

Raffles Financial Group Limited

**Condensed Interim Consolidated Financial Statements
For the Three Months Ended 30 September 2020
(Unaudited)**

(Expressed in Singapore Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Raffles Financial Group Limited have been prepared by management and approved by the Board of Directors of the Company and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada.

Raffles Financial Group Limited
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income
For the Three Months Ended 30 September 2020 and 2019
(Unaudited)
(Expressed in Singapore Dollars)

	Note	Three months ended 30 September 2020	Three months ended 30 September 2019
Revenue	7	S\$ -	S\$ 3,966,669
Expenses			
Administrative	8	<u>(793,697)</u>	<u>(327,167)</u>
(Loss) Income before other items		(793,697)	3,639,502
Other items			
Foreign exchange loss		361,172	-
Other income		<u>188,633</u>	<u>849</u>
Net (loss) income		(243,892)	3,640,351
Other comprehensive income items that might be reclassified subsequently to the profit or loss			
Foreign currency translation		13,092	-
Unrealized gain on investments	10	<u>916,400</u>	<u>-</u>
Comprehensive income		<u>S\$ 685,600</u>	<u>S\$ 3,640,351</u>
Net (loss) income attributable to:			
Raffles Financial Group Limited		(243,893)	-
Non-controlling interests		<u>1</u>	<u>-</u>
Comprehensive income attributable to:			
Raffles Financial Group Limited		685,599	-
Non-controlling interests		<u>1</u>	<u>-</u>
Basic and diluted (loss) earnings per share		S\$ (0.01)	S\$ 36.40
Weighted average number of common shares outstanding – basic and diluted		50,080,000	100,000

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

Raffles Financial Group Limited
Condensed Consolidated Interim Statements of Financial Position
As at 30 September 2020 and 30 June 2020
(Unaudited)
(Expressed in Singapore Dollars)

	Note	30 September 2020 S\$	30 June 2020 S\$
ASSETS			
Current assets			
Cash		21,255,899	21,040,893
Trade and other receivables	9	-	650,000
Prepaid expenses		216,110	85,303
Investments	10	14,504,782	12,954,783
TOTAL ASSETS		35,976,791	34,730,979
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	372,434	215,952
Current income tax liabilities		2,029,080	2,029,080
		<u>2,401,514</u>	<u>2,245,032</u>
Non-current liabilities			
Deferred income tax liabilities		1,258,001	1,258,001
Total liabilities		<u>3,659,515</u>	<u>3,503,033</u>
NET ASSETS		<u>32,317,276</u>	<u>31,227,946</u>
EQUITY			
Share capital	13	25,875,920	25,875,920
Contributed surplus	13	701,331	297,610
Accumulated other comprehensive income		5,848,836	4,919,344
Retained earnings (deficit)		(108,821)	135,072
TOTAL EQUITY ATTRIBUTABLE TO RAFFLES FINANCIAL GROUP LIMITED SHAREHOLDERS		<u>32,317,266</u>	<u>31,227,946</u>
Non-controlling interests		10	-
TOTAL LIABILITIES AND EQUITY		<u>32,317,276</u>	<u>34,730,979</u>

General information (Note 1)
Commitments (Note 12)

Approved and authorized by the Board on November 30, 2020

Approved on behalf of the Board:

“Lily Ren”
Director

“Mike Zhou”
Director

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

Raffles Financial Group Limited
Condensed Consolidated Interim Statements of Changes in Equity
For the Three Months Ended 30 September 2020 and 2019
(Unaudited)
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	Note	Number of shares	Share capital S\$	Contributed surplus S\$	Accumulated other comprehensive income S\$	Retained earnings S\$	Non-controlling interests S\$	Total equity S\$
Balance as at 30 June 2019		100,000	100,000	-	-	560,301	-	660,301
Net income for the period		-	-	-	-	3,640,351	-	3,640,351
Balance as at 30 September 2019		100,000	100,000	-	-	4,200,652	-	4,300,652
Recapitalization on reverse take-over	13	45,950,000	5,327,700	-	-	-	-	5,327,700
Shares issued for finders' fees on reverse take-over	13	30,000	152,220	-	-	-	-	152,220
Shares issued for cash	13	4,000,000	20,296,000	-	-	-	-	20,296,000
Share-based compensation	13	-	-	297,610	-	-	-	297,610
Foreign currency translation		-	-	-	171,205	-	-	171,205
Change in fair value of FVOCI investments	10	-	-	-	4,748,139	-	-	4,748,139
Net loss for the period		-	-	-	-	(4,065,580)	-	(4,065,580)
Balance as at 30 June 2020		50,080,000	25,875,920	297,610	4,919,344	135,072	-	31,227,946
Share-based compensation	13	-	-	403,721	-	-	-	403,721
Foreign currency translation		-	-	-	13,092	-	-	13,092
Acquisition of Mfund Limited	6	-	-	-	-	-	9	9
Change in fair value of FVOCI investments	10	-	-	-	916,400	-	-	916,400
Net loss for the period		-	-	-	-	(243,893)	1	(243,892)
Balance as at 30 September 2020		<u>50,080,000</u>	<u>25,875,920</u>	<u>701,331</u>	<u>5,848,836</u>	<u>(108,821)</u>	<u>10</u>	<u>32,317,276</u>

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

Raffles Financial Group Limited
Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended 30 September 2020 and 2019
(Unaudited)
(Expressed in Singapore Dollars)

	Note	Three months ended 30 September 2020 S\$	Three months ended 30 September 2019 S\$
Cash flows (used in) provided by operating activities			
Net (loss) income		(243,892)	3,640,351
Adjustment for:			
- Share-based compensation	13	403,721	-
Operating cash flow before changes in working capital		<u>159,829</u>	<u>3,640,351</u>
Changes in working capital:			
- Trade and other receivables		650,000	1,931,414
- Prepaid expenses and deposits		(130,807)	-
- Accounts payable and accrued liabilities		156,482	-
- Other payables		-	(7,135,903)
Net cash provided by (used in) operating activities		<u>835,504</u>	<u>(1,564,138)</u>
Cash flows used in investing activities			
Cash from acquisition of Mfund Limited	6	9	-
Purchase of investments	10	(633,599)	-
Net cash used in investing activities		<u>(633,590)</u>	<u>-</u>
Effect of foreign exchange on cash		13,092	-
Net increase in cash		215,006	(1,564,138)
Cash			
Cash, beginning of period		21,040,893	2,102,734
Cash, end of period		<u>21,255,899</u>	<u>538,596</u>

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

Raffles Financial Group Limited
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended 30 September 2020 and 2019
(Unaudited)
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1. General information

Raffles Financial Group Limited (formerly Explorex Resources Inc.) (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on 6 January 2011. The head office of the Company is located at 3 Shenton Way, #11-1H Shenton House, Singapore, 068805. The principal activity of the Company is the provision of corporate finance advisory services.

Raffles Financial Private Limited (“RFPL”) was incorporated on 5 July 2018 and domiciled in Singapore. On 29 April 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 Canadian Dollars (“CAD \$”) \$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 CAD\$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”).

On 29 April 2020, Explorex Resources Inc. (“Explorex”) changed its name to Raffles Financial Group Limited, completed the share consolidation as discussed above and changed its corporate jurisdiction from British Columbia to the Cayman Islands. Subsequently, the Company completed the RTO as discussed above.

For the purposes of these consolidated financial statements, the “Company” is defined as the consolidated entity. The comparative financial information as at and for the three months ended 30 September 2020 is that of RFPL.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant effects on the world’s equity markets and the movement of people and goods has become restricted. Due to market uncertainty, the Company may be restricted in its ability to raise additional funding. The current circumstances of COVID-19 are dynamic and management is closely evaluating the impact of COVID-19 on the Company’s business operations. The impact of COVID-19 on business operations may affect the demand for the Company’s services in the near term which could have a material impact on the Company’s financial position, results of operations and cash flows in future periods.

2. Basis of preparation

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretation Committee (“IFRIC”).

These condensed interim consolidated financial statements do not include all necessary disclosures required in an annual consolidated financial statements and, as such, should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 30 June 2020.

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The condensed interim 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 accounting policies below. In addition, the condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow disclosure.

The condensed interim consolidated financial statements were authorised for issue by the Board of Directors on 27 November 2020.

3. Significant accounting policies

3.1 Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, RFPL acquired on 29 April 2020, Changsheng Investment Development Limited acquired on 29 June 2020, Marvel Earn Limited acquired on 29 June 2020, Mfund Limited acquired on 31 August 2020 and Raffles Financial AG incorporated on 14 September 2020. 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 subsidiary	Country of incorporation/ Principal place of business	Effective equity interest held by the Company (%)		Principal activities
		2020	2019	
Raffles Financial Private Limited	Singapore	100	-	Provision of corporate finance advisory services
Changsheng Investment Development Limited	Hong Kong	100	-	Investment holding
Marvel Earn Limited	Hong Kong	100	-	Investment holding
Raffles Financial AG	Switzerland	100	-	Provision of corporate finance advisory services
Mfund Limited	Hong Kong	50	-	Provision of infrastructure project funding and advisory services

3.2 Adoption of new accounting policies

IFRS 3 – Business Combinations

The amendments to IFRS 3 clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020.

The adoption of IFRS 3 amendments did not have any impact on the Company's condensed consolidated interim financial statements.

3.3 New or revised accounting standards and interpretations not yet effective

Certain new standards, amendments and interpretations to existing standards that have been published and are mandatory for accounting periods beginning on or after 1 July 2021 or later periods and which the Company has not early adopted. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

4. Critical accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS 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.

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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 realized from future taxable earnings.

Inputs used in accounting for share-based compensation - The Company uses the Black-Scholes option pricing model for valuation of share-based compensation and other equity-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and reserves.

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.

5. Reverse take-over

Explorex entered into a definitive share exchange agreement dated 20 December 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 Resources Inc. with an exercise price of CAD\$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 13), 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 29 April 2020, the date of the completion of the Transaction.

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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 29 April 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 29 April 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 30 June 2020.

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

6. Acquisitions

Effective on 29 June 2020, the Company entered into a Bought and Sold agreement with two directors of the Company to acquire all the issued and outstanding common shares of Changsheng Investment Development Limited ("CID") and Marvel Earn Limited ("MEL") for cash payment of S\$1,798 (HKD\$10,000) and S\$18 (HKD\$100) respectively, which are equivalent to the net asset values of CID and MEL respectively on 29 June 2020.

These acquisitions were accounted for as acquisition of assets since CID and MEL did not meet the definition of a business under IFRS 3.

	CID S\$	MEL S\$	Total S\$
Consideration			
Cash	1,798	18	1,816
Effective settlement of amount due from the directors	<u>4,846,846</u>	<u>3,357,982</u>	<u>8,204,828</u>
Total consideration given	4,848,644	3,358,000	8,206,644

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

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

On 14 September 2020, the Company incorporated a new wholly-owned subsidiary in Switzerland, named Raffles Financial AG (“RF AG”) with 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. RF AG was an inactive company with cash balance equivalent to the paid-up share capital on the acquisition date.

7. Revenue

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

	At a point in time S\$	Over time S\$	Total S\$
For the three months ended 30 September 2020			
Advisory fee	-	-	-
Licensing fee	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
For the three months ended 30 September 2019			
Advisory fee	2,800,000	-	2,800,000
Licensing fee	-	1,166,669	1,166,669
	<u>2,800,000</u>	<u>1,166,669</u>	<u>3,966,669</u>

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8. Administrative expenses by nature

	Three months ended 30 September 2020 S\$	Three months ended 30 September 2019 S\$
Business development and marketing	19,658	-
Contract for services	173,000	181,500
Director fees (Note 14)	77,378	-
Listing expenses	7,177	68,433
Office expenses	24,189	619
Professional fees	31,416	-
Rental on operating lease	25,142	25,144
Staff cost	24,593	3,090
Share-based compensation (Note 13)	403,721	-
Transfer agent and regulator fees	3,250	-
Travelling and accommodation	559	10,004
Other expenses	3,614	38,377
Total administrative expenses	<u>793,697</u>	<u>327,167</u>

9. Trade and other receivables

	30 September 2020 S\$	30 June 2020 S\$
Trade receivables - non related parties	<u>-</u>	<u>650,000</u>

10. Investments

During the year ended 30 June 2020, the Company acquired a total of 19,797,439 shares of Metech International Ltd. ("Metech") for S\$3,888,811 pursuant to the acquisition of CID (Note 6). As at 30 September 2020, the fair value of the 19,797,439 (30 June 2020 – 19,797,439) shares of Metech was S\$2,375,694 (30 June 2020 – S\$2,573,667) resulting in an unrealized loss of S\$197,973 (2019 - S\$Nil) for the three months ended 30 September 2020.

During the year ended 30 June 2020, the Company acquired a total of 47,879,000 shares of KTL Global Limited ("KTL") for S\$959,833 pursuant to the acquisition of CID (Note 6). During the three months ended 30 September 2020, the Company acquired additional of 35,200,000 shares of KTL for S\$633,599. As at 30 September 2020, the fair value of the 83,079,000 (30 June 2020 – 47,879,000) shares of KTL was S\$1,495,422 (30 June 2020 – S\$1,053,338) resulting in an unrealized loss of S\$191,515 (2019 - S\$Nil) for the three months ended 30 September 2020.

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During the year ended 30 June 2020, the Company acquired a total of 18,655,555 shares of GS Holdings Limited ("GS") for S\$3,358,000 pursuant to the acquisition of MEL (Note 6). As at 30 September 2020, the fair value of the 18,655,555 (30 June 2020 – 18,655,555) shares of GS was S\$10,633,666 (30 June 2020 – S\$9,327,778) resulting in an unrealized gain of S\$1,305,888 (2019 - S\$Nil) for the three months ended 30 September 2020.

All above unrealized gain or loss were recorded in the other comprehensive income.

11. Accounts payable and accrued liabilities

	30 September 2020	30 June 2020
	S\$	S\$
Amount due to directors	181,589	92,595
Accounts payable	190,845	123,357
	<u>372,434</u>	<u>215,952</u>

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

12. Commitments

The Company leased office space from a related party during the period ended 30 June 2019. The lessor ceased to be a related party during the year ended 30 June 2020.

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

	30 September 2020	30 June 2020
	S\$	S\$
Not later than one year	<u>26,256</u>	<u>52,512</u>

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13. Share capital

	Number of common shares	S\$
Balance at 5 July 2018 (date of incorporation)	100	100
Shares issued for cash	<u>99,900</u>	<u>99,900</u>
Balance at 30 June 2019	100,000	100,000
Recapitalization 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 30 June 2020 and 30 September 2020	<u>50,080,000</u>	<u>25,875,920</u>

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

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

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

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

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.

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On 11 May 2020, the Company issued 300,000 stock options with an exercise price of CAD\$5.00 per share, at a fair value of CAD\$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 CAD\$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 three months ended 30 September 2020, the Company recorded share-based compensation of S\$403,721 (CAD\$391,316) related to these stock options.

	Number of options	Exercise price CAD\$	Expiry date
Balance outstanding at 30 June 2019	-	-	
Granted	<u>300,000</u>	<u>5.00</u>	11 May 2025
Balance outstanding at 30 June 2020	<u>300,000</u>	<u>5.00</u>	
Balance outstanding at 30 September 2020	<u>300,000</u>	<u>5.00</u>	
Balance exercisable at 30 September 2020	<u>75,000</u>	<u>5.00</u>	

Share purchase warrants

	Number of warrants	Exercise price CAD\$
Balance outstanding at 30 June 2019	-	-
Issued upon RTO (Note 5)	<u>72,096</u>	<u>12.97</u>
Balance outstanding at 30 June 2020	72,096	12.97
Expired	<u>(43,393)</u>	<u>12.97</u>
Balance outstanding at 30 September 2020	<u>28,703</u>	<u>12.97</u>

As at 30 September 2020, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price CAD\$	Expiry date
20,629	12.97	27 November 2020 (subsequently expired)
<u>8,074</u>	12.97	19 December 2020

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14. 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 terms agreed between the parties.

<u>Transaction entered into between the related parties and Raffles Financial Private Limited, the wholly owned subsidiary of the Company</u>	Three months ended 30 September 2020 S\$	Three months ended 30 September 2019 S\$
Rental expenses paid to related parties	16,810	25,144

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

Key management personnel compensation

<u>Transaction entered into between the related parties and the Company</u>	Three months ended 30 September 2020 S\$	Three months ended 30 September 2019 S\$
Contract for services, a director	15,000	-
Contract for services, a director	15,000	-
Contract for services, a director	15,000	-
Contract for services, Chief Financial Officer	9,000	-
Contract for services, a non-executive director	7,500	-
Contract for services, an independent director	7,500	-
Contract for services, an independent director	7,500	-
Contract for services, an independent director	7,500	-
Share-based compensation	403,721	-
	487,721	-

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<u>Transaction entered into between the related parties and Raffles Financial Private Limited, the wholly owned subsidiary of the Company</u>	Three months ended 30 September 2020 S\$	Three months ended 30 September 2019 S\$
Contract for services, a director	30,000	30,000
Contract for services, a director	30,000	30,000
Contract for services, a director	30,000	30,000
Contract for services, Chief Financial Officer	-	30,000
Contract for services, Chief Investment Officer	24,000	24,000
Contract for services, Chief Management Officer	19,500	19,500
Contract for services, Chief Legal Officer	18,000	18,000
	<u>151,500</u>	<u>181,500</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 30 June 2020, the Company entered into a Bought and Sold agreement related to the acquisition of CID and MEL from two directors of the Company (Note 6).

15. Segmented information

The assets, liabilities and operations of the Company are located in five geographical areas.

	Singapore S\$	Hong Kong S\$	China S\$	Canada S\$	Switzerland S\$	Total S\$
Three months ended 30 September 2020						
Revenue	-	-	-	-	-	-
Three months ended 30 September 2019						
Revenue	-	2,800,000	1,166,669	-	-	3,966,669
As at 30 September 2020						
Cash	596,149	-	20,502,080	6,010	151,660	21,255,899
Current and total assets	15,420,986	-	20,502,080	53,725	-	35,976,791
As at 30 June 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

16. Financial risk management

Financial risks factors

The Company's activities expose it to credit risk, liquidity risk, currency risk, market 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.

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 30 September 2020 are not subject to any material credit losses.

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(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 30 September 2020, 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 CAD for the Company and S\$ for RFPL, MEL and CID. The main currency to which the Company has an exposure is the Renminbi dollar. The Company is exposed to currency risk to the extent of its cash, that are denominated in Renminbi dollars. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates. A 10% strengthening (weakening) of the Singapore dollar against the Renminbi dollar would have increased (decreased) the Company's net (loss) income by approximately S\$1,830,000 during the three months ended 30 September 2020.

(d) *Price risk*

Price risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in equity and commodity prices. The Company is exposed to price risk in equity investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices.

Additionally, the Company is required to fair value its equity investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavorable effect on the Company's financial position.

Equity price risk is defined as the potential adverse impact on the Company's loss due to movements in individual equity prices or general movements in the level of stock market on traded investments. The Company has a concentration of equity price risk due to one of its investments being worth a significant amount of its portfolio. During periods of significant broader market volatility or volatility experienced by the resource or commodity markets, the value of the Company's investment portfolio can be quite vulnerable to market fluctuations. At 30 September 2020, a 5% change in the closing trade price of the Company's equity investments would result in a S\$725,239 (30 June 2020 - S\$647,700) change in unrealized gain (loss) on investments.

(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 categorized 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.