respectively upon the aforesaid termination. Then on November 4, 2022, Mr. Huang Chuan and Mr. Xu Zhiyang entered into share purchase agreements with RFPL, pursuant to which:

- (i) RFPL shall acquire all of the outstanding share capital of BV (subsequently changed its name to Asia Oaktree Financial Private Limited ("AOF")) and DI (subsequently changed its name to Raffles Financial Technology (China) Limited ("RFTC")) respectively at a consideration of S\$100 (C\$96) each;
- (ii) subject to the Company's shareholders and necessary approval from relevant authorities, Mr. Huang Chuan and Mr. Xu Zhiyang shall be respectively entitled to a performance-based payment payable in terms of:
- a) a share consideration equivalent to 25% of the interest in the total issued shares capital of RFPL on a post-transaction basis, shall the AOF and RFTC delivers an audited net profit after tax ("NPAT") for the financial year ending December 31, 2023 of S\$10,000,000; or
- b) a share consideration of ten times of the AOF and RFTC's NPAT for the financial year ending December 31, 2023 payable in the shares of the Company valued at C\$3.30 per shares at a cap of 30,303,030 shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

21. Subsequent events (Continued)

- b) On July 31, 2023, Mr. Xu Zhiyang, RFPL and the Company entered into a novation agreement to novate the rights and obligations of the original purchaser, RFPL in relation to the purchase of 100% equity interest in RFTC under the original share purchase agreement ("Original Agreement 1") dated November 4, 2022 to the Company as the new purchaser of RFTC. Pursuant to the novation agreement, the Company undertakes to perform the Original Agreement 1 and to be bound by its terms in every way as if it were named in the Original Agreement 1 in place of RFPL, saved for the terms of the performance-based consideration which shall be superseded by the following:

The Company has a right to choose the payment form of a performance consideration to Mr. Xu Zhiyang in either:

- (i) a share consideration equivalent to 25% of the interest in the total issued shares capital of the Company on a post-transaction basis, shall RFTC deliver an audited net profit after tax for the financial year ending December 31, 2024 of S\$10,000,000; or
- (ii) a share consideration of twelve times of RFTC's audited net profit after tax for the financial year ending December 31, 2024 payable in the shares of the Company valued at C\$3.30 per shares. It shall be satisfied by an issuance of new shares by the Company at a cap of 36,363,636 shares and subject to its shareholders' and/or relevant authorities' approval.

On December 1, 2023, Mr. Huang Chuan, Oaktree International Financial Limited ("OIF"), AOF, RFPL and the Company entered into a novation agreement to novate the rights and obligations of the original purchaser, RFPL in relation to the purchase of 100% equity interest in AOF under the original share purchase agreement ("Original Agreement 2") dated November 4, 2022 to the Company, and to supersede the original target corporation, AOF by a new target corporation, OIF. Pursuant to the novation agreement, the Company undertakes to perform the Original Agreement 2 and to be bound by its terms in every way as if it were named in the Original Agreement 2 in place of RFPL, saved for the terms of the performance-based consideration which shall be superseded by the following:

The Company has a right to choose the payment form of a performance consideration to Mr. Huang Chuan in either:

- (i) a share consideration equivalent to 25% of the interest in the total issued shares capital of the Company on a post-transaction basis, shall OIF deliver an audited net profit after tax for the financial year ending December 31, 2024 of S\$10,000,000; or
- (ii) a share consideration of twelve times of OIF's audited net profit after tax for the financial year ending December 31, 2024 payable in the shares of the Company valued at C\$3.30 per shares. It shall be satisfied by an issuance of new shares by the Company at a cap of 36,363,636 shares and subject to its shareholders' and/or relevant authorities' approval.

On August 28, 2024, 100,000 shares representing 100% interest in RFTC (subsequently changed its name to Oaktree Financial Limited ("OFHK")) was transferred to the Company from Mr. Xu Zhiyang, representing that the acquisition pursuant to the novation agreement dated July 31, 2023 was affected. No performance-based consideration was paid as OFHK did not achieve a positive NPAT. On the same date, 100 shares representing 100% interest in OIF was transferred to the Company from Mr. Huang Chuan, representing that the acquisition pursuant to the novation agreement dated December 1, 2023 was affected. No performance-based consideration was paid as OIF did not achieve a positive NPAT.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Singapore Dollars)

21. Subsequent events (Continued)

- c) On November 1, 2021, the Company announced that it will miss its filing deadline of October 28, 2021 (the "Filing Deadline"), to file its audited annual financial statements and accompanying management's discussion and analysis and related Chief Executive Officer and Chief Financial Officer certifications for the year ended June 30, 2021 (collectively, the "Annual Filings"). As a result of not filing the Annual Filings by the Filing Deadline, the Company became subject to a cease trade order (the "CTO") issued by the British Columbia Securities Commission (the "BCSC") that will prohibit the trading in all securities of the Company by securityholders of the Company and will remain in effect until revoked by the BCSC.